

ADMINISTRATIVE REFORMS COMMISSION



REPORT  
OF THE  
WORKING GROUP  
ON DEVELOPMENTAL, CONTROL  
AND  
REGULATORY ORGANIZATIONS

MARCH, 1968

**ADMINISTRATIVE REFORMS COMMISSION**  
**WORKING GROUP ON DEVELOPMENTAL, CONTROL AND**  
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**ADMINISTRATIVE REFORMS COMMISSION**

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Parliament Street,  
New Delhi**

**Manubhai Shah,**

*Chairman,*

*March 28, 1968.*

*Working Group on Developmental, Control &  
Regulatory Organizations.*

**My dear Shri Mathur,**

I AM grateful to you and the Administrative Reforms Commission for having taken so much interest in the working of our Group. May I say we all have enjoyed working in this Group. We were fortunate to receive the utmost co-operation from all the staff of the Commission particularly from Shri K. M. Mirani who has spared no efforts to make the Working Group function in an intensive and purposeful manner.

I have pleasure in submitting herewith the report of our Working Group for consideration of the Commission.

With kindest regards,

Yours sincerely,

**MANUBHAI SHAH**

**Shri H. C. Mathur, M.P.,**

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## INTRODUCTION

(i) The Working Group on "Developmental Control and Regulatory Organizations" set up by the Administrative Reforms Commission, was required to have a fresh look at the numerous developmental and regulatory organizations of the Government which have some role to play in the regulation and promotion of industries. The composition of the Working Group and their terms of reference have been reproduced in Annexure I.

(ii) The organizations mentioned in the terms of reference *e.g.* the Coal Controller, the Iron & Steel Controller, the Textile Commissioner, the Jute Commissioner and the DGTD have two distinct types of functions to perform. They are engaged as the executive agencies of the Government in the implementation of innumerable Government regulations controlling the operations of industries. They are, at the same time, entrusted with the task of promoting the development of the industrial sectors in their respective domain. Historically, most of them came into existence in the context of acute shortages witnessed during the Second World War. They were designed to secure a proper distribution of critical commodities and to mobilize production to meet the enhanced demand during the war time. The impact of this origin is visible even today in their organizational structure. It is apparent that their activities pertain to those commodities which have a critical role in the process of industrial development. They almost constitute the industrial infra structure on which further growth and development must perforce depend. During the last 20 years supply has been consistently trailing behind the demand necessitating the imposition of some of the other system of administrative rationing, Planned economy inevitably involves a rational system of resource deployment consistent with the Plan priorities. These organizations have, therefore, been playing a vital role in enforcing a system of distribution conducive to rapid growth of industry. The importance of this task is by no means belittled by temporary surpluses in some commodities necessitating periodical relaxation of distribution and price controls. We are quite aware that supply and demand cannot be so perfectly balanced at all times as to avoid some temporary shortages and surpluses. We are appreciative of the part these organizations have played in maintaining an adequate flow of scarce material resources to the fields where it was most needed from time to time.

(iii) Apportionment of scarce commodities, however important by itself, does not exhaust the entire justification for the existence of these executive agencies. Any Government having specific industrial targets has to devise appropriate measures for guiding, directing and promoting industry. It is but natural that this promotional role should progressively overtake the previous regulatory functions. For ourselves, we are starting with the premise that the Government cannot be passive onlooker leaving the growth of industry to chance.

While encouraging private initiative and leaving day-to-day management decisions to the entrepreneurs the Government have to actively assist by providing the necessary inputs and by taking corrective measures whenever sectoral imbalances threaten to distort the industrial growth and deflect it from the plan targets. Left to itself, the economy is bound to adjust itself in the long run. But the price paid by the country in this process in the shape of mis-allocation of resources will be too high. To avoid this waste, Government have to devise means whereby inter-sectoral and inter-temporal balance is reasonably maintained.

(iv) The proper organizational structure of these executive agencies of the Government must take note of the nature of functions Government is required to perform. The free play of market forces does achieve some pattern of resource deployment which may or may not conform to national requirements. Administrative interference which seeks to replace, at least partially, the free inter-play or the laws of supply and demand must be fully informed. We have, therefore, given considerable thought to the problem of ensuring that the technical inputs in the decision-making processes of the Government are both adequate and effective.

(v) The quality of the technical competence which goes in the formulation of Government policies and the implementation thereof has to be of a sufficiently high standard. We have made a number of recommendations pertaining to the improvement of the technical personnel which is entrusted with the formulation of Government policies as well as with their day-to-day implementation. While there is a general acceptance of the need to create a highly competent technical advisory service in the Government, conflicting views on the appropriate organizational structure of this agency are possible. We have considered this at great length and the setup that we have recommended is, in our view, appropriate for the country's requirements over the next 15—20 years. Administration in the economic field needs a specialized knowledge for which management expertise alone is hardly adequate. Without running down the role of general administrators we have recommended a greater dovetailing of technical expertise in the art and practice of economic administration.

(vi) We give utmost importance to the creation of a suitable institutional framework wherein a continuous and purposeful dialogue can be sustained between trade and industry on the one hand and Government agencies on the other. It is equally imperative that administrative decisions, which can have far-reaching consequences to industrial units, should not be taken in circumstances that are shrouded in mystery. Even the best of administrators are likely to go wrong and the harmful consequences of a wrong administrative decision can be mitigated only if a proper forum of appeal is provided. We have kept this aspect constantly before ourselves while recommending procedures that determine the fate of entrepreneurs.

## CHAPTER I

### THE DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT

#### *Historical Review*

1.1. To appreciate the proper role and the functions of the Organizations of the D.G.T.D., it would be appropriate to cast a glance at its origin and evolution. The Development Wing, as this Organization was first called, was constituted for the main purpose of advising and assisting the Government in ensuring the proper growth and development of industries in the country. This Organization first came into being due to the exigencies of the last World War when several industries were established in the country to meet the requirements of the War efforts. To achieve this end, a Planning Unit was set up in the Directorate General of Supplies and Disposals to plan industries and to encourage their establishment in the private sector. At the end of the war, these industrial units were faced with various difficulties. Their consolidation into a well-integrated pattern of industrial development to cater to the needs of the country's peacetime economy was a matter of extreme urgency. To meet these requirements, the Development Wing was formed in 1946 as a part of the Directorate General of Industries and Supplies under the late Ministry of Industry and Supplies.

1.2. The Development Wing functioned as an integral part of the D.G.I. & S. from 1946 to 1951 when it was organized as a separate Attached Office under the Ministry of Commerce and Industry. Its functions have greatly expanded over the course of years. Today this Organization is entrusted with the task of formulating and executing the development plans encompassing the entire industrial field. Today, it renders technical assistance to all Ministries including Supplies, Finance, the Planning Commission and statutory bodies like the Tariff Commission, Indian Standards Institution, C.S.I.R. etc.

1.3. With the advent of the Five Year Plans, the responsibilities of the D.G.T.D. acquired a new dimension and a special significance. While in the First Five Year Plan, the main emphasis was on the agricultural development, the Second Plan concerned itself mainly with industry. The Third Five Year Plan laid emphasis on machine building. The D.G.T.D. played a significant role not only in formulating the plans of industrial development for the three Plans but also in implementing the Plan programmes. In the near future they will have to pay special attention to the promotion of indigenous knowhow, translation of laboratory and pilot plant operations to commercial operations, improvement of existing processes and development of new ones and to building up of export industries. It is evident that the industrial

development of the country is a new phase of sophistication and to handle the problems which would come up in the future years competently it is necessary once again, as in 1951 to have a fresh look at this Organization and to reorientate its outlook.

### *The Chief Technical Advice Agency*

1.4. The Directorate General of Technical Development today constitutes the principal agency of Technical Advice available to the Government on all industrial matters. Their advice is sought over an extensive area of administrative decisions including lying down of targets and priorities for industrial production, industrial licensing, approval of foreign technical collaborations and the formulation of import export policies. This organization also functions as an agency for providing technical advice and expertise to public sector undertakings and autonomous and statutory organizations like the Tariff Commission, the National Industrial Development Corporation and the financing institutions like the Industrial Finance Corporation of India. Besides it is also responsible for giving technical guidance and assistance to the industrial unit in the private sector on matters regarding the choice of industry, the investment pattern, foreign collaboration, import substitution, conservation of scarce items and quality control. Not only are they responsible for the planning and development of all industries but they are also entrusted with the day-to-day implementation of the Government's policies. This, inevitably casts on the organization an enormous burden for the discharge of the following types of functions :

- (a) processing of import applications for raw materials, spares, components and capital goods ;
- (b) making industry-wise and unit-wise allocation of foreign exchange ;
- (c) ensuring achievement of production targets according to the phased manufacturing programmes of indigenous content;
- (d) collection, tabulation and dissemination of industrial data;
- (e) devising ways and means with a view to promote exports of the Indian manufactured goods;
- (f) import substitution and processing of foreign collaboration agreements.

### *Mathur Study Team*

1.5. Recently a Study Team under the Chairmanship of Shri H. C. Mathur, M. P., made a comprehensive study of the organizational structure of the D.G.T.D. and have made a number of far-reaching recommendations in order to streamline the administrative procedures and to bring about structural changes so as to enable this organization to play its promotional and developmental role more adequately than hitherto. We do not propose to cover this entire area again and will



restrict our enquiry to the basic role of this premier technical advisory service to the Government so as to suggest any structural modifications that are necessary for enabling it to carry out this responsibility, with greater initiative and efficiency.

1.6. In the context of our planned economy, in which specific physical targets for industries are laid down in the successive Five Year Plans, the enormous magnitude of their responsibility is quite apparent. Successful implementation of the Plan programmes depends on the securing of inter-temporal and inter-sectoral balances. The persistent shortage of foreign exchange, which in itself seems to be inherent in the process of economic development, has largely diverted the attention of this organization to the day-to-day administrative tasks involved in the allocation of this scarce resource. The proper deployment of this scarce resource with a view to its optimum utilization is a task involving great complexity. The different sources of foreign exchange and the varying conditions attached to the tied loans make its distribution an exercise requiring competent technical judgement and full appreciation of industries' requirements. It is, therefore, not difficult to appreciate the D.G.T.D's pre-occupation with this task. On the other hand, the D.G.T.D. or the Development Wing, as it was known earlier, has played a significant role in promoting development of industry by providing the much needed technical advice and guidance to entrepreneurs. Of late, however, the promotional aspect of the work of this organization has been over-shadowed by its pre-occupation with the minutiae of administrative tasks thrown up by these other functions, e.g., processing of statistical returns, allocation of foreign exchange and of scarce indigenous materials or products etc.

1.7. We have seen with great interest the recommendations of the A.R.C's Study Team on 'Economic Administration' under the Chairmanship of Mr. Bhabha pertaining to the strategy of development and those relating, in particular, to Government's control over investment and the administrative processes involved in industrial licensing, import licensing and foreign collaboration approvals.

The Team has made important recommendations which, if implemented, will help the entrepreneurs to take decisions in specific cases on their own without having to approach the Government for day-to-day sanctions on numerous small matters, subject, of course to the overall broad guidelines or instructions prescribed by Government pertaining to matters like tariffs, imports, fiscal and credit policies. We agree with the findings of this Team that the new strategy will require more sophisticated technical inputs in the administrative process when compared to the present arrangement. As a matter of fact, any satisfactory implementation of this suggestion would materially depend on the quality of the technical advice at the disposal of the Government. We are in agreement with the recommendation of this Study Team

that the physical controls can be effectively and fruitfully employed to achieve aims which are precise, detailed and quantified. This consideration also points to the imperative need for building up a technical advice agency for the Government which possesses the highest technical competence.

### *The Task before us*

1.8. To make this possible we have to evolve systems and an administrative structure which is calculated to preserve the technical excellence of the requisite order. In particular, we have to ensure that there are adequate institutionalized arrangements within the Government for formulating the tactical policy within the framework of the broad strategy which is necessarily decided at the highest level. We have also to bring about the right relationships between the technical organizations and the decision-making levels in the Ministries in order to ensure that the technical inputs at the policy-making levels are both adequate and effective. This leads us to the considerations of personnel policies which are at present followed in technical organizations with a view to determine how far such policies are calculated to attract the type of personnel competence required for developmental tasks in the promotion of industry.

1.9. Even though the D.G.T.D. may not be able to furnish a complete "consultancy" service to entrepreneurs in the private sector, it has to provide a very large measure of technical and industrial guidance and information to the industries in the private and public sectors. They should provide an enlightened leadership and tender advice to the entrepreneurs. This does not mean that the entrepreneurs are or can be exonerated from making their own investment decisions but well manned industrial development service can and should provide adequate guidance, leadership and check points. The Organization essentially has to be conceived as the Technological Wing of the Government apparatus for achieving the industrial targets set out in the Plans and their orderly achievements.

### *A Centralized Technical Agency*

1.10. For historical reasons, industries like Iron and Steel, Textiles, Tea, Sugar and Vanaspati have remained out of the D.G.T.D's field. Of late there has been a tendency in the various administrative Ministries dealing with specific industries to create their own technical cells in preference to the centralized technical advice concentrate in the D.G.T.D. This question has been considered in great detail by the Study Teams on 'Economic Administration' and 'Central Government Machinery' and we do not propose to discuss at length the advantages and disadvantages flowing from a centralized agency. It, however, appears to us quite obvious that the Ministry of Industrial Development which has assumed the nodal role of formulating co-ordinated policies for the entire industrial sector should be armed with the Technical advice which D.G.T.D. furnishes at present. For instance, this technical

organization has to assist the Ministry of Industrial Development in formulating the Government policies on basic issues such as :

- (a) Policy on capital goods, foreign collaboration etc. ;
- (b) Industrial planning, inter-industrial relationships, inter-sectoral balance, regional dispersal, avoidance of concentration of power ;
- (c) The problems of small scale industries, regulation of prices, and reference to Tariff Commission, guidance to financial institutions, reference to the Planning Commission for a review of targets, fiscal incentives to speed up the progress of the specific industries, tariff protection to various industries.

1.11. Even a brief enumeration of the tasks which this technical advisory organization has to perform establishes beyond doubt the importance of this organization as the main agency of the Government for securing a co-ordinated and balanced industrial growth in accordance with the planned programmes. We are not unmindful of the enormity of this task. We also acknowledge that the various administrative Ministries incharge of different sectors of the industrial field must have at their disposal expert technical advice. if they are to discharge their functions adequately. The solution, according to us, does not lie in breaking up to the D. G. T. D. and attaching its various wings to the relevant administrative Ministries. The inter-dependence of the various industries is so pronounced that there is considerable advantage in keeping the technical experts in a composite organization which should be the repository of technical competence to guide all governmental action in the industrial sector. The much the better and more rational course would be to reorganize the present D. G. T. D. in a number of Directorates each looking after a specific industrial sector and devise administrative machineries whereby the administrative Ministries of the Government can draw upon their services for the due discharge of their day-to-day responsibilities. In countries with centrally planned economies, most of the manufacturing enterprises belong to the Government. In such an administrative set-up it would be natural that numerous Ministries of the Government would be required for managing and developing the manufacturing units of the Government through a highly organized and vastly manned technical personnel attached to each Ministry. On the other hand, in countries with mixed economies, such as ours, the large-scale public sector units will have to have their own fulltime technologists and scientists of high competence within the service of each project. Along with this, each privately-owned industrial unit has to have its own technical staff. Therefore, while there may be need for more than one Ministry to look after the industrial development of the country, the nucleus of the technical staff required to serve the needs of each Ministry will necessarily be of a very small size and it will be a pity if such a small technical organization is divided into compartments giving away the advantages of mobility, exchange of technological experience, overall guidance and

supervision. We, therefore, firmly believe that a centralized Industrial Development Service with different directorates serving the needs of different industrial Ministries but retaining an overall unified technical-cum-administrative set-up would be the ideal arrangement for our purpose.

1.12. It is true that we have moved far away from the stage when a single Ministry of Industry and Commerce managed the entire gamut of the industrial sector and today a number of Ministries in the Government of India are involved in the task of industrial development. The problems of coordination arising out of this dispersal are sought to be solved by entrusting the broad policy-making and other nodal functions to the Ministry of Industrial Development, without intruding into the operational freedom of the individual sectoral departments. The Organization of the D. G. T. D. is the technical adviser to all the Ministries concerned with industry. The point of view which has been strongly urged, is that the concept of a centralized technical organization was more appropriate in the past when the country's industrial base was being built and that, in the future each administrative Ministry entrusted with the development of specific industries should have its own Technical Advisers. This is sought to be justified on the ground that a time has arrived when technical personnel must not be relegated to a purely advisory role but should be fully integrated in the daily operations of the Ministries. Undoubtedly, the Ministry of Industrial Development, as a nodal agency would need competent technical advisers of the very highest order but the various Ministries of the Government dealing with their own sectors of industry ought to be supported by adequate technical advice. A suggestion was, therefore, made that the developmental and regulatory functions of the D. G. T. D. ought to be separated and the regulatory functions of the following types, with the necessary technical personnel from the D. G. T. D., should be transferred to the administrative Ministries :

- (i) Recommendations of individual applications relating to industrial licensing, imports etc. ;
- (ii) Allocation of foreign exchange to various firms within an industry ;
- (iii) Follow-up and implementation of industrial licences;
- (iv) Allocation of scarce raw materials;
- (v) Assistance in the matter of securing transport and power facilities;
- (vi) Planning and valuation of public sector units; and
- (vii) Liaison with associations of private sector units.

We have devoted considerable thought to this suggestion, but we think that the time has not yet arrived to make any such bifurcation in the D.G.T.D. The demarcation between the developmental and the regulatory functions is bound to create difficulties because the problems of various industries are very closely inter-linked. We do not deny that the

functions of this technical organisation fall within two broad categories *e. g.* developmental and regulatory. The remedy, according to us, lies not in bifurcating these functions and transferring some of them to the administrative Ministries but in locating in the D.G.T.D. itself two sets of technical personnel responsible for their respective tasks. We will elaborate this idea in succeeding paragraphs. Coordination between different Government agencies is not a matter to be taken for granted and for the next 15-20 years the balance of advantage would lie in having a composite technical advisory service. As a matter of fact, any move towards the decentralization of this Organization at this stage would be inconsistent with the role that we envisage for it. A close-knit Organisation will facilitate a comprehensive handling of these issues. Even in the future, when industries have developed to a stage where detailed Government intervention would no more be necessary and the functions of the Ministries would be only to lay down broad general guidelines, a dispersal of the Technical Advisory Service will be detrimental to the growth of a versatile many-sided development service. At any rate, at the present stage of our development we think that the advantage lies in having a composite Technical Advisory Service.

It has been argued that a centralized technical service organization of an all-pervasive character would be inconsistent with the creation of separate Ministries with responsibilities for the development and regulation of specific sectors of industry. Such a set up, it is contended, cannot adequately serve the day-to-day needs of administrative Ministries without seriously impairing their efficiency. Some have gone to the extent of saying that this type of organization might militate against the Ministerial portfolio system. We feel that these misgivings are totally unjustified. The technical organization like that of the D.G.T.D. should be looked upon as a common service facility. Once the imperative need to build within the Government an organization of highest technical competence is accepted, the limited availability of technical competence within the country in general and in the Government in particular would necessarily point to the inadvisability of spreading technical talent too thinly. We have accepted the existence of the Ministry of Industrial Development entrusted with some nodal functions in the field of policy formulation. Existence of a composite organization in the technical field should be even more readily acceptable. We contemplate a number of Directorates each looking after a specific sector of industry assisting the relevant Ministries of the Government under the overall control and discipline of a Director General retaining the advantages of a close-knit organization which alone can comprehensively deal with the entire industrial sector. Technology is indivisible and a rigid compartmentalization will do more harm than good. The example of the long drawn debate on the appropriate location of the technical experts looking after the textile manufacturing machinery is too fresh to be ignored. Fears that the nodal organizations would inevitably impinge on the minute of the developmental and regulatory work of the administrative Ministries incharge of specific sectors of industries are undoubtedly based on an

inadequate appreciation of the Government's role in assisting and directing the private sector industry. It is time the Government depended less on the detailed implementation of controls and concentrated more on the evolution of strategies and laying down of guidelines providing a healthy framework within which private sector industry could flourish.

### *Technical Organisation for Specific Industries*

1.13. Misgivings about the advisability of having a centralized technical advisory organization, even if it is modelled as a common service facility, would be totally dispelled if the working relationship of this organization with the Ministry of Industrial Development and other administrative Ministries incharge of specific sectors of industry was spelt out in detail. This technical advisory service is placed within the Ministry of Industrial Development for two reasons; (a) the nodal functions of the Ministry would themselves require a Technical Wing if these functions have to be performed adequately, (b) for administrative reasons it would not be advisable to create a separate Ministry to handle this technical organization alone. The placement of this organization in the Ministry of Industrial Development, however, does not at all imply that the Secretaries of the sectoral Ministries have necessarily to obtain the technical advice from the relevant Directorates of this Organization through the Secretary, Ministry of Industrial Development. The concerned Secretaries could call for the advice of the D.G.I.D., the relevant Directorates of this Organization and the Technical Officers directly as if the concerned Directorates were within their charge, without the intervention of the Ministry of Industrial Development. The existence of a composite and a cohesive advisory organization would make it possible to have consultations on wider plane covering all the technological, scientific and industrial aspects. The exchange of technical information and experience over the entire gamut of the industries will enrich the competence and expertise of the personnel of the D.G.I.D.

With each Ministry armed with a Technical Wing of its own, coordination and integration is practicable only at inter-Ministerial discussions. With technical experience locked up in small compartments, coordination in the industrial, scientific and technological matters will become difficult. It would obviously lead to smoother functioning if the Technical Advisers belong to one organization so that their advice is comprehensive obviating inter-Ministerial wrangles. Belonging to one organization does not mean that the sectoral Ministries would not have an easy and direct access to the relevant Directorates or officers incharge of specific industries.

### *Re-modelling of D.G.T.D.*

1.14 The D.G.T.D, as it is organized today, is hardly equipped to undertake the responsibilities cast on this agency. We are not unappreciative of the significant role that they have played in the past

in the initial stages of our industrial growth. With the passage of time, however, the industrial landscape itself has altered and the changed situation necessitates a remodelling of this agency. In the near future they will have to play a far greater role in the evolution of administrative strategies for achieving the industrial targets than has been the case hitherto. They have undoubtedly helped in securing progressive import substitution, but the magnitude of this task in the future will be far greater than before. Substitution of imported materials by development of suitable indigenous goods will need a coordinated and concerted effort. In the new context, normal characteristics of a Government organization which this agency has acquired e.g., a steep hierarchy, movement of files from the lowest to the highest level, lack of clear definition of responsibility, promotion based mainly on seniority, are obviously out of place. This type of set-up may be admirably suitable for implementing the administrative rationing of scarce resources, but it is not suitable in the new context.

1.15. If the D.G.T.D. has to render a service of a highly technical nature, the structure of the organization, we feel, must perforce undergo modification. The present set-up, with a steep hierarchy beginning from the Assistant Development Officer at the bottom to the Director General at the top, which may have been appropriate to the tasks performed hitherto will be totally out of place in a highly qualified technical consultancy organization. The entire hierarchy of the Assistant Development Officers, Development Officers, Industrial Advisers, Senior Industrial Advisers, the Deputy Director General and the Director General has to be thoroughly reorganised. What is needed is not merely a quantitative reduction in the levels of these officers but a major qualitative change in the personnel manning this service.

#### *The present set-up*

1.16. The Directorate General of Technical Development is broadly divided into two wings, namely, engineering and chemical, each under a Senior Industrial Adviser. Each of these two main Wings is divided into a number of Industrial Advisers' Division. There are 11 such Divisions which are further sub-divided into 53 Directorates each consisting of one or two Development Officers and one or two Assistant Development Officers. Development Officers occupy a key position in the D.G.T.D.'s organization. Each Development Officer is placed in charge of a group of industries and looks after a large number of manufacturing units in his charge. The Development Officer is primarily responsible for the planning, development as well as the consideration of all matters concerning his group of industries.

#### *Recommendations of the Mathur Study Team*

1.17. The Mathur Study Team recently examined the working of this organization. They have kept the following important guidelines in view while examining the organizational set-up of the D.G.T.D. :

(a) Whether it is feasible to separate the executive functions from the development role of the Directorate General of Technical Development, and, if so, how best the discharge of the two types of functions can be organized;

(b) In what manner can the Directorate General of Technical Development's Organization be facilitated to take greater initiative in doing industrial surveys, planning and development, and project evaluation work;

(c) Whether there is any need for strengthening the planning and co-ordination work of the Directorate General of Technical Development particularly in the context of the large industrial development programmes included in the successive Five Year Plans;

(d) To what extent and how best can the technical officers be relieved of non-technical work;

(e) To what extent and in what manner can delegation be given effect to in order to achieve the benefits of speed with efficiency;

(f) What facilities and opportunities should be provided to the technical officers to keep their technical knowledge as well as field experience up-to-date;

(g) What procedures and policies may be evolved so as to reduce the need for the industry to come up frequently to the organization for clearance or sanction during the currency of each licensing period, thereby also minimising the element of uncertainty which is likely to hamstring the planning of industrial units considerably;

(h) Considering that the Directorate General of Technical Development's Organizations has to be more clientele-oriented, in what manner can their decisions and such of their recommendations as have the finality of an order or sanction be communicated to the parties at the earliest stage providing thereby timely and suitable avenues for representations;

(i) What system may be evolved to ensure that the justification for the exercise of discretion in any particular manner gets duly brought on record for future reference;

(j) To what extent and in what manner can the periodical returns and forms be simplified in content and reduced in number;

(k) How best the frictional time in moving all papers can be reduced to the unavoidable minimum.

1.18. A number of the above questions pertain to the internal functioning of the Organization and the Team have made numerous recommendations in the matter of allocation of foreign exchange industry-wise and unit-wise import of capital goods etc. so as to streamline the allocation procedure. What interests us most is the role of the D.G.T.D. in the industrial planning leading up to the drawing up of the



Five Year Plans and the subsequent stage of the implementation of this Plan. Incidentally, both this Study Team and the Bhabha Study Team had recommended that the D.G.T.D. should be administratively attached to the Ministry of Industrial Development so as to enable this Ministry to play its role of coordination in an effective manner. This recommendation has already been accepted and implemented by the Government.

### *The Directorate General of Industrial Development*

1.19 While endorsing the numerous suggestions of the Mathur Study Team pertaining to this Organization we feel that the time has arrived to make some fundamental changes in the structure of this Organization. In our view, its present structure is inadequate in its technical excellence for rendering the requisite advisory service to the Government and the industry both in the public and the private sectors. What is required at the present stage is an agency which can play a positive and leading role in the industrial development process. The personnel of an Organization which has the responsibility of promoting the development of industry must have a broader outlook comparable to the country's highest administrative services.

In keeping with its changed role this Organization should be properly named as the 'Directorate General of Industrial Development'. We also recommend that a highly qualified and experienced cadre of technical personnel should be created, styled as the Industrial Development Service to man not only the several posts in the hierarchy of the D.G.I.D. but also jobs like the Technical members of the Tariff Commission, Textile Development Board, Advisers (Technical) of the Planning Commission, and the Senior technical posts in the D.C.S.S.I. and the State Directorate of Industries.

This cadre could also be drawn upon, when necessary to man the industrial jobs in the Public Sector Undertakings and the National Research Laboratories. Technical personnel who, till now, have been relegated to the role of Advisers without having either the responsibility or the opportunity to take ultimate decision should not be assigned their true position. If a highly qualified cadre of Industrial Development Service Officers is created they would provide, with advantage, the personnel for organizations like Directorates of Industries in the States, Small Scale Service Industries Institutes, Technical Wings in the Planning Commission, the Tariff Commission, the Textile Development Board, the Coal Board, the Deputy Director General for Iron and Steel etc. This will bring about an integrated complex for industrial consultancy and counselling at all levels. The intention is to create a body of technical experts whose services could be utilised in the several governmental organizations where technical knowledge is necessary. While this personnel will be available for manning the posts in the Directorates of Industries of the State Governments, it is not the intention that the constitution of the Directorate General, Industrial Development, should be made

dependent on the concurrence of the State Governments concerned. In due course, when the State Governments do feel the need to requisition their services, these officers may also be made available to them.

### *The Industrial Development Service*

1.20. We are quite aware of one possible objection to the concept of a "Service" in a field which is highly technical in nature. Strictly speaking, the concept of a "Service" presupposes that within a "Service", positions at the same level are analogous and any member of the "Service" qualified to hold that grade can be posted to them. Thus, while constituting a "Service" positions are examined not only with reference to the skill requirements for the purpose of grading but it is also ensured that these positions are interchangeable. The concept of a "Service" implies a homogenous group so that the personnel constituting the cadre is mobile and can occupy any one of the posts earmarked for the "Service". While a certain amount of mobility and inter-changeability is inherent in the concept of a cadre, we do not think that this is necessarily inconsistent with the existence of a few broad and well-recognised divisions in a "Service" with certain specializations at the top most levels. Given the basic technical background and experience, members of the Industrial Development Service could be expected to occupy different posts earmarked for the personnel of this "Service" broadly within their divisions and more so at the higher levels of direction and coordination. It should not be presumed that the I.A.S. provides the proto-type for the constitution of an All India Service. The I.A.S. structure which may be ideal for a purely administrative service is not suitable for other Services which are technical in nature. It is significant to note that the imperative needs of specialization for doing the complex jobs in modern administration are leading to the formation of specialised pools within the I.A.S. itself.

1.21. The basic requirements for constituting a "Service" are:

- (1) The cadre should be of a sufficiently big size to be operationally viable; and
- (2) There should be some inter-changeability between different posts so that officers belonging to a particular grade can be easily posted to different posts.

We feel that the Industrial Development Service recommended by us will satisfy these requirements. We may also add that for a service of this nature personal competence should enable a technical officer to draw the salary in the higher grade without any imperative need of moving up the hierarchical ladder, as is customary in the Administrative Services. It is unfortunate that the word "Service" has come to acquire certain connotations which are inappropriate to a highly technical organization with a number of specializations, wherein personal competence rather than seniority would be the main criterion for career advancement. We have used the word "Service" in a rather loose manner without intending to import the time-honoured concept of an organized service. We

primarily mean to create a corps or a body of technical experts who will have some mobility but will mainly depend for their future progress on acquiring higher and higher skills in their field of specialization. It is with this idea in mind that we are recommending that the technical officers in this organization should be able to move to the higher grade without necessarily moving up in the official hierarchy. We are not using the word "Service" in its accepted sense and what we have in view would be more in the nature of a pool. If the concept of "Service" has come to acquire specific connotations like a hierarchical pattern, adequate promotion prospects etc. the Government may well call it the Industrial Development Pool or Cadre.

1.22. Dealing with the personnel problems of the Organization of the D.G.T.D., the A.R.C's Study Team on "Personnel Administration" under the Chairmanship of Shri R.K. Patil found that there was a far too much reliance on recruitment by promotion and their direct recruitment was at comparatively junior levels. Some of the suggestions that they have made in this behalf are reproduced below :

"We do not question the possibility that brilliant persons may be found at any level in an organization, nor do we wish to import class distinction into judging the suitability of officers entering at different levels. However, it is our considered opinion, and also a well-recognised fact, that the probability of finding high level talent and skill decreases almost exponentially as one goes down the hierarchy to locate the source of direct recruitment. In this context, the fact that some of the key officers will, for a long time, have to be those recruited at comparatively lower levels in the organization, may not add to the stature and standing as also the utility of the organization. Even the fact of possession of academic qualifications prescribed for higher positions does not materially alter the situation; we are already witnessing the irrelevance of arts degrees as a measure of one's innate capabilities; even L.D.Cs. have masters' degrees. Though the average quality of a technical degree holder may be better than the average in other fields, still the fact remains that some of them will be near the rock-bottom. If the level of lateral entry depends on one's actual proficiency in the field, those entering at the lowest levels can contribute only a very small proportion of high level personnel, academic qualifications notwithstanding."

1.23. The Study Team doubted whether the functions envisaged for this Organization, namely, providing consultancy service of the highest order to the Government, to the public sector undertakings and to the private sector can be performed by a small organization structurally indistinguishable from a normal executive organization manned by permanent officers largely recruited at the base. They felt that the inadequacy of the present arrangement is inherent in the conceptual framework of the organization itself. As soon as a permanent personnel structure is envisaged the question of direct recruitment and promotion quotas

is inevitable, but a hierarchical organization of this type can hardly provide a career to a specialist. The best talent will never opt for an Organization in which a particular speciality either forms an insignificant part of the whole or plays only a subordinate role.

“The requirements of this Organization can be satisfied only by a combination of the highest talent and the best experience available in each of the numerous fields with which the Organization is dealing. No amount of training can make good the absence of those basic and essential pre-requisites. The only possible personnel policy for these organizations would be to look for the best expertise at every level from the entire country.”

Because of these considerations, the Study Team have recommended that highly specialized technical personnel should be brought in at all levels and sent back to rejoin the main stream of their own specialization, after a few years service. Specially for higher levels, they have recommended that persons who have made a mark in their line of specialization should be brought in, because beyond a certain level, it is not the monetary emoluments but the challenge of the job, the position and an opportunity to serve which become much more important. In an established “Service”, internally-generated pressures tend to occupy the entire available space and hence the Study Team did not favour a permanent personnel structure for an advisory organization like the D.G.T.D.

1.24. The most important factor to be kept in view is that the future Directorate General of Industrial Development has to provide not only competent consultancy service and high-level technical advice, but also provide able administrators in the industrial field. Starting with their basic technical qualification, the personnel of this Service has to be built up to assume administrative responsibility as well, for we do envisage that such technical personnel will, in the future, function as member and chairmen of the various Development Boards these may be set up to look after specific industries. We, therefore recommend that :

(i) Officers in this cadre are periodically sent out to work in the industrial units, both in the public and the private sectors so as to keep their technical competence at a high pitch and to eliminate the danger of technical obsolescence which is likely to arise if they are kept desk-bound in the Department too long. We recommend that at least 10% officers of this cadre at any time should be serving with industrial units both in India and abroad so that their technical knowledge does not get out of date. It should be recognised that this proposal involves additional establishment costs but any false economy in this vital matter reduced the utility of this Service itself.

(ii) The “Service” should be constituted only of persons with a minimum level of technical qualifications and practical industrial experience.

(iii) There should be an adequate inflow of new blood at all levels of this "Service" and this could be provided by drawing upon the technical personnel from both the public and the private sectors for a limited period of time. Securing of the right type of personnel from the public sector projects may not create any undue difficulties. We wish to emphasize that the interchange between officers of the Directorate and the industry will be good for both. At present, the process appears to have been left to chance. As a matter of fact, some cases were brought to our notice wherein a few technical experts from outside the Government were recruited without following the correct procedure for selection and without affording an opportunity to the existing personnel of the Organization to compete for these posts. While the idea of recruiting competent Technical Advisers from wherever they are available is commendable, *ad hoc* recruitment which does not conform to formalized recruitment rules can only cause discontent and heart burning. This has to be avoided. We have given considerable thought to the practicability of bringing in the technical personnel from private sector to man these jobs for a limited period. It was brought to our notice that an Organization which is still saddled with numerous executive functions of the Government comes to acquire secrets which cannot be divulged to the personnel drawn from private sector industrial units without creating some apprehension in the minds of other competing industrial units. Theoretically, there is some force in this argument, but we feel that it is all too easy to over-emphasize this objection. In our view, this difficulty is not insurmountable. It is not at all difficult to devise methods and stipulate conditions to ensure impartiality at high technical levels, so as to eliminate this danger.

1.25. Doubts may also be raised whether the jobs like the Textile Commissioner, Coal Controller or the Jute Commissioner could appropriately be manned by technical personnel. It has been contended that these organizations are mainly concerned with the enforcement of various regulations of the Government and that the technical control of the work at the highest level is almost negligible. It was also stated that heads of these organizations are mainly engaged in administrative tasks and that technical people however proficient in their line of specialization may not be suitable for such positions. Much of the force of this argument, is however, lost when the nature of these organizations' duties itself is proposed to be changed. The Textile Commissioner today is almost fully occupied with the enforcement of detailed controls on cotton, yarn or textiles. Similarly, the Iron and Steel Controller and the Coal Controller have been engaged till recently, almost exclusively with the implementation of price control and the distribution of these commodities. Though they should retain their organization for enforcing the minimum requisite statutory control on price and distribution of these commodities, technical guidance and direction to the industry should be their prime concern. We are contemplating a different role for them in the future. Undertaking of developmental and promotional activities by them will necessitate posting of experienced technical personnel as heads of these organizations. We are really going further and suggesting

that these organizations should be converted into outposts of the Directorate General of Industrial Development. They will then be fully integrated with the central organization though the location of industry may necessitate their physical dispersal in different places as at present.

1.26. We recommend that the D.G.I.D. may be divided in 14 Directorates as indicated below. These are groups of allied industries which may be organized into 6-8 DDG's charges depending on the quantum of work involved.

- (1) Iron and Steel.
- (2) Machine Tools and Instruments.
- (3) Industrial Machinery and equipment (both electrical and others)-
- (4) Transport and Automobiles Industry.
- (5) Light Engineering and Consumer Goods.
- (6) Non-ferrous Metals.
- (7) Instruments and Electronics (Other than those needed for defence production).
- (8) Fertilizers and Agricultural Chemicals.
- (9) Petroleum and Petro-chemicals and organic chemicals.
- (10) Inorganic chemicals, including silicate industries.
- (11) Textile Fibres.
- (12) Drugs, Pharmaceuticals and Dye Stuffs.
- (13) Sugar, Vanaspati, Food and cellulose based industries.
- (14) Leather, Rubber, Plastic Goods and allied industries.

We will also suggest that sugar and vanaspati industries which, at present are outside the fold of the D.G.T.D, should also be brought within its scope and the present technical organisations looking after them should be amalgamated with the D.G.I.D. as a Directorate of an appropriate level. It has been pointed to us that most of the work in the Directorate of Sugar and Vanaspati industries concerns marketing and pricing, and that with increased emphasis on decontrol the technical content in this task is progressively going down. There are a very few technical people supporting policy-making in the Food Department. The transfer of these technical people to the fold of the DGID, it has been urged, will deprive the secretariat of its technical support. We have dealt with this contention exhaustively in the earlier paragraphs and we think that the transfer of the technical personnel from the Food Department to the DGID will be an appropriate measure to the advantage of industry. There are a number of other agencies giving advice in the field of sugar and sugarcane technology such as the National Sugar Institute, Kanpur, the Indian Sugarcane Research Institute, Lucknow and the Sugarcane Breeding Institute, Coimbatore. These institutes have multiple functions like training, research and technical advice. We see no particular reason

why they cannot continue rendering this valuable service even after the technical personnel is transferred from the Department of Food to the DGID.

1.27. The numerous tasks performed by the Technical Officers really fall in two categories. The most important function of this Organization is to help in the formulation of development plans, lay down priorities for industrial production and to assist the Ministry of Industrial Development in formulating the Government policies for such basic issues as the policy on Capital Goods, the policy on Foreign Collaborations, inter-industrial relationships, regional dispersal etc. This type of industrial planning requires technical personnel having a wide and extensive experience in the industrial field. On the other hand, the organization of the DGTD has to undertake considerable amount of work in the process of implementing the Government policies. They deal with a variety of applications from the industrial units and process numerous returns relating to the production etc. of individual units. Collection and meaningful processing of this mass of data does need technical officers whose job is essentially repetitive and of a routine nature. For the foreseeable future, these routine tasks have, however, got to be performed and we must have personnel for this. Keeping these two aspects in view, we think that the personnel of the Industrial Development Service should mainly be utilised for the tasks relating to industrial planning. At lower levels, the technical officers would be mainly engaged in routine administrative tasks. They are not to be utilized for furnishing of advice or opinion on any technical matters and they cannot look forward to be absorbed in the Industrial Development Service as a matter of course on the basis of seniority. They will have to compete with outsiders for recruitment to the Industrial Development Service.

1.28. A competent Industrial Adviser has to be well versed not only in his own speciality but must also have full grasp of the inter-relationship between various industries. In the process of planned development, inter-sectoral balances are as important as inter-temporal ones. Because of these considerations the recruitment of Assistant Industrial Advisers will have to be done from qualified and experienced men from industries in the public and private sectors and from research organizations, including the technical organizations of the Government.

1.29. We are quite aware that the present scales of salary offered by the Government are not attractive enough to secure that level of technical competence which is expected from the officers of this organisation. The present pay scales applicable to the personnel of the DGTD are as follows :

Development Officer	.	.	.	.	Rs. 700—1600
Industrial Adviser	.	.	.	.	Rs. 1800—2000
Senior Industrial Adviser	.	.	.	.	Rs. 2000—2250
D.G.	.	.	.	.	Rs. 3000

These scales are certainly not lucrative enough to attract highly qualified technicians with practical industrial experience either from the private or the public sectors. If we have to create in the Industrial Development Service a corps of extremely competent personnel to be recruited from the private and public sectors and from research organizations the pay scales have to be suitably revised. We notice that the top management posts in the public sector projects have been classified by the Government in four categories with the following pay scales:

Schedule 'A' . . . . .	Rs. 3500—125—4000
Schedule 'B' . . . . .	Rs. 3000—125—3500
Schedule 'C' . . . . .	Rs. 2500—100—3000
Schedule 'D' . . . . .	Rs. 2000—100—2500

We recommend that the new corps of officers in the Industrial Development Service should carry the following pay scales—

Assistant Industrial Adviser . . . . .	Rs. 1800—2500
Industrial Adviser . . . . .	Rs. 2500—3000
D.D.G. . . . .	Rs. 3000—3500
D.G. . . . .	Rs. 4000

This will also facilitate bringing in the technical personnel available in the various public sector projects to serve in the DGID without creating any difficulties regarding the deputation terms etc. We are aware that these are lucrative terms when compared to salaries offered by Government to other Services. It naturally follows that the personnel of this Service should not come to expect to get higher scales of salary by sheer lapse of time on the basis of seniority alone. For the lowest grade, namely, the Assistant Industrial Adviser carrying a salary scale of Rs. 1800 to Rs. 2500 p.m., suitable conditions will have to be prescribed to ensure that people having at least 10 years experience in the industrial field are recruited to this grade. We also contemplate similar minimum qualifications to be prescribed for the higher grades. It is imperative that for recruitment to any of these grades, personnel already working in the Industrial Development Service should compete with the outsiders. The personnel manning a "Service" which carried pay-scales for beyond those obtaining in other established Services of the country should not legitimately expect any specific quotas to be reserved for recruitment by promotion. We are quite convinced that the technical excellence of this Service can be maintained only by doing away with the system of promotion by seniority alone. As a matter of fact the traditional concept of a "Service" is quite inappropriate in the context of a technical advice agency. If an officer fails to earn a promotion by open competition he will have to remain content with the maximum of his existing grade. It has been argued that this amounts to leaving the Directorate entirely at the mercy of market forces and buying of expertise on each occasion.



This, it was feared, might militate against the creation of some loyalty in the organization. In our opinion, this fear is entirely misconceived and untenable. Technical experts recruited on the basis of merit and with the advantage of experience within the organization have nothing to fear in facing competition from outside. In our view, many of these officers will prove themselves capable of successfully competing with experts available outside the Government. Under no circumstances, would we like to sacrifice efficiency and competence in such highly paid personnel under the mistaken notion of promoting loyalty. The advantages of competitive selection to higher posts cannot be given away on the hypothetical fears that some of the officers will not succeed when faced with competition with technical experts outside the Government. Frankly, we should be reconciled with a certain amount of natural wastage wherein some officers may leave the service and find employment elsewhere. There is, however, one danger which must be guarded against. Highly qualified personnel in the industrial field is difficult to obtain and the Government will have to compete with the private sector for getting a fair proportion of such people. We have also to face the fact that the officers of the Industrial Development Service will have very close contacts with the industrial units in the private sector in the course of their official functions. To reconcile the paramount importance of maintaining the highest standards of technical competence with the avoidance of undue sense of insecurity and other attendant dangers, we recommend that all posts in the higher grades of the Industrial Service should be filled by open competition. Every vacancy should be advertised and the officers already in the Service should, compete with outsiders. For 1/3rd to 1/2 of these vacancies the personnel working in the Industrial Service could be given a preference, other things being equal. This should not be treated as a quota reserved for recruitment by promotion, but the officers of the Service could be considered on a preferential basis provided they satisfy the rigid minimum requirements which may be specified. We are keen to retain this competitive element in a Service which is going to comprise of high level technicians. At the initial formation of the Service, the existing Development Officers, Industrial Advisers and other technical personnel working in the several organizations like the DGTD, the Textile Commissioner, Coal Controller etc. will have to be reassessed and only those who satisfy the rigid requirements of the new Service should be given the benefit of the pay scales mentioned above. Those who do not satisfy these requirements will naturally have to continue in their present pay scales.

1.30. For technical personnel below the Assistant Industrial Adviser we would recommend the retention of two levels, namely, the Assistant Development Officer and the Development Officer. While the Assistant Development Officers will be directly recruited 50% of the Development Officers' posts could be reserved for the Assistant Development Officers subject to their seniority and merit. After reaching the level of the Development Officer with the pay-scales of Rs.700 to Rs. 1600 these officers will have to prove their merit and compete with outsiders for entry in the Industrial Development Service. If they fail to make the grade they

will have to remain content with the maximum of their salary, namely, Rs. 1600. A range comparable to the scales obtaining in many services of the Government and should be considered as adequate for those technicians who fail to enter the Industrial Development Service. The multiplicity of grades at the lower levels ought to be rationalized in accordance with the pattern envisaged by us. This task should be entrusted to an Official Committee having representatives from all organisations having such technical staff. This Committee should work out the replacements of the supporting staff for the DGID from amongst the existing staff of the DGID and the other organizations. Staff found surplus should be absorbed elsewhere at appropriate levels and provided with adequate chances of promotion etc.

Processing and compilation of information received from the industrial units is an important function of the supporting staff. This data could be a valuable management tool. The Official Committee mentioned above could also, with advantage, have a look at the numerous forms and returns demanded from industrial units so as to ensure that the data collected from the industry is not only meaningful but the very irreducible minimum.

1.31. We have enumerated in great detail in para 1.16 a number of questions pertaining to the working of the DGTD. It will be worthwhile at this stage to assess whether the recommendations we have made are likely to achieve the objectives in view. The system suggested by us will achieve the dual purpose of retaining a composite technical advisory organization at the disposal of the Government while at the same time separating the executive functions of the organization from the developmental functions. In fact there will be two sets of technical personnel concentrating on their respective tasks. The vast bulk of the executive type of work which devolves on this organization will mainly occupy the Assistant Development Officers and the Development Officers and the decisions in most of the cases will be taken at the level of the Assistant Industrial Adviser. The Industrial Adviser and the higher officers will be in a position to devote their entire attention to the more important function of the organization, viz., planning and development of industry, fixing of target and devising strategies to achieve them. This is a significant change which will obviate the present deficiency, namely, the preoccupation of all officers of this organization with the mechanics of allotment of foreign exchange. The implementation of the recommendations of the Mathur Study Team relating to the streamlining of the procedure within the organization coupled with the basic change in the structure suggested by us will, we are confident, make this organization a fit governmental instrument for achieving the industrial goals.

1.32. We have emphasized above the imperative need of sending out the personnel of the Industrial Development Service to work periodically in the industrial units in the public and the private sector.

We have recommended in para 1.24 above that at least 10 per cent officers of this cadre should be serving in industrial units so as to keep their technical knowledge up-to-date. The D. G. should work out a training programme for the Assistant Industrial Advisers and Industrial Advisers keeping in view the availability of personnel and suitable placements in industry. A D. D. G. could be sent out for practical industrial experience to a foreign country once in five years.

Deputation to an Industrial unit is not meant merely to give them an acquaintance with the latest technology; during this year of training they should be given actual assignments where they can function in responsible positions in the industrial units. The intention is that they should be actively involved in the functioning of the industry so that they can appreciate fully their requirements and handicaps.

We also recommend that the Government should keep a list of a number of selected private and public sector companies, engaged in a programme of sophisticated production, which could find proper placements for the officers of the DGID.

While these officers will continue to draw their salaries from the Government when they are working in the industrial units they will be subject to the normal discipline under the company's top management in their day-to-day functioning during their attachment to the private sector projects. This alone will enable them to acquire active managerial/production experience in an industry or research organization.

### *Modernization wing*

1.33. Now that the Indian Industry has come of age and a stage has been set for the introduction of greater and greater sophistication in the industrial sector, the DGID will have to be armed with strong and properly manned organization wing. Some well-established industries in this country are in a deplorable condition due to the utter lack of replacement of plant and equipment and total disregard for modernization. Modernization could vastly improve the profit-bearing capacity of these industrial units in the long-run, but due to the lack of proper realization of its importance, some short-sighted managements preferred to fritter away the accumulated reserves or chose to invest them in industries promising quicker returns. This had saddled the country with comparatively inefficient industries and had led to a high-cost economy. This tendency had also resulted in investments flowing to those industries which were socially adjudged as of lower priority but yielded higher profits to the individual entrepreneur. The concept of modernisation has now to be built into the industrial development strategy of this country.

We, therefore, recommend that a Modernization Wing in the DGID should be created. The D. G. , as the head of this Organization, should also be designated as the Commissioner General for Modernization. Each Directorate in the DGID should have an officer designated

as the Modernization Commissioner and he should be responsible for undertaking detailed studies so as to devise suitable checks to prevent obsolescence of technology and equipment in any vital sector of industry. The work can be undertaken from time to time subject to the needs of a particular industry and the availability of suitable personnel.

1.34. We have considered whether a Special DDG should be appointed to look after modernization aspect alone. We, however, felt that this task can adequately be performed only by those who look after industry in its day-to-day operations. The various DDGs heading several Directorates of the DGID should themselves be responsible for modernization of industry. They could, of course, be assisted with adequate staff at appropriate levels for this purpose. Similarly, the D.G. could have an Industrial Adviser specially earmarked for this job to assist him in this capacity as Commissioner General for Modernization.

1.35. At the time of partition India inherited an industrial structure which was technologically obsolescent. In the last two decades the situation has worsened owing to the failure of many managements who had not taken care to modernize their plant and machinery. Even the maintenance of machinery has not been adequately looked after. These aspects of maintenance, modernization and rehabilitation deserve to be watched by the Modernization Wing of the DGID in consultation with the Development Councils so that phased programmes of modernization and rehabilitation of different sectors of industries could be evolved. In the light of such programmes it may become necessary for the Government to stipulate in the tax structure itself that a specific part of the Development Rebate or the Depreciation Reserve must perforce be utilized for the modernization of plant and equipment. This indeed should be the first charge on the reserves and resources of industrial units.

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1.36. There is, of course, a stage beyond which rehabilitation of out-moded machinery would be a sheer waste of resources. The Modernization Wing should be empowered to recommend scrapping of the old machinery and equipment in such cases. While it is impracticable to deny to the unit the raw materials for carrying on the production, such a unit could be debarred from all Government assistance. We are quite aware that the powers exercised under this provision would be of considerable importance to industrial units and there should be some built-in safeguards against any unintended hardship. We therefore, recommend that the concerned Development Councils should be associated in this task of scrapping of uneconomic and obsolescent units.

1.37. Similarly, the tax structure could also provide the necessary monetary incentives and disincentives so as to ensure an adequate flow of funds for the modernization of machinery. These provisions could be applied either uniformly to all industries or selectively for those industries where the Indian industry has become obsolete or where the

management are not showing an adequate awareness of the need for modernization. The intention is to locate in the DGID a body of experts who should be conducting these studies on a continuing basis with a view to acting as watch-dog for modernization, the absence of which may lead to stagnation in the industrial progress. Similarly, in the Boards created for specific industries like textiles and coal, a nucleus organisation who should be continually engaged in this task, will have to be located. It has been felt in some quarters that the Modernization Wing of the DGID would consist primarily of technical officers and that their involvement in matters of taxation and finance would take them into fields which cannot be wholly within their competence. We, however, think that only a technical appraisal of the industry can be the sound basis for making recommendations relating to the fiscal and monetary policies. The quantum of investment required for modernization can best be assessed by technicians and they are the appropriate people to suggest ways and means to ensure an adequate flow of funds for the purpose.

### *Development Councils.*

1.38. We have taken note of the recommendations made by the Study Team on 'Economic Administration' pertaining to the functioning of the Central Advisory Council and the various Development Councils established for the several industries. The Development Councils are the forum which provide a link between the private sector industry and the Government. In an economy where the private sector is expected to play a significant role, the importance of the Development Councils cannot be over-emphasized. They are required to make recommendations regarding the targets of production, coordination of production norms, norms of efficiency, optimum utilization of installed capacity, standardization etc. For any meaningful association of private industry in the decision-making processes of the Government these Councils must be made active bodies representing their industries in a comprehensive way.

We would endorse the recommendations made by the Bhabha Study Team for activating these Councils by providing them with a compact and adequate permanent secretariats of their own. We also recommend that for industries like steel and textiles which have the Development Councils at present, these organizations should be set up forthwith. The Secretariats of the Development Councils should be housed in one place at Delhi. Under Section 9 of the Industries (Development and Regulation) Act, Government can collect a cess on the goods manufactured in the scheduled industries and the cess can be utilized, among other things, for the expenses incurred in the functioning of the various Development Councils. We suggest that this provision of law should be utilised so as to find adequate finance for staffing the secretariats of Development Councils adequately. It has been found that the Development Councils, as constituted today, are too large to be effective. While appointing the persons no indication is given of the capacity in which they have been selected. At times, the appointments appear arbitrary because it is not apparent which interests specified in the Industries (Development

and Regulation) Act are represented by them. It will be far better if these appointments are made out of the panels recommended by the recognized associations of Industry so that they enjoy the industry's confidence and have the necessary expertise. Sometimes, a very large number of Government officials are appointed to the Development Councils. This number ought to be restricted in order to make these bodies more business-like.

*Relationship of the DGID with the Ministries of the Government.—*

1.39. While the reconstituted DGID will ensure the adequacy of technical competence in this Advisory Organization, a word ought to be said about the effectiveness of the technical inputs in the decision making process of the Government. The correct relationship between the technical advice agency of the DGID and the various Ministries of the Government dealing with industries can be based only on the assumption that, in technical matters, the DGID's view should be treated with the utmost respect and consideration. This is not to suggest that the final decisions of the Government are bereft of social and political considerations. All that is meant is that, on purely, technical matters, the view of the DGID should prevail. We recommend that the Director General should be given the position of a Special Secretary to Government in the Ministry of Industrial Development.

1.40. Technical experts of the highest eminence are likely to commit errors and some institutional arrangement has to be made to ensure that their errors are corrected in time so that no serious damage to the country's economy is done.

We will, therefore, suggest that entrepreneurs who are aggrieved by the decision of the technical experts should be in a position to request the Government to constitute a panel of experts including those from outside the Government, to make a reappraisal and review the decision of the DGID. In suitable cases of sufficient importance, the Government ought to be prepared to constitute such a panel in order to ensure that the industry gets the benefit of the highest technical guidance and direction available in the country. We have recommended elsewhere that in technical matters Government should give utmost respect to the views of the technical personnel. Some might think that there is an apparent contradiction in a system wherein Government are required to accept the advice of their technical experts whereas industry can question this advice and ask for an appeal to a higher body. We do not think there is anything illogical about this because private entrepreneurs investing their money need to be convinced that the administrative decisions are based on the best technical advice available in the country and in any case, the Government for themselves can always secure the services of outside experts either from within the country or from abroad. The present system whereby the only remedy lies in making representations to the Government is not really sufficient and can leave a sense of dissatisfaction in the minds of entrepreneurs.

1.41. Though the DGID will have officers at several levels, the work should be so organized that specific responsibility is cast on different levels and the matters do not have to be referred to numerous officers causing avoidable delay. In the matter of unit-wise allocation of foreign exchange and other administrative tasks the Assistant Industrial Adviser should be expected to normally deal with the matter finally with the assistance of the Development Officers and Assistant Development Officers. The attention and energies of the higher ranks should be concentrated primarily to the problems of industrial planning. In this sphere, each D. D. G. incharge of a Directorate should be fully responsible for the functioning of the industrial units in his field and for the industrial planning assigned to him. The D. G. will be mainly concerned with broad matters of policy and for those matters which have a bearing on the industrial sector of the economy as a whole. In order to bring about a proper coordination in the functioning of the various Directorates, the D. D. Gs. should meet under the chairmanship of the D.G. once in three months and review the problems of different sectors and their inter-relationships.

1.42. After the receipt of the allocation of foreign exchange from the Economic Adviser, the D.G.T.D. today makes the industry-wise and unitwise allocation of foreign exchange for maintenance imports. The system followed in the matter of import of capital goods is, however, different. These decisions are taken in an inter-Ministerial Committee, namely, the Capital Goods Committee which consists of the representatives of various user Ministries and the D.G.T.D. Submission of innumerable applications for decision to an inter-Ministerial Committee is inevitably a time-consuming process. To cut short this delay, we considered a suggestion whether the C.G. Committee, as constituted today, could not meet only once in three months to review the progress of the utilization of the various credits available to the Government and to apportion foreign exchange to various industries in conformity with the Plan priorities leaving the detailed allotment of foreign exchange to various applicants entirely to the D.G.I.D.

The Bhabha Study Team on "Economic Administration" have devoted considerable thought to this problem of expediting the utilization of foreign exchange and they have suggested the following measures in this behalf :

(a) While according the Capital Goods approval the stage of preparedness of the industrial units should be properly examined ;

(b) Since the different sources of foreign exchange available with the Government possess a varying degree of attractiveness, meaningful allocation can be made only if the Technical Advisers to the Government undertake periodical studies to determine the industries for which the individual creditor countries are particularly suitable as suppliers of equipment;

(c) The DGTD should determine in advance the types of equipment and the type of industry which could be financed from a particular source to the maximum economic advantage of the country, and the parties applying for import licences should be guided by the DGTD as to the best possible sources;

(d) The practice of setting monetary limits for the import of standard plants should be extended to as many industries as practicable;

(e) The present practice whereby applicants for Capital Goods imports are required to produce "Regret" Letters from indigenous manufacturers should be given up;

(f) Government should be willing to find free foreign exchange for the purpose of "down payment" in order to expedite the use of supplier's credit.

We endorse these recommendations as they are calculated to expedite the disposal of work at the stage of capital goods imports. The suggestion that the itemized allocation of foreign exchange, in the matter of capital goods imports, should be transferred from the Capital Goods Committee to the DGID suffers from the following drawbacks:

(a) Foreign exchange is a scarce resource with competing claims on it. In order to ensure a speedy utilization of the various credits available to Government, the Economic Adviser to the Ministry of Industry, in his capacity as the Secretary of the Capital Goods Committee, has to carry on a protracted correspondence with a view to ascertain that the projects for which foreign exchange is earmarked are in a position to place orders for imports without delay. The availability of adequate rupee finance with these projects has also to be ascertained. We do not think that the technologists of the DGID should be wasting their time on his administrative routine;

(b) The financial and economic aspects of a project are as important as the technological one. These are best left to economic experts;

(c) The Economic Adviser of the Ministry of Industry comes to acquire a specialized knowledge of the terms and conditions attached to each individual foreign loan and he is best equipped to advise the projects in this behalf;

(d) The Economic Adviser to the Ministry of Industry is in constant touch with the Economic Affairs Department of the Ministry of Finance and he gets a fairly accurate idea of the loans available immediately or those in the pipeline. This enables him to keep individual projects on the various waiting lists so as to secure for them the best possible source of imports. Technologists of the DGID will be seriously deflected from their legitimate work if they are immersed in these details;

(e) There is a certain amount of advantage in these decisions being taken in an inter-Ministerial forum so as to satisfy the competing claims of Ministries entrusted with specific industries.



1.43. The Industrial landscape of the country keeps changing pretty fast and such a dynamic situation needs constant appraisal. It is not only necessary to remove bottlenecks as and when they become apparent but it is also imperative that the Administrative strategy of the Government should be so devised as to channelise the flow of investment in the desired directions. The DGID is the natural forum where this constant vigilance is practicable. It is, however, necessary that periodic appraisals are made by an agency which is not entrusted with the day-to-day administrative tasks.

We, therefore, recommend that every five years an Industry Commission should be appointed to review the progress of industries, to pinpoint deviations from the set targets and to suggest proper priorities. Such a Commission should be a compact body having a Technologist, an Industrial Economist and a Financial expert on it. Since the industrial targets are worked out for each five year period, it will be helpful if the Industry Commission could be appointed at the time when the Plan has run roughly half its course so that any deficiencies noted could be corrected in time and industrial targets are achieved according to Plan. The Industry Commission would review the progress made by the different sectors of industries and economy in the past. The Industry Commission would also identify the sectoral imbalances that might have developed due to the uneven industrial growth of different sectors and suggest remedial measures so that such imbalances may be rectified. The Industry Commission would also review the past targets and suggest future targets for different groups of industries, and would assess and estimate the inputs both of rupee finance and foreign exchange required for the industries for the next Plan period. The "Industry Commission" would especially outline the future programmes of import substitution, self-reliance, technological research and development in the field of industries, training of higher levels of technical manpower and export promotion programmes of semi-manufactured and manufactured goods. It may be necessary to appoint such a Commission every five years to begin with but after a sizeable industrialization of the country has been achieved, Government may appoint such a Commission as and when necessary.

1.44. The report of the Industry Commission would assist the Ministries dealing with industries, the Planning Commission and the Government as a whole to formulate the future industrial and economic policies concerning this sector taking into consideration the findings and recommendations of the Industry Commission.

A view was expressed that the Industry Commission appointed on the terms indicated above may overlap to some extent with the activities of the Industries Division in the Planning Commission and the Planning Commission itself. As is well-known, the Planning Commission is an overall national body and the highest authority which formulates the Five-Year Plans for all the sectors like Resources, Agriculture, Industry,

Mining, Power, Transport, Shipping, Labour, Education, Health and Social Services. Therefore, its sectoral divisions would be involved only in the broad formulation of objectives, targets and policies. However, the work of such an overall agency as the Planning Commission cannot be of that detailed character as done by the Agriculture Commission, Education Commission, the Labour Commission or the Finance Commission which the Government appoints periodically for specific fields.

Hence, we see no overlapping at all in the periodic review by such an Industry Commission with the constant vigil of the Planning Commission. It will bring to the notice of the nation the achievements and the weaknesses in the industrial sector and give to the Government the benefit of independent view of the country's top-most economists, industrialists, experts and policy makers who will tender valuable evidence before the Industry Commission.



## CHAPTER II

### ORGANIZATIONS FOR HANDLING SPECIFIC INDUSTRIES

#### *Search for a Suitable Structure.—*

2.1. Having cleared our minds as to the nature of the altered functions which the Organizations like the DGTD, Jute Commissioner, Iron and Steel Controller, the Coal Board and the Textile Commissioner ought to be performing in the future, we bestowed some thought on the appropriate organizational structure that these bodies should have. The decisive factor in any consideration of the suitable organizational structure is the prime importance of the promotional nature of these bodies in the future giving secondary place to their regulatory role.

#### *Technical organization for Specific Industries.—*

2.2. In the last 20 years of planning economic development Indian industry has covered a vast ground and today we have entered the age of greater mechanization and sophistication when highly advanced technology is being harnessed to our needs. This basic change in the industrial landscape of the country, coupled with the relaxation in Government control, necessarily strengthen the case, for improving the level and standard of service and advice that the technical personnel have to render to the various agencies of the Government. Both qualitative and quantitative changes in the structure of this organization will be necessary to fit it to the changing situation. We, therefore, propose to have a fresh look at the organization of the Iron and Steel Controller, the Textile Commissioner, the Jute Commissioner and the Coal Controller with a view to assess their contribution to the development of these specific industries and to suggest the modifications which would enable them to play their proper role. The industries in the country have come of age and the problems that they faced and the nature of services they needed from the Government have basically altered in the context of their maturity.

2.3. There are two consideration which we have to keep in view in deciding upon the appropriate organizational pattern for looking after critical industries like steel, coal or textiles. Firstly, these are vital sectors of economy deserving a special treatment not only because of their size, but because of their pre-eminent position. The development of coal and steel can have an all-pervasive influence on the growth of industry. A coordinated development of these industries according to the Plan programme, therefore, assumes an overriding priority. The Technical competence in the formulation and implementation of Government policies pertaining to these commodities has, therefore, to be of the highest

order. It is absolutely imperative that the DGID, which is responsible for all industries must have a special interest in these vital industries. Secondly, the dependence of other industrial sectors on steel or coal often makes it necessary for the Government to devise and enforce various administrative measures for regulating price and distribution of these commodities. The proper organization for handling all these aspects has, therefore, to combine within itself the technical competence of the D.G.I.D. and the necessary administrative acumen for implementing complex Government regulations from time to time.

2.4. The above considerations lead us to believe that these industries cannot be adequately handled by a Directorate of the D.G.I.D. We have elaborated in great detail our view that the present organization of the D.G.I.D. has failed to generate and maintain high standards of technical competence primarily because of its involvement in the day-to-day administrative routine connected with the administrative rationing of scarce resources. Moreover, the numerous Government functions required for the development and regulation of industries like textiles and coal can be satisfactorily handled only in a multi-member organization which can coordinate its several aspects and devise administrative strategies for their steady growth. We have, therefore, come to the conclusion that the regulatory and the developmental aspects of these industries can be properly allocated to Development Boards. We have devoted considerable thought to the nature and composition of these Boards and the functions which could be appropriately entrusted to them. We are discussing below a few models which have been utilized in other countries, so as to determine the appropriate organizational structure suitable for our conditions so that it can meet the special requirement of these industries.

#### *The Regulatory Commission of the U.S.A.*

2.5. We have examined the institution of independent regulatory Commissions of the U.S.A. The agency was developed to meet new needs for regulating various industries or other types of activity. In each case, the Government was convinced that the industry or the activity required Federal regulation to correct existing or threatened abuses. While the Congress could specify generally the kinds of regulation to be imposed, its ability to legislate detailed rules was limited. In the first place, Congress cannot possibly devote the time and effort which would be required to develop an intelligent scheme of detailed rules at the time the statute is adopted. To do so would require experience which members of legislature could hardly achieve along with the discharge of their other duties.

In the second place, even if time and skill were available, the solution of many of these problems of regulation can be worked out only by trial and error, and thus could not be embodied in a definitive statute unless Congress were prepared to devote continuous attention to adapting and applying the statute in the light of experience.

In the third place, the conditions of the industry and the economic context in which it operates are constantly changing in some degree. In some fields, such as air carriers or communications, the rate of development is so rapid as to be staggering. In others, such as rail-roads, conditions change more slowly but still change as new and competing services develop.

The upshot is that Congress must delegate wide latitude to some agency in order to keep regulation in such areas sufficiently flexible and adapted to the varying conditions and methods.

2.6. The delegation of discretionary power to regulate private business activities creates certain basic problems in ensuring that the regulation is administered fairly so as not to impede operations unduly thereby inhabiting progress and development. The agency of the independent Commission finds its justification in meeting these problems. The advantages of this Organization are mentioned below:

#### *Impartiality of regulation*

(i) The wide latitude inherent in effective regulation opens the door to favouritism and unfairness in administration. The regulated interests are powerful and often politically influential. The privileges which the regulatory agencies can grant or withhold are often of great value, and regulation will obviously have a tremendous impact on the profits, service, and finance of the industry involved. Thus in the interest of fairness to the individuals concerned, of the attainment of the public objectives, and of the maintenance of the integrity of government, there is a vital necessity for assuring that such regulatory agencies are insulated from partisan influence or control to the maximum extent feasible. The independent Commission was designed to meet this need. The number of members and their security of tenure are intended to assure freedom from partisan control or favouritism. The group is able to resist outside influence more effectively than an individual.

#### *Group policy making and Decisions*

(ii) A distinctive attribute of regulatory action is that it requires consideration of all aspects after full discussion and deliberation. At its best, each decision reflects the combined judgment of the competent group after critical analysis of the relevant facts and divergent views. This provides both a barrier to arbitrary or capricious action and a source of decisions based on different points of view and experience.

#### *Familiarity or Expertness*

(iii) The purpose of regulation should be to correct or prevent abuses without impeding the effective operation of the industry or imposing unnecessary expense or waste. This can be done only if regulation is framed with knowledge of the conditions of the Industry.

Otherwise, the rules will either fail to achieve their purposes or needlessly interfere with private management. The form of the regulatory Commissions was designed to assure expertness or at least familiarity with the problems of the regulated field both through the technical members of the Commission and through the staff. Devoting their full time to the particular industry or activity, the staff and the members become fully familiar with the technical aspects of the industry and its basic problems. There can be no doubt that the main source of expertness in an organization must lie in its staff. The work of most of these agencies requires the collaboration of many technical skills. At most, an adviser can be expected to be proficient in only one of these disciplines. As a whole, the organization must rely for expert help and advice on its technicians. There is no need for the members to be true experts in all the areas of regulation. They should have sufficient familiarity with it to understand the problems and the policy issues and to make full use of the technical experts on the staff. Their main contribution should be wise and intelligent judgment which does not necessarily require expertness beyond an intelligent familiarity.

### *Continuity of policy*

(iv) So long as the regulated industry remains in private hands, one other objective is essential. Despite public regulations, the private managers continue to remain responsible for the operation of the industry. They must take the initiative in introducing new and improved methods and in expanding the operations of their companies to meet the future demands for service. In order to enable private industry to plan ahead, the regulatory agency must seek to achieve as much stability in policy and methods as is consistent with continuously adapting regulations to meet changing conditions. So far as feasible, managers should be able to rely on uniformity and continuity of underlying policy.

2.7. Even with the gradual dwindling of Government controls, an irreducible minimum of Government regulations has to remain, in order to ensure that the development of industries is fully in consonance with the targets of our planned economy. What we need is not regulatory Commissions but operating bodies and this basic requirement becomes the fundamental determinant of the organizational structure that we should evolve for our purpose. Group action is better fitted for judgment and decisions than for the execution of large scale operations. Moreover, undertaking of the regulatory functions by these organizations will necessitate a close and direct relationship between them and the concerned Ministries of the Government and this would not be practicable with independent Commissions. We, therefore, think that this form of organization is not suitable for our conditions.

### *The Canadian Wheat Board*

2.8. We have also considered the organizational structures prevailing in the Canadian Wheat Board and the Australian Wool Board.

The main objective in the constitution of these Boards was to provide the minimum price support to these commodities which were of considerable importance to the national economy. The Canadian Wheat Board administers the guarantee for the minimum floor price for wheat and controls the flow of grain from country's, elevators to terminal elevators through the issuance of shipper's orders. The Board establishes the selling price for the various grades of wheat, enters into agreement with export firms to act as agents of the Board for the sale of Canadian wheat, controls of quantities, grades, shipping periods.

### *The Australian Wool Board*

2.9. Similarly, the Australian Wool Board which consists of a Chairman, six wool-grower's representatives, three members with special qualifications and a representative of the Central Government undertakes the following activities:

(1) Wool promotion in Australia and overseas by publicity and other means.

Promotion overseas is carried out through the International Wool Secretariat which is maintained jointly by the Wool Boards of Australia, New Zealand and South Africa.

(2) Provision of a testing service for wool and wool products.

This service is administered by a subsidiary Board retaining the name Australian Wool Testing Authority.

(3) Administration of Wool Research: The Board is responsible for preparing annual programmes of research expenditure which are subject to the approval of the Minister for Primary Industry. Two committees established by the Board, the Wool Production Research Advisory Committee and the Wool Textile Research Advisory Committee, assist in the task.

(4) Investigation into all aspects of wool marketing on a continuing basis. The Wool Marketing Committee, and ancillary body appointed by the Board assist in carrying out this function. The Board is required to report to the Australian Wool Industry Conference on its findings and advise it on measures which should be adopted to meet changing marketing conditions. However, the Board has no executive powers over marketing.

(5) Maintenance and administration of the wool stores which were entrusted to the Board by the Commonwealth Government.

(6) Other activities approved by the Minister for the benefit of the wool industry, including the operation of the Wool Statistical Service and the registration of wool classers. The wool Statistical Service provides comprehensive statistics on the Australian Wool clip, while the registration to wool classers is designed to improve the standards of wool classing in Australia.

At present, the main sources of finance for the various activities of the Board are a levy paid by wool growers and the contributions by the Government.

### *Commodity Boards in India*

2.10. We have, in our own country the experience of a number of Commodity Boards. Development of production and promotion of exports of plantation and agricultural commodities involves action at several levels and there is an apparent justification for creating single unified agencies which could bring within their fold all the interests including those concerned with the problems impinging on the production. The Commodity Boards established for Tea, Coffee etc. handle matters relating to grant of loans for planting, pest control, assistance to growers, introduction of standardization, scientific determination of exportable surpluses etc. These Boards have a very extensive charter empowering them to undertake a very wide variety of functions pertaining to the commodities in their charge.

2.11. These Boards, as these are constituted today, seek to give representation to all the interests involved and have thus become flabby and ineffective. For instance, the Tea Board, as it is constituted today, has the representatives from owners of tea estates and gardens and growers of tea, persons employed in tea estates, manufacturers of tea, traders and exporters, consumers, Parliament and the Governments of the Principal tea growing States. The Chairman of the Tea Board is an official appointed by the Government of India though some Boards like the Coffee Board do have non-official at the head. The first point that strikes even a casual enquirer is that this type of composition leads to a diffusion of responsibility and prevents any meaningful discussion among persons of mutually conflicting interests. The only justification for the creation of these Boards is provided by the permanent consideration of creating a unified agency which could devise some coordinating measures in these vitally important sectors of economy.

### *Development Boards*

2.12. This type of organization, however, would be quite unsuitable for the nature of the task we have in view in respect engineering and chemical industries, textiles, coal, jute or steel. Harmonizing conflicting-interests is not a matter of overriding importance in the arrangement that we contemplate for these commodities. In the process of industrial development, any organization set up to look after them must satisfy the following objectives.

- (a) It should have within itself the technical competence and excellence of the highest order so that it can perform satisfactorily the functions which the DGID will be entrusted with in respect of all industries.



- (b) It should be a well-integrated type of body which can carry out the Government policies efficiently and perform the necessary executive functions. Even when the Government control is reduced to the very minimum, a certain amount of regulation will be necessary in the context of planned development. Any executive body entrusted with the responsibility of looking after these industries should be compact, close-knit and competent. We, therefore, feel that the appropriate organization for looking after these industries should be in the shape of Development Boards manned by technical personnel of high technical competence. They should be like outposts of the DGTD. They should be manned by technical officers of the rank of Deputy DGs or Industrial Advisers and headed by an officer equivalent in rank to a DDG. We will elaborate this thought while applying this principle to the specific industries like textiles, coal and steel in the succeeding chapters.

2.13. A fear was expressed whether the replacement of the officers like the Jute Commissioner or the Textile Commissioner by multi-member Boards would make for effective action. The present system at least has the advantage of creating a specific responsibility fixed on a single individual. Quoting the case of Textile Commissioner, it was pointed out to us that the trend in textiles today is towards the production of mixed fabrics and consequently the present system of a single individual being in charge of the entire industry covering all the fibres other than jute would have obvious advantages. The interaction of policies regarding various fibres assumes considerable importance. A doubt was expressed whether a Board in which individual Members would be responsible for different fibres would have adequate cohesion which is imperative to bring about coordination. We feel that our idea of a Development Board would create an agency where competent technologists well-versed with the problems of the relevant industries would be in a position to evolve integrated policies. Facts are stronger than hypothesis. The present system has reduced the Textile Commissioner to a subordinate position and elevated all important decisions to the level of the Ministry. Frankly, we do not think that decision-making on policy matters today is guided by adequate technological inputs. It will be all to the good to create an agency which can furnish to the Government well considered and well-thought out strategies.

2.14. It was also contended that the concept of a high-power Board is based on the assumption that the industry and resources have reached a point at which massive development at the instance of the Board is possible. The suggestion obviously was that structural changes of the type contemplated by us would not be justified by available resources and hence there is a possibility of serious under-utilization of the talent employed by the Boards. This is a misconception which we must rebut. Any task worth doing ought to be performed competently. The problem of development is essentially the problem of optimum utilization of scarce resources. It is the scarcity of resources which provides the sole justification for the Government's intervention in the growth of private

sector industries. Sectoral imbalances are harmful not because they do not conform to the planned targets but because they represent a wasteful use of resources. It will be false economy ultimately detrimental to the national interests to prefer the present set-up to multi-member Boards.

2.15. Though we have applied this conclusion to Textiles and Coal, we would suggest that a similar executive type of a Development Board should be constituted whenever a specific industry need concerted action. Very soon industries like petrochemicals, fertilisers and agricultural chemicals and machine building industries would assume an importance meriting such a treatment. Sometimes, the sheer size of an industry itself may justify such a course of action. When the time is ripe, the Government could constitute Boards for these industries to work as the relevant Directorates in the DGID. As a matter of fact, we contemplate that such Developmental Boards will be the appropriate organization for some of the more important group of industries in the future. They have the dual advantage of (a) injecting the requisite high technical competence in the management of industries at the Government level, and (b) transferring the industrial tasks in the Government from purely administrative personnel to technologists. This is the pattern which will in future be the model for the entire industrial sector. It will meet the point of view of those who feel that a composite and a centralized technical advisory agency is not the appropriate set-up for the development of industry. After mature thought we have come to the conclusion that a centralized DGID is incapable looking to the task to be performed by the Government today, but that with the growth of industry the Government intervention will progressively decrease and the work could then be entrusted to Development Boards of the type envisaged by us. Technologists will then be fully integrated with the administrative processes. Apart from the technologists, these Boards will be provided with an adequate staff support in the several disciplines e.g. Cost Accountants, Management Experts, Economists and Financial Experts.

2.16. A point that was repeatedly expressed before us and which has some amount of apparent plausibility relates to the inclusion of non-official part-time Members on these Development Boards. Inclusion of non-officials, it was felt, would give to these Boards the benefit of the vast experience which private sector industry had accumulated over the years. The Development Boards that we contemplate are actually a modified form of the DGID in those sectors where an integrated and many pronged development is required. Basically, these Boards are technical organizations to advise both the industry and the Government, though for the sake of convenience, other functions, administrative and economic, could also be entrusted to them. We have recommended other measures for improving the consultative machinery for maintaining a continuous and meaningful dialogue between the Government and the industry. We do not think that there is adequate justification for including part time Members on these Boards merely to represent the interest of the consumers when other equally effective methods of liaison can be created. We prefer to keep these Boards as compact bodies without diluting their technological content.

### *Functions of These Boards*

2.17. We envisage these Boards as the outposts of the DGID which should combine in themselves the following tasks :

(a) Planning of production and setting up of production targets which is an administrative concomitant of a planned economy. This involves numerous functions, e.g. processing of import applications for raw materials, spares, components, capital goods, allocation of foreign exchange, assistance in the matter of securing power and transport facilities;

(b) furnish the necessary technical advice to the Government in all administrative devices, e.g. industrial licensing, approval of foreign technical and financial collaborations, formulation of imports and export policies, fixation of targets and priorities in production;

(c) technical advice and guidance to public sector undertakings, autonomous and statutory organizations like the Tariff Commission, I.F.C. as well as to the industrial units in the private sector;

(d) provision of necessary inputs to the industry e.g., supply of raw materials, allocation of foreign exchange;

(e) collection, maintenance and publication of all relevant statistics and data which is vitally important in the planning process.

2.18. The enumeration of the functions which these Boards are required to perform shows that most of their functions are analogous to the task which the DGID is required to perform over the entire industrial sector. We, however, realise that for some time to come, these organizations will have to handle a certain amount of administrative jobs like enforcement of price controls, distribution controls, arranging for imports etc. Even after the shifting of the emphasis from the regulatory to the promotional activities a minimum of administrative routine will inevitably devolve on them. We do not contemplate the creation of new agencies by the Government to implement these regulations. These Boards, therefore, will have to have within them certain managerial competence apart from purely technical knowledge. Development of industry requires the services of technologists, economists and administrators. It was pointed out to us that technologists specialised in a particular branch, may not be best qualified to deal with subjects in which they are not specialists. Policy decisions have to be taken with reference to social and economic requirements and for this purpose the services of generalist administrators cannot be totally eliminated. General administrators, it is claimed, are better-suited for the delicate task of coordination and administration. They also have an added advantage of speaking a common language and thus provide a valuable link between various Ministries and the Government and also the State Governments. We see the force behind this argument. We recommend that one of the members of these Boards should be an administrator with a particular flair for the economic field. He could handle the economic aspects including finance and administration. We do not want to be categorical as to who

should be the Chairman of the Board. The top executives of these Organizations have to have some acquaintance with the managerial problems and administrative minutes. Government may select any member of the Board and nominate him as the Chairman depending on the personnel available.

2.19. We have stated above that these Development Boards should be treated primarily as the outposts of the DGID. We are also suggesting that the minimal regulatory functions should also be entrusted to them. This arrangement, it has been claimed by some, will result in duality of control hampering a quick disposal of work. We want to make it quite clear that these Boards will be under the administrative control of those administrative Ministries which are entrusted with the development of those specific industries. The placement of the personnel of the DGID in these Boards need make no difference to this arrangement. The existence of technical officers from a Central technical organization will only facilitate communication. This type of facility of communication is widely recognized in the system of placing administrative officers of the Indian Administrative Service in various Ministries of Government. Obviously, the facility will be of even a greater advantage among technologists.

2.20. These Development Boards are to be entrusted with the executive tasks involved in the implementation of Government regulations. They are also required to provide technical guidance and advice to the private sector industry. They should not be confused with advisory agencies for which we have recommended separately. Industry Advisory Council for Industry and a large number of development councils each looking after a specified sector of industry. These latter will be the forums where industry and trade will be associated, in assisting the Government to evolve right policies. The Development Boards on the other hand, will be compact bodies which will be the limbs of the governmental machinery to implement the policies and will also help the Government in formulating the policies themselves.

2.21. At one stage we were toying with the idea that these Development Boards designed for a coordinated and multi-pronged action should be responsible for channelizing of the necessary inputs needed for the development of the relevant industries. Consequently, we considered carefully the suggestion to entrust to these Boards even the function of providing the necessary finance. Institutional finance is playing an ever-increasing role in the growth of industry and there has been a feeling that the institutions like the IDBI and the IFC, having responsibility extending over the entire industrial field, cannot do full justice to industries of critical importance. We recognise the apparent plausibility of this argument, but after mature consideration, we are not inclined to agree with this view. Mere multiplicity of institutions, industry-wise, is no solution in a situation of acute shortage of capital. Proliferation of industrial financing institutions, chasing the limited resources, succeeds only in mounting up administrative overheads. We are also convinced

that special requirements of important industries could well be met by specific earmarking of funds disposal at of the IDBI, the ICICI and the IFC. Such earmarking of funds can obviously be done only on the direction from the Government. The Boards can at best identify the industry's problems, assess their requirements and provide the necessary advice to the Government.

2.22. The second point that we want to clarify is the relationship of these organizations with the administrative Ministries of the Government of India under whom they will function. According to the present arrangement, the Textile Commissioner or the Coal Controller function as the subordinate offices of the relevant Ministries of the Government. Their subordinate position is quite pronounced and is obvious from the fact that proposals made by these organizations on matters of importance to the growth of the industry are minutely processed at all levels in the Secretariat of the Ministry concerned. It is no wonder that the technical content gets diluted at policy-formulation level. It also detracts from the sense of responsibility in these agencies who naturally do not feel primarily responsible for the achievement of planned targets. We think that a basic change in this behalf will be imperative if any worthwhile results are to be expected.

2.23. The main drawback in the present arrangement lies in the fact that the administrative Ministries of the Government deal with these organizations as if non-secretariat organizations are merely executive agencies who have a very minor role to perform in the formulation of policies. Granting that the main advising agency and the channel through which the Minister must operate is the secretariat, we do not think that the present arrangement whereby the head of non-secretariat department can have access the Minister only through the pyramidal ladder of the Secretariat has any merit in it. We are quite aware of the advantage that this arrangement is supposed to confer, namely, that the Secretariat provides an opportunity of a second check on the functioning of the non-secretariat organization. We are distressed by the enormity of delays and inefficient working which this duality necessarily implies. The complexity of a task in the industrial sector requires for its fulfilment numerous specialists, e.g., scientists, economists, technicians and statisticians. Having organized the Boards with high-level specialists on their staff, it would certainly be futile to get their considered views checked by generalists who predominantly man the Secretariat. Even the original concept that the Secretariat looked after the policy-formulation while the executive was left to the non-secretariat organizations, is getting blurred in present-day situations where the non-secretariat organizations must necessarily and actively participate in policy-formulation.

2.24. While we recognize the merit of keeping the executive functioning outside the Secretariat for securing a cool detachment in the policy-makers and operational freedom for the executive agencies we do think that the complexity of the task requires a closer integration of the executive agencies with the policy-making levels in the Secretariat. The emphasis on the non-specialists providing a balanced and a comprehensive

view must necessarily decrease. The one alternative would be the creation of for greater specializations in the secretariat than is the case today. The second alternative would be to dovetail the executive agencies with the policy-formulation process cutting out the lower levels of secretariat processing altogether. Technologists and specialists who would be manning the Boards must be integrated in the hierarchy and the structure of the Secretariat. The present parallel hierarchies lead to needless scrutiny and examination. While this may help to promote exactitude in compliance of rules, it has the drawback of putting the emphasis on itemized check to the total elimination of overall evaluation of programmes and activities. It also results in the secretariat usurping all authority while throwing all the responsibility on the non-secretariat organization. This situation must be corrected not only to match responsibility with authority but also to improve the quality of thinking inputs which go in the formulation of policies.

2.25. What we should aim at is not the complete merger of policy making with executive functioning, because preoccupation with day-to-day problems may dominate policy-formulation thus depriving it of long range content. But a total divorce between policy-making and executive functioning is indefensible. Strategic policy-making could be kept separate from executive functioning though fully integrated with it while tactical policy-making should be squarely left to the initiative of the executive agency instead of smothering in under the protracted examination at junior secretariat levels. The remedy, therefore, lies in our view, in converting the non-secretariat organizations of the Textile Commissioner, Jute Commissioner Iron and Steel Controller and the Coal Controller into Development Boards, and treating these Boards as a part of the Secretariat itself. The persons heading these Boards should be highly qualified, experienced and fully responsible for the entire range of activities pertaining to their charge. They should have adequate administrative and financial powers, expert technical advice and should be in a position to deal directly with the Secretary and the Minister. This will have the advantage of facilitating the induction of expertise and elimination of two parallel hierarchies. It will also provide to these Boards the powers which will match their responsibilities so that they could be judged by their performance. Freed from the shackles of secretariat control and the frustrations that go with it, the Chairman and the Members of these Boards would be fully responsible for the growth of the industry in their charge. It is important that their relationship with the Secretary of the Ministry should broadly be the same as between the Secretaries and the Additional Secretaries today. In other words, they should be able to deal directly both with the Secretary and the Minister. In any case, there should be no processing at the lower levels on a proposal emanating from the Chairman of the Board. The posts of the Chairman and Members of the Boards, being key posts, will have to be filled with great care. They should be filled by members of the Industrial Development Service with the specialization of the sector concerned and the administrative officers required for management at top levels. They should have clearly demarcated responsibilities with powers to match.

2.26. One for our terms of reference requires us to examine the activities of these organizations which are in the nature of price support measures with a view to ensuring that the organisational structure is adequate for the purpose. Building up of buffer stocks and undertaking purchases as a measure of price support is an activity of particular importance to agricultural commodities. Violent fluctuations in prices are disastrous not only because they deprive the cultivator of his legitimate earning but they can also cause a serious slump in production on account of the diversion of land to other alternative uses. Among the industries considered by us, jute happens to be a commodity in which buffer stock operations have been undertaken in the past. The practice so far has been to entrust the task to the State Trading Corporation who have organized the purchases of jute at a minimum price fixed by the Government. The Bhabha Study Team on "Economic Administration" have dealt with this problem while assessing the role of the State Trading Corporation. As they have pointed out, these operations cannot always be conducted on business considerations because they have wider socio-economic objectives to serve. We, however, would agree with the finding of the Study Team that it would be far better to entrust these operations to other bodies who are more representative of the concerned trade and industry or to the cooperative societies. The State Trading Corporation possibly cannot acquire the organization and the specialised knowledge to handle this business for a wide variety of commodities. We do not think that the Development Boards recommended by us which are mainly concerned with the technological aspects of the industry could also undertake these operations satisfactorily. We, therefore, recommend that specialized agencies should be created by the Government to undertake these operations. The Government may retain a major share in the financing and management of these operations but it will be worthwhile to involve the concerned industry and trade in this task. If the trade and industry have a monetary stake in these operations, it will make for greater efficiency. The involvement of the trade and industry in this task may also avoid the emergence of those practices which themselves sometimes lead to situations where buffer stock operations have to be launched.

## CHAPTER III

### TEXTILE DEVELOPMENT BOARD

#### *Present Organisation.—*

3.1. The Textile Commissioner's Organisation was initially set up during the last war to harness the textile production to War requirements and to deal with scarcity conditions arising out of the shortage of supply in the civilian market. The set-up has undergone a series of changes and today performs a variety of functions more regulatory than developmental. The more important functions of the Textile Commissioner are as follows:

- (i) to recommend targets of production and to advise Government on all major problems of the textile industry so as to serve as a development wing for the textile industry;
- (ii) to scrutinize proposals for expansion or new installation and to recommend licensing of new/additional capacities;
- (iii) to exercise control over the pattern of production and regulate the supply and distribution of textiles with a view to ensuring equitable distribution at fair prices;
- (iv) to allocate cotton to mills and to ensure sale of the commodity to the mills within the stipulated ceiling prices;
- (v) to give technical guidance and render advice to the industry in its programme of modernization and rehabilitation and to recommend financial assistance where required;
- (vi) to help the industry to secure adequate supplies of raw materials and other stores at reasonable prices and to recommend applications for the import of textile machinery and spare parts required by the industry;
- (vii) to collect statistical data in respect of production, consumption, exports, imports etc. and to formulate policies;
- (viii) to formulate and administer export incentive schemes for cotton, woollen and art silk textiles including hosiery items, readymade garments and handloom fabrics;
- (ix) to regulate the growth of handlooms modern and systematic lines in order to enable the sector to withstand competition from the organised mill sector by encouraging the adoption of efficient production techniques, quality controls and provision of marketing facilities and to provide necessary technical financial and organizational assistance to fulfil the above aims



- (x) to deal with proposals relating to foreign technical assistance either by way of collaboration or by provision of technical assistance ; and
- (xi) to procure woollen and other textile items for the defence services.

3.2. The Government of India have powers under section 3 of the Essential Commodities Act, 1955, to issue orders providing for regulating or prohibiting the production, supply and distribution trade and commerce in any essential commodity with a view to maintain or increase supplies or for securing equitable distribution at fair prices. The list of essential commodities contains a large number of articles which are within the purview of the Textile Commissioner, e.g. textile machinery, cotton and woollen textiles, raw cotton, etc.

*Regulatory Functions.—*

3.3. The Textile Commissioner performs a large number of functions. His regulatory functions extend over a wide range. For instance, as far as cotton and cotton textiles are concerned, regulations operate in the following areas:

- (i) control over distribution and prices of the basic raw material Indian cotton to the industry;
- (ii) control and distribution of imported cotton;
- (iii) licensing of capacity for production of cloth and yarn;
- (iv) installation of capacity for production of cloth and yarn;
- (v) control over purchase and sale of textile machinery;
- (vi) control over specifications of machinery which have a bearing on the production capacity;
- (vii) control over production aimed at;
  - (a) protection to the decentralized sector; and
  - (b) maintenance of quality standard;
- (viii) control over prices of the finished products and related quality controls;
- (ix) control over markings to be made on cloth and yarn; and
- (x) packing standards for cloth and yarn for domestic sale and exports.

3.4. We feel that mere procedural refinements will not serve the purpose of reorientating the Textile Commissioner's Organization so as to make it a fit instrument to bring about the necessary development of this industry. We must aim at bringing into existence an organization which can look after the development of this basic consumer industry in a more dynamic and positive fashion. With a more basic change in

the organizational pattern such an important industry like the textiles has to develop methodically and at a good pace. In this task, the experience, data and the personnel build up in the Textile Commissioner's office will have to be used in preparing the base for necessary super structure to be developed.

3.5. Similarly, the needs of the jute industry, which is the biggest foreign exchange earner of the country have to be looked after more satisfactorily than at present. The Jute Commissioner has furnished us the following list as an enumeration of his functions, both regulatory and developmental in respect of the jute industry:

(1) As Jute Commissioner he performs the functions of the Jute Controller for the administration of the Jute Textile (Control) Order, 1956.

(2) Administration of the Jute (Licensing and Control) Order, 1961.

(3) All work connected with the development and manufacture of jute mill machinery, spares, stores, etc. in the country.

(4) Processing of applications received from the jute mills and manufacturers of jute mill machinery, spares and stores under the Industries (Development and Regulation) Act.

(5) All work connected with investigation into the working of jute mills under the Industries (Development and Regulation) Act.

(6) Sponsoring of applications received from jute mills from time to time for import/export of all articles including raw jute, jute mill machinery, spares, stores etc.

(7) Undertakes studies of consumption trends, economic developments, etc. in the different jute goods consuming countries of the world.

(8) Examines cases of complaints from overseas buyers regarding supply of Indian jute goods and takes steps to settle all such complaints amicably.

(9) Surveys mills and advises them on all technical and cost problems.

(10) Deals with all work connected with grant of NIDC and IDBI loans to the jute industry.

(11) To keep a watch on the working of the jute Buffer Stock Association.

(12) To advise STC on all matters relating to the price support operations for raw jute through the marketing cooperatives.

(13) To deal with all problems connected with movement of raw jute from Assam, Bihar, North Bengal, Tripura, Orissa, U.P. and Andhra.

(14) To allocate and distribute cement, coal, steel and other such materials to the jute industry.

(15) To advise FMC on all matters connected with futures trading in jute and jute goods. Jute Commissioner is also represented on the Board of the East India Jute and Hessian Exchange.

(16) To sponsor applications received from the rope works from time to time for import of items like manila and sisal fibre, machinery spares, stores etc.

(17) To look after the problems of the Sisal/Minila Rope Industry.

(18) To coordinate the work of the ISI and the IJIRA in developing standards for jute goods and enforcing quality and preshipment inspection.

(19) To represent Government on the various Committees of IJIRA on behalf of the CSIR.

(20) To function as the export promotion council for jute goods.

(21) To process all papers relating to grants and disbursement of each assistance on raw jute to jute mill companies.

(22) Registration of contracts for export of jute goods.

(23) The Jute Commissioner is also the Chairman of Shellac Export Promotion Council.

3.6. Even a casual glance at the above list would convince anyone about the intricacy of the job to be performed and the total inadequacy of the present organization to meet this requirement.

3.7. The present Jute Commissioner's Organization is comparatively small and totally inadequate, both for regulatory and developmental functions. For all his regulatory functions, the Jute Commissioner relies on the estimates of the anticipated production furnished by the Directorate of Economics and Statistics of the Ministry of Agriculture. These estimates not only come late but are generally off the mark. From time to time, the Jute Commissioner is asked by the Government to import raw jute to meet the country's requirements and the quantities to be imported are calculated on the estimates of the availability of the fibre in the country itself. On these estimates also depends the quantum of assistance that has to be provided for imports.

3.8. Off and on, the Government starts purchasing raw jute from the cultivators as a price-support measure. The Jute Commissioner today had hardly any basis for working out a fair price at which the Government should undertake to make purchases from the cultivator. There is a crying need for adding an economic intelligence unit to the office of the Jute Commissioner. Today, this organization is made to function like an outpost of the Commerce Ministry without any aids. Jute has innumerable grades and qualities and formulation of import and export programmes need adequate and accurate data which is sadly lacking. Taking all these facts into consideration, we feel that the problems of an important industry like textiles including jute can be solved only by setting up a composite agency under the title "Textile Development Board".

3.9. Similarly, the problems of woollen industry is beset with many complex problems. Import of raw wool and its distribution itself constitutes a major task but a coordinated development of woollen industry needs greater attention than it receives at present. The man-made fibres are going to play a vital role in the textile industry in future. In keeping with the changing fashions and consumer tasks, the textile industry of this country will be making a greater and greater use of synthetic fibres. This is all the more important if the textile industry has to continue to make a significant contribution to the export earnings of this country. In the development of these industries which are mostly agro-based, one essential feature which has to be kept in mind is that a large element of commercial considerations would also pay an integral part in the shaping and implementation of developmental measures. Development work would also need a wide perspective covering all aspects of industrial management, cost studies, development economics, statistical studies and evaluation of economic progress. We feel that all the inter-related problems can be dealt with comprehensively only by a Board consisting of members who possess not only a high degree of technical competence and expertise but also who are well-acquainted with the problems of the industry stemming from commercial and seasonal factors. The Textile Development Board should have five full-time members designated as—

- (1) Member, Cotton Textiles.
- (2) Member, Jute.
- (3) Member, Man made fibres.
- (4) Member, Wool.
- (5) Member, Financial Administration.

The Board should also be supported by the Modernization Commissioner, one Textile Machinery Adviser and a Financial Adviser.

Staff support at appropriate levels including at the level of Assistant Industrial Advisers will also have to be provided to attend to not only technical work but also the other functions such as economics, marketing, regulatory and export promotion.

We have given thought to the question whether the Textile Development Board should also deal with the problems of jute industry. The disadvantage is apparent, namely, the geographical location of jute industry would justify the retention of the Government agency at Calcutta whereas other textile industries are centred around Bombay. In the set-up that we contemplate each Member of the Board would mainly deal with his own industry leaving problems of general policy and other matters requiring coordination to the Board as a whole. In view of this, it would be practicable to locate the jute Member of the Board at Calcutta avoiding any disruption of the present organisation of the Jute Commissioner. Only on matters having repercussion on the entire fibre industry he will have to participate in the functioning of the Board.

3.10. The Textile Commissioner today operates like a subordinate office of the Commerce Ministry and it is unrealistic to expect such an organization to play a positive and dynamic role for the development of this industry.

The objective to be kept in view should be to have a focal point where a comprehensive view of the various steps required for the advancement of the industry could be taken. Any administrative organization has perforce to work within the framework of the Economic Development Plan. In the ultimate analysis it is the Government through its various Ministries and the Planning Commission who have to determine the targets and decide on the total investment that can be allowed to flow in a particular industry. Having decided these questions, and organization should be set up through which all the inputs necessary for the development could be channelized. The Textile Board of the type envisaged by us could be entrusted with the task of implementing the import and export policies approved by Government. It would be for the Finance Ministry to allocate the necessary foreign exchange for the import of cotton looking to the various credits available to the Government. But within these limitations, there is no reason why a Board of this type should not be entrusted with the implementation of such policies and further distributing this imported cotton to the cotton mills. It would be for them to work out the scheme of distribution to the actual users and others. It should also be for them to fix the price where necessary and to initiate measures for promoting exports.

#### *Decentralised Textile Sector.—*

3.11. In the Textile Industry there is a decentralized sector of Handlooms and Powerlooms. There are about 30 lakhs Handlooms and about 2 lac powerlooms scattered and wide-spread throughout the country. At present the All India Handloom Board which is only an Advisory body looks after the interests of handlooms in the cooperative sector by advising the State Governments in the implementation of various schemes approved by the Board. It has been represented to us that the problems of Handlooms as an industry being of a special nature concerning comparatively a weaker section of the textile industry deserve special attention. Funds are provided by the Government of India in the State Plans for the development of handlooms but in a number of States the earmarked funds are not utilized in full and for the purpose and diverted to other purposes. Similarly the powerloom industry in the decentralized sector has grown of late and is not being looked after properly from a central level. There is a need to fill in this gap from the point of view not only of the protection of this industry on right lines but also its regulation *vis-a-vis* handlooms.

3.12. The Powerloom Enquiry Committee headed by Shri Ashok Mehta, went in detail into this subject and appreciated the need of a single Apex Body on which could be placed the responsibility not only

of planning the development of this sector but of performing executive functions including implementation of schemes and channelization of funds. For this purpose the Committee recommended the constitution of a statutory body called the All India Handloom and Powerloom Board charged with executive functions and responsibilities for development of this decentralized sector and Provided with the required funds so as to be able to work with a budget of its own. We endorse this recommendation. We recommend that the proposed statutory board may be brought into being early and the Member-in-charge of the Cotton Textile Industry in the Textile Development Board may be made the Chairman of the Statutory Handloom and Powerloom Board.

3.13. There is, however an important aspect of the Wool Industry which at present is not being administered by the Textile Commissioner's Organization viz., the Production of wool from sheep and its Grading with a view to improve the availability of quality wool. At present the country's total requirements of raw wool for worsted yarn is imported from Australia. It is imperative that vigorous steps are taken to develop indigenous quality wool in coordination with the industry using it, so as to gradually reduce the dependence on imports. For this purpose the Textile Development Board has to take vital interest in the production as well as grading of wool which at present is administered by the Ministry of Food and Agriculture. While ICAR looks after the production of wool, the grading is being looked after by the Department of Marketing and Inspection in the same Ministry. We feel that a Development Council for wool should be able to coordinate the production and grading aspects together with the industrial aspect. For this purpose, the concerned officers of the Ministry of Food and Agriculture should be represented in the Development Council for Wool and the member-in-charge of wool in the Textile Development Board should be represented on the concerned body in the Ministry of Food and Agriculture.

3.14. It is necessary that certain amount of residuary control and a small control organization to implement it will have to remain, but the major task of this Board will be to provide the various inputs for development like technical know-how, finance, raw materials, consultancy service etc. so as to reach the Plan targets of the industry. In other words, we contemplate to create an industrial complex in place of the present administrative complex. The idea is not to give up unavoidable minimum control but to create an agency which is a fit instrument for implementing it.

3.15. The type of persons who could be appointed as members of the Board is an extremely important point to which we have devoted considerable thought. The present Practice of appointing officers of the Administrative Service as heads of such organisations has not yielded happy results. At a time when these organizations were solely engrossed in enforcing regulations and controls, Administrative Officers could admirably fill these posts. But, in the changed context of their new role, the type of personnel will have to be distinctly different. Certain amount

of expertise and excellence was indispensable in the higher jobs in these organisations. We, therefore, recommend that officers of Industrial Development Service in future be posted as Members of the Textile Development Board. The technical members of the Board, namely, the members respectively in-charge of cotton, jute, wool, man-made fibres as well as the Modernization Commissioner and Textile Machinery Adviser would form a "Directorate of Textile Fibres" as an intergral part of the DGID. They will be headed by a Chairman who would be a Deputy Director General of the DGID. There is no bar, however, to the appointment of competent persons from the public sector, private sector and textile research organizations in the country, if people with experience of the industry are available. As a matter of fact, there is a provision for recruiting such persons to the Industrial Service. While the existing officers in the DGTD, the personnel working in the present Textile Commissioner's Organization will have to be screened with a view to assess their suitability for absorption in the Industrial Service.



## CHAPTER IV

### STEEL

4.1. A Study Team under the Chairmanship of Shri Khadilkar, M.P., recently reviewed the working of the Iron & Steel Controller's Organization. They have made a comprehensive examination of this organization and their efforts and findings have considerably facilitated our work. We are dealing only with those structural changes which they have recommended and have added our own conclusions where we differ from them. In the first part of their Report submitted in 1966, this Study Team made some far-reaching recommendations pertaining to the system of distribution of steel and relaxation of controls. In substance they had recommended a gradual lifting of control on the price and distribution of steel, and institution of an arrangement whereby scarce categories of steel could be regulated through the agency of the Joint Plant Committee. The Committee also envisaged the functioning of the Steel Priority Committee to make bulk allocations to various important consumers like Defence, Railways etc. The intention was that the Joint Plant Committee should play a pivotal role in the new schemes of distribution and considerable reliance was placed on the efficiency of this organization. The Committee was particular that after a marked shift towards decontrol there should not be too many safeguards and restrictions. They advocated that there should be a willingness to accept the risk, if any, of letting the JPC handle its new job without too much insistence on representations and safeguards. The Study Team saw little justification burdening the JPC with additional membership which might make for difficulties in its working.

4.2. It should be mentioned that representatives of the producers were categorically opposed to any enlargement of the JPC in the direction of including consumer's interests. Their argument was that in no other Committee was there any system for associating consumers with matters like price fixation or production and sale policy. They pointed out that, although the steel industry itself was the biggest consumer of coal, it had no say in fixing the coal prices or in the policy governing the coal distribution. "There is much force in this line of argument. Even the Raj Committee visualised that the JPC should be a body primarily of representatives of the steel plants, with the Iron and Steel Controller as Chairman only to resolve differences, if any. We think it is important not to disturb the fundamental concept underlying the setting up of this Organisation, namely, that it should be a body essentially of the producers. The safeguard already devised by the Government in the shape of representation given to the railways appears to have worked well so far. On the whole, therefore, we see no need for a change in the constitution of the JPC, simply on account of the distribution system proposed by us".



4.3. On the role of the JPC in fixation of prices of all categories of steel, the Committee suggested that while giving the JPC the freedom to fix the prices some safeguards should be provided whereby proposals of price escalation submitted by producers are properly scrutinized in an objective manner by qualified and technical persons with accounting knowledge.

“With Iron & Steel Controller as its Chairman and Railway representative to look after the necessities of the consumer, it may not be expected that JPC would be a party to an unjustified escalation of prices”. Observing that frequent changes in the price of a vital commodity like steel would be harmful to the economy, the Committee recommended that, except for unforeseen circumstances, such as increase in excise duty or railway freight, the JPC should not entertain proposals for the price revision more than once a year.

4.4. The second part of this Report which was submitted in March, 1967 dealt with the Organization of the Iron & Steel Controller's Office, its role and functions in the changed context.

4.5. The Iron and Steel Controller's Organization has mainly three functions to perform :

- (a) planning of production and distribution of indigenous steel;
- (b) issue of licenses for the import and export of steel in exercise of the powers delegated under the Import Export Control Orders; and
- (c) nursing and development of the Iron & Steel Industries.

The Iron & Steel Controller's Organization has primarily been occupied with the implementation of control orders. Henceforth it would appropriately be more concerned with the developmental aspect of the industry, exports, import substitution and production of sophisticated varieties of steel.

4.6. The Ministry of Iron & Steel which is responsible for the planning and development of the Iron & Steel Industry needs technical assistance in the same fashion as other Ministries dealing with industries are assisted by the Director General, Technical Development. The Ministry of Steel is also directly responsible for the development and the requirements of the integrated steel plants. With a growing emphasis on sophistication, rather than tonnage, both the Ministry and the Iron & Steel Controller will need day-to-day technical assistance on the following aspects :—

- (a) formulation of import/export policies for iron and steel items;
- (b) questions of Tariff protection to iron and steel producing industries;
- (c) standardisation of iron and steel production;

- (d) training of technical personnel overseas etc., for employment in the iron and steel industries;
- (e) judging the essentiality of imports of capital goods, raw materials, components, spares, etc., asked for by the iron and steel industries ;
- (f) clearance from indigenous angle of imports of iron and steel ;
- (g) collection and compilation of industries data relating to installed capacity, actual production, employment position, stocks, prices etc., and apprising the Ministries concerned of trends in so far as the iron and steel industry is concerned ; and
- (h) conducting studies aimed at finding out substitute for imported/scarce items of iron and steel.

4.7. For the performance of these functions the Study Team very rightly came to the conclusion that the organization of the Iron & Steel Controller should be strengthened by the creation of a Technical Wing. This Technical Wing would also assist the Ministry of Iron & Steel and would be the counterpart of the DGTD so far as the steel industry is concerned.

4.8. Since this technical organization will have to service both the Ministry at New Delhi and the Iron & Steel Controller at Calcutta, the Study Team have recommended that the Technical Wing should be split in two parts. The main branch of the Technical Wing should be located at New Delhi because more important and substantial activities needing technical advice are centred there. A branch office to be set up at Calcutta would assist the Iron & Steel Controller in the discharge of his overall functions. This Technical Wing is to be organized on the pattern of the DGTD. Apart from tendering advice to the Ministry of Iron & Steel on policy matters having a technical content, this Wing will also look after the problems of the following industries :

- (1) Integrated steel plants.
- (2) Small pig iron plants (blast furnaces as well as hot blast cuppla).
- (3) Electric furnaces with or without continuous casting machines.
- (4) Re-rolling mills.
- (5) Wire drawing units.
- (6) Ferro-alloy plants.
- (7) Units of production of coated wires, sheets etc., (aluminising, galvanizing and tinning plants).
- (8) Plants for the manufacture of tool, alloy and special steels.

The branch of this Technical Wing to be stationed at Calcutta will help the Iron & Steel Controller in the disposal of applications for the import of raw materials, spares, components, etc.

4.9. According to the system suggested by the Study Team, the Technical Wing at New Delhi will be assisting the Ministry in the discharge of the following functions :

- (i) Formulation of development plans of the iron and steel industry.  
The Ministry will continue to have the advice of the steel consultants, namely, the Central Engineering and Design Bureau of Hindustan Steel Limited and Messrs. M.N. Dastur & Co. Similarly, consultation with the DGTD and Planning Commission will continue as before. The technical authorities will help them in finalising the overall views on planning for iron and steel industry;
- (ii) Implementation of the plan programme;
- (iii) Import of capital goods;
- (iv) Issue of Essentiality Certificate for import of raw materials, equipment, components and spares ;
- (v) Formulation of capital and export policy;
- (vi) Clearance of imports from indigenous angle;
- (vii) Import substitution programme;
- (viii) Coordination of indigenous production with the requirements of indigenous industry ;
- (ix) Statistics ;
- (x) Attending to references from Tariff Commission etc.;
- (xi) Preparation of the proposals for the Foreign Exchange Budget.

In other words, this is the type of work which the DGTD does for the other Ministries today.

The Technical Wing at Calcutta is expected to help the Iron & Steel Controller in the following items of work :

- (i) Disposal of licensing applications;
- (ii) Registration of new industries;
- (iii) Essentiality certificates;
- (iv) Technical advice to Iron & Steel Controller with regard to production and distribution of indigenous steel.

4.10. We will now have a close look at the nature of the functions which the Steel Controller assisted by the Technical Wing would be required to perform in future. A thorough understanding of the type of works involved in carrying out the tasks enumerated above would give an insight into the proper organisational structure that the Steel Controller's office should assume in the future.

4.11. The import of Iron & Steel is regulated under the Imports (Control) Order, 1955, issued under the Imports Exports Control Act. Officers of the Iron & Steel Control Organization are competent to issue licences under these orders. The work relating to the regulation of imports involves three distinct stages, namely :

- (i) allocation of foreign exchange;
- (ii) formulation of import policy;
- (iii) processing of applications for import licences.

So far as allocation of foreign exchange is concerned, the Iron & Steel Ministry prepares its budget in the same manner as other Ministries and receives its allocation from the Department of Economic Affairs. The recent liberalisation of imports after the devaluation applies to steel as much as to other industries.

4.12. In respect of the formulation of the import policy, the Study Team recommended that the import policy relating to steel should be announced simultaneously along with the Import Trade (Control) Policy (Red Book) published by the Ministry of Commerce. The form in which the Iron & Steel Controller announces his policy is rather sketchy and is not as helpful as the Red Book. The applicants are left very much in doubt and the field for discretion is comparatively large. This unsatisfactory state of affairs also carries the possibility of harassment to genuine parties and undue favour to others. The Study Team have, therefore, recommended that:

- (a) Import policy for iron & steel items should be announced at the same time as general import policy ;
- (b) It should be formulated in the same form, *i.e.* the Red Book pattern and should be incorporated in the Red Book;
- (c) The responsibility for formulations of policy should remain with the Ministry of Iron & Steel. In effect this amounts to dovetailing the import policy regarding iron & steel with the general policy announced by the Government from time to time. The actual procedure followed by the licensing offices in respect of Iron & Steel is similar to that followed by the CCI&E's Organisation.

4.13. We endorse the above recommendation of the Khadilkar Study Team and would support their suggestion that the import licensing for steel requirement of DGTD borne units should be transferred from the Iron & Steel Controller to the Chief Controller of Imports & Exports. There should be a single consolidated licence for the total needs of a particular unit for raw materials, components and spare parts. In effect, it will amount to entrusting the processing of import applications in respect of iron and steel items to the Chief Controller for Imports and Exports. The following advantages are expected from the transfer of licensing work from the Iron & Steel Controller to the CCIE.

- (i) The Iron & Steel Controller and his officers exercise only limited powers in respect of issue of licences for a few items. The

recommended transfer would achieve better coordination at all levels, i.e., the level of applicant, that of sponsoring authority, of the licensing offices and in the matter of statistics ;

- (ii) The procedure followed by the CCI&E in announcing the import policy is well systematised with the result that his Organisation is able to adhere to the prescribed time table. The Iron & Steel Controller invariably issues the corresponding Public Notices for Iron & Steel items for industrial units, after the CCI & E has done so. Industrial units normally require not only steel but also items other than steel. They have, therefore, to study the different sets of procedures to submit separate applications and to follow different time tables. Similarly, sponsoring authorities have to deal with two sets of applications. There will be considerable simplification and reduction of work all along the line if all licensing work is transferred to the CCI &E;
- (iii) The Organisation of the Chief Controller of Imports and Exports has a wider net work of licensing offices than is available to the Iron & Steel Controller. Iron & Steel Controller has licensing offices only at Calcutta, Bombay, Madras and New Delhi ;
- (iv) The work is more systematised and codified in the CCI&E's office ;
- (v) The general instructions issued by the CCI&E from time to time are issued in the form of a Manual. Compared to this the procedure followed by the Iron & Steel Controller is more or less *ad hoc*;
- (vi) Transfer of licensing work would lead to a better matching of imports of steel and non-steel items by the same industrial units;
- (vii) There is also the advantage of some economy if the proposal is accepted.

4.14. This will leave to the reorganized set-up for the Iron & Steel industry tasks like the disposal of licensing applications, the registration of new industries and tendering of technical advice, in other words, the tasks which the DGTD is expected to perform in connection with other industries. We, therefore, recommend that the present office of the Iron & Steel Controller should be totally disbanded. It should be replaced by a technical organization under the fullfledged Directorate of Iron and Steel which should be an integral part of the proposed DGID's organisation. The Iron & Steel Directorate in the DGID will be headed by a Deputy Director General, Iron & Steel, incharge of this particular industry. The present arrangement whereby, for historical reasons, the iron and steel industry has remained outside the fold of the DGTD and is serviced by a specialized organisation ought to be terminated. We are fully convinced that this dichotomy is totally unsuited in the changed circumstances

where the engineering industry, foundries, fabrication industry, structural industries and other industries dependent on iron and steel are looked after by the present DGTD and only primary steel and semies of steel are looked after by the present Iron and Steel Controller. The present organization of the Iron and Steel Controller has completely submerged in the day-to-day administration of price and distribution controls to the detriment and the total eclipse of its promotional activities. With the abandonment of price and distribution control on steel, the justification for the existence of the Iron & Steel Controller's office had virtually ended. The Iron & Steel Directorate which we are recommending will replace this Organisation and will have a corps of technologists assisted by a well-staffed economic and intelligence unit. The economic and intelligence unit under the DDG (Iron and Steel) can be transformed into a control organization if at any time in the future, the Government felt the need to take recourse to administrative controls.

4.15. Having arrived at the conclusion that there should be a special Directorate of the DGID to look after the Iron & Steel industries, we devoted some thought to the question of the proper location of this Organization. We have seen above that the technical organization of the DGID is required to tender advice both to the Ministries of the Government and to the industrial units. This dual role lead the Khadilkar Committee to recommend bifurcation of this technical organization in the two parts, one at Calcutta and the other at New Delhi. We feel that there is really no need to have any Technical Wing attached to the Iron and Steel Ministry. The requirements of the industry would make Calcutta the suitable place for locating the Directorate of the DGID dealing with iron and steel. We have no super-abundance of technical talent and duplication will merely dilute the technical competence of the Organisation. With the modern methods of communication at our disposal, geographical distance between Delhi and Calcutta should prove no handicap to the Iron & Steel Ministry in seeking the technical guidance from the Organization at Calcutta. The Organization at Calcutta will be designated as the Iron and Steel Directorate of Industrial Development. If the DG so desires, he could retain an officer of the Iron and Steel Directorate at Delhi to facilitate liaison with the Steel Ministry. We are contemplating that the future Organisation for steel industry would be an outpost of the Directorate General of Industrial Development. This will also do away with the present dichotomy that exists in connection with the import of capital goods and the import of spare parts for maintenance. In future, the same organization will be incharge of both these functions.

4.16. We would now like to clear one or two doubts that have been expressed relating to the above recommendation. One is that the Working Group have underestimated the importance of the Iron & Steel industry for the future industrial set-up of the country. This conclusion has been surmised from the fact that we have recommended the setting up of a Development Board for the textile industry and the retention of the Coal Board whereas for iron and steel we are recommending only

a Directorate of the DGID. The organizational structure of a Government agency depends very remotely on the size of the industry or the value of its output. The Organization must depend on the nature of service needed from the Government. Viewed in this light, we are convinced that a multi-member Board is not necessary for iron and steel industry. Industries which are the main consumers of iron and steel must unavoidably be looked after by other Directorates of DGID. Consequently, a Directorate under a DDG specially earmarked for iron and steel should be adequate for our purpose. Moreover, we are keeping out the mining aspects of this industry as we think that the DGID would not be the appropriate forum to deal with these aspects. The second point that has been made to us is that the chairmanship of the JPC, which is a forum entrusted with the responsibility of enforcing discipline among the producers and ensuring distribution of critical materials to genuine consumers at a reasonable price, should really go to an officer of the Iron & Steel Ministry. It is argued that with the DDG, Iron and Steel Ministry. It is argued that with the DDG, Iron and Steel, as the Chairman of the JPC, the supervision on the JPC by the Iron & Steel Ministry would perhaps be difficult if not altogether impossible. We feel that this type of argument does not recognize the plain fact that effective control and supervision is not a matter of administrative mechanics, but of technical competence. With a highly qualified technician of the Government as the Chairman of the JPC, the Steel Ministry should find it easier to appreciate the view point of industry and to enforce discipline, based on proper understanding of the problems involved.

4.17. Certain views have been expressed to the effect that JPC as now constituted is not broad-based enough and that it should include representatives of re-rollers, big consumers, traders etc. in order to enable the JPC to discharge its functions adequately. We have considered those suggestions and appreciate the validity of the thinking but would not recommend any change in the composition of the JPC. The functions of this Committee relate to pricing, distribution and planning of production. So far as pricing is concerned, it will serve no purpose to enlarge the Committee. For planning of Production, which is a matter solely for the producers any such expansion would be redundant. So far as the distribution is concerned, any advice or assistance from the various representatives of important consumers could well be obtained without a formal inclusion of these representatives in the JPC.

4.18. The JPC was conceived as a small technical body concerned with planning of production, laying down the rolling programme etc. The railways' representative was included because transport obviously was an important factor and the presence of a railway representative made for efficient functioning. We consider it as absolutely imperative that this body should be kept small in size so that it can carry out its responsibilities satisfactorily. Admittedly the present-day economic conditions require frequent consultations with the consumers but this is best achieved by the JPC arranging frequent meetings with different sections of consumers. The Government was wedded to the policy of gradual reduction of control and is continuously exploring the possibilities of removing all

regulations on prices so that the producers could have a free hand in adjusting the prices to the market conditions. For this very reason we are not in favour of the DCSSI being represented on the JPC.

4.19. One particular point relating to the functioning of the JPC was repeatedly brought to our notice. There is a feeling that the JPC, as a producers' organisation does not give an adequate attention to the consumers' requirements, especially in the matter of quality control. It was felt that on account of the JPC's operations steel plants function like a cartel in total disregard to the consumers' interests. In the absence of the JPC, the consumer would have the right to place his indent with the steel plant of his choice and some amount of healthy competition might develop among the steel plants which would result in the improvement of quality standards. We have given considerable thought to this question but we feel that an informal organization of the producers like the JPC has certain advantages in planning the rolling programmes of the various steel mills. It is not easy to contemplate any real competition growing between these plants in the near future because the demands will be outstripping the supplies except in a very few categories. On the other hand, we cannot ignore the importance of quality control and hence we recommend that quality standards should be enforced under the ISI.

4.20. The Government have set up an Iron and Steel Advisory Council to advise on all matters of a general character relating to iron and steel and in particular, the problems pertaining to production, distribution, transport, research, import and export. The Council is presided over by the Minister of Iron and Steel. The President of FICCI and the Associated Chambers of Commerce are *ex officio* members of the Council. In addition there are 28 members, who in the opinion of the Government are capable of representing the interests of the producers, consumers, trade, mining and allied industries. A number of Government nominees are also included as members. A Standing Committee of this Advisory Council was also constituted in July, 1967 with the Minister of Steel, Mines and Metals as the Chairman.

4.21. We have carefully considered the role of this Advisory Council. Under the provisions of the Industries (Dev. & Regulations) Act a Development Council is required to be constituted for each important group of industries with functions which are similar to the functions of this particular Council.

4.22. It is better, therefore to reorganize the present Advisory Council as the Development Council for Iron & Steel to look after all the aspects of steel industry on the lines of our Industrial Advisory Council. There are nearly 20 Development Councils already functioning. For Iron & Steel there is no such Development Council but the Standing Committee of the Advisory Council is expected to play this role. We would recommend the abolition of the Advisory Council and its standing committee and the constitution of a Development Council for Iron & Steel Industries. The Deputy Director General who will head the Directorate of Iron & Steel Industry, can function as its Chairman. He also can be the Chairman of the JPC.



## CHAPTER V

### THE COAL BOARD

5.1. Our terms of reference require us to examine the functions of the Coal Controller and to recommend an appropriate Organization which could adequately discharge the functions of the Government with respect to this industry. The nature of the coal industry and the type of service required from the Government in this sector are quite distinguishable from the governmental actions *vis-a-vis* other industries. The Organization of the DGID which we have recommended in Chapter I has been evolved with reference to the requirements of manufacturing industries. The structure suggested by us is primarily oriented to carry out the development functions of the Government *vis-a-vis* the manufacturing industry in the private sector. Coal, however, is primarily a mining industry and the nature of the Government responsibilities to the private sector units is quite different. We also have an existing Organization of the Coal Board concerned with the development of coal mines. Alongside, we have the Coal Controller entrusted with a number of regulatory functions pertaining to this industry. We have not attempted to amalgamate these organizations in the proposed DGID because that would be quite inappropriate. Our main concern has been to have a close look at the functions of the Coal Controller with a view to assess whether the Coal Board could not be reorganized to take over the Coal Controller's functions as well. We have also made recommendations which, in our view, will enable the Coal Board to discharge their onerous responsibilities more satisfactorily.

#### *Importance of Coal to national economy*

5.2. Coal is one of the most important minerals which India has been producing for more than a hundred years. Unfortunately, coal mining was not conducted in the past in a rational or scientific manner with the result that the reserves of metallurgical coal and superior grades of non-cooking coal have been seriously depleted. The main factors for such losses of coal were :

- (i) Loss of coal due to practice of Selective Mining, i.e., working only the better parts of a seam leaving the rest to waste.
- (ii) Loss of coal due to premature collapse of pillars.
- (iii) Loss of coal due to fires.
- (iv) Loss of coal on account of irregular and fantastic shape of individual holdings.
- (v) Loss due to coal locked up under Railway lines, Public Roads, Buildings, etc.

### *Past neglect*

5.3. Due to the bad mining practices in the past, the loss of good quality of coal, particularly, metallurgical coal has been colossal. According to one estimate, for every tonne of coal mined in India, on the average at least two tonnes of coal were lost beyond recovery. These problems have been engaging the attention of the Government for the past 50 years and several expert committees were constituted to consider the problems of mining industry so as to make suitable recommendations for rectifying the evil effects of unscientific raising of coal. The last of these committees appointed in 1937 reported on measure deemed necessary both for the prevention of avoidable waste of coal deposits and for securing the safety of those employed in the extraction of coal. Following the recommendations of this Committee, the Coal Mining Stowing Board was set up in 1939 with the limited object of granting stowing subsidy to coal mines with a view to popularize stowing and thereby help conservation of coal.

### *Corrective action taken so far*

5.4. At the commencement of the Second World War when the demand for coal had mounted up enormously and the acute shortage was made worse by non-availability of transport a series of actions were taken to improve the coal industry in India. Accepting the suggestion of the War Resources Committee, the Government promulgated in 1944 the Colliery Control Orders under the Defence of India Rules to regulate the production, distribution and the price of coal. The Colliery Control Orders have since been issued under the Essential Commodities Act.

5.5. So far as the conservation and the rationalization of this mineral is concerned, concerted action was taken only after the end of war. In 1946, the Indian Coal Fields Committee highlighted the importance of rational mining and conservation, particularly of coking coal. Thereafter, the Metallurgical Coal Committee was appointed in 1949 and on the basis of this Committee's recommendations, the coal (Conservation & Safety) Order was issued in 1952. In October of the same year, this became the Coal Mine (Conservation & Safety) Act, 1952 to provide for the conservation of coal and to make further provision for the safety in coal mines. It is since 1952 that the Coal Controller as well as the Coal Board started sharing of the various responsibilities in respect of production and conservation of coal. Most of the aspects of this industry today are governed by these two instruments, namely, the Colliery Control Order and the Coal Mines (Conservation & Safety) Act, 1952.

### *Functions of the Coal Controller*

5.6. The main functions of the Coal Controller under the Colliery Control Order are:—

- (a) to exercise control over production, distribution and prices of coal ;

- (b) to provide technical data and advice for the formulation of coal policies ; and
- (c) to provide executive direction to the offices under him, viz., the office of the Coal Superintendent, Dhanbad, and other Regional Offices.

So far as control over production is concerned, the relevant provisions on the Colliery Control Order empower the Coal Controller in the matter of limiting the mining or production of any grade of coal, fragmentation of coal mines, opening/reopening of coal mines and/or seams and suspension of workings of closed mines either temporarily or permanently. In addition to these, the Ministry in 1962 in the context of fulfilment of Plan targets decided that the production programme of the more important collieries producing superior grades of coal should be reviewed and followed up. Since the Coal Controller had not the adequate field staff, it was decided that the help of the Coal Board field officers should be taken by him. This is still continuing. The Coal Controller is also responsible for supplying the basic material to Ministry for planning purposes and is responsible for the examination of applications relating to mining leases, industrial licences and matters connected with the Coal Bearing Areas (Acquisition & Development) Act, the provision of foreign exchange to the private sector of the coal mining industry, matters relating to supply of electricity, explosives and other essential stores to the industry as a whole.

5.7. Since 24th July, 1967, with the decontrol of movement and price of coal only the responsibility of distributing coking coal to metallurgical industries remains with the Coal Controller so far as the distribution part is concerned. Till some permanent arrangement can be made he is also looking after the supply of coal to essential consumers like Defence.

#### *Gradual Transfer to the Coal Board*

5.8. Some of the functions of the Coal Controller under the Colliery Control Order were periodically transferred to the Coal Board constituted under the Coal Mines (Conservation & Safety) Act and the rules made thereunder. Thus in 1955, the work relating to opening/reopening of mines and grading of coal was transferred from the Coal Controller to the Coal Board. In October, 1962, the Fuel Economy Unit of the Coal Controller's organization was transferred to the Coal Board because the activities of the Unit really relate to the conservation of coal and its optimum utilisation. Even after decontrol the functioning of the Fuel Economy Unit continues to be of supreme importance because wastage of superior grades of coal for nonessential use would be suicidal in the country's interests. Conservation has to be enforced in mining as well as in use.

#### *Technical Adviser to Government*

5.9. The Coal Controller also processes applications for mining leases, industrial licences and the import licence applications from the private sector of the coal mining industry. In this behalf he acts as the Technical

**Adviser to the Government** so far as coal industry is concerned. This has become necessary because the Directorate General of Technical Development does not have any specialised cell or wing to look after the coal industry. The Coal Controller and the Coal Board are equipped with their field offices, staff of mining engineers and they function as technical experts advising the Government. They also have to maintain a close liaison with the office of the Director General of Mines Safety, Central Fuel Research Institute and the Central Mining Research Station.

### *Functions of The Coal Board*

5.10. So far as the Coal Board is concerned it derives its powers from the Coal Mines (Conservation & Safety) Act, 1952 and as its preamble states, its purpose is to provide for the conservation of coal and to make further provision for the safety in coal mines. The present organisational structure of the Coal Board and the tasks undertaken by their several wings are enumerated below :

#### *A. Conservation & Safety Wing :*

- (i) Assistance to collieries for undertaking stowing including loans for stowing plant—scrutiny of applications, claims including offset survey, measurement of stowing done etc.
- (ii) Assistance for protective works, e.g., to control or prevent fire or prevent inundation.
- (iii) Execution of protective works, departmentally where collieries fail to carry out such measure or where collieries are abandoned.
- (iv) Grant of subsidy to collieries handicapped by adverse factors, e.g., high pumping cost, inclination, gassiness—liaison with DGMS.
- (v) Grant of opening and reopening permission, examination of proposed method of working to ensure conservation—scrutiny of industrial licences.
- (vi) Sanction of depillaring applications—scrutiny from the point of view of conservation—consultation with DGMX.
- (vii) Sampling and grading of coal—procedure—steel plants, washeries, DGOPs—liaison with big consumers, particularly of coking and blendable coals—obtain their analyses results—comparison with Board's results—Board meetings—appeals to the Central Government.
- (viii) Technical appraisal of problems referred to by the Industry or the Ministry.

#### *B. Ropeways Wing :*

- (i) Supervising the construction of Ropeways.

- (ii) Operation and maintenance of the Ropeway (already commissioned).
- (iii) Distribution of sand to different collieries from ropeway bunkers—provide for Board's own fleet of trucks to cut down costs—help collieries to obtain sand from the river other than through Board's ropeway—negotiations with State Governments of Bihar and West Bengal for obtaining leases of stretches of rivers in the coal-fields and granting working permission to individual collieries for winning sand from such areas.

*C. Utilization Research & Extension Wing :*

- (i) Allocation of grade and size of coal for various industrial consumers—Fuel Efficiency Committee.
- (ii) Introduction of standards in size, methods of tests, nomenclatures etc.
- (iii) Technical guidance to consumers of coal to promote optimum utilization.

*D. Finance and Accounts Wing :*

- (i) Preparation of budget and exercising budgetary control in the Coal Board and in the office of the Coal Controller.
- (ii) Maintenance of accounts.
- (iii) Pricing policy of coal—advise to the Central Government.
- (iv) Collection of excise duty—liaison with railway authorities, Accountants General, DGMS, Coal Mines Labour Welfare Commissioner, etc.
- (v) Subsidy to coal moved by rail-cum-sea route.

*Earlier recommendation for the amalgamation of Coal Controller & the Coal Board*

5.11. The Indian Coal Fields Committee, 1946 and the Estimates Committee Report, 1954-55 had both recommended the constitution of a single Coal Commission abolishing the Coal Commissioner's Organization as well as the Coal Board. The Indian Coal Fields Committee recommended that a National Coal Commission should be set up for implementing the Government's policy in regard to the following matters; mining leases and royalties, classification of coal, conservation of mines, control on production and prices, exports, distribution and administration of Government—owned collieries. According to the Estimates Committee, the proposed Coal Commission was to have three wings :

1. The first wing would control the coal industry in the private sector. It would take over the functions of both the Coal Board and the Coal Commissioner in regard to the private coal fields ;

2. The second wing would be concerned with the general problems of administration, administering the State collieries ;
3. The third wing would deal with all the policy matters such as development of the coal industry in the country, export policy in respect of coal and research about the coal industry.

5.12. So far as the administration and management of Government-owned collieries are concerned, the Government have entrusted this task to the NCDC and it is about the remaining functions that a suitable organisation has to be thought of. The thinking in the Government so far has been that a comprehensive independent Coal Commission, if established straightaway, would in the present stage of development of the industry break down and, therefore, a more pragmatic and practical approach would be necessary. Such a Commission would be more appropriate when Government had attained greater control on the industry or when the nationalization becomes a practical possibility.

#### *Emphasis on development in the future*

5.13. The enumeration of the functions of the Coal Board and the Coal Controller brings out one point in bold relief, namely, that the developmental aspect of the coal industry is neither adequately covered by the Colliery Control Order nor by the Coal Mines (Conservation & Safety) Act. As a matter of fact, the adverse effects of this lacuna have been observed in recent years and a proposal has been mooted to design a comprehensive new legislation styled as Coal Mines (Development, Conservation & Safety) Act to provide for the regulated development of coal, conservation of coal and to promote safety in coal mines.

#### *Creation of unified agency*

5.14. The Government have been actively considering for the last two years the proposal to merge the Coal Controller's organization with the Coal Board as it has been felt that there is a certain amount of an avoidable overlapping in the functions of these two organisations in the matter of opening/reopening of coal mines, restricting or limiting the production of coal, supply of coal to consumers and ensuring economy in the use of coal.

5.15. On considering these aspects we are convinced that in the context of the removal of the control on the price and distribution of coal and with a view to concentrate on development of coal mining, coal washing, coal blending, conservation of coking coals and wide spread propagation and production of soft coke as domestic fuel, the Coal Controller and the Coal Board should be merged and the new Board should be given wide powers.

5.16. The Coal Controller, at present, exercises certain powers of the Government. He advises the Ministry for Coal in implementing the Industrial Policy Resolution of Government as far as the coal industry is concerned in the matter of licences, leases etc. These are essentially

the powers of the Government for which the Government is accountable to the Parliament and it may be argued that this accountability may not be discharged fully if the powers are vested in an autonomous semi-official Board. The Coal Board, as it is constituted today or as it will be reconstituted according to our recommendation will have representatives of private and public sector collieries. A doubt has been expressed whether the producers, either in the public or private sectors should have any voice in determining matters like grant of licences and leases to other producers. It has been stated that there is a vital difference between the functions which are essentially those of the Government and which are of regulatory nature and promotional and developmental activities, and that this justified the present distinction between the Coal Controller and the Coal Board. It was suggested that this fundamental difficulty may be overcome by adopting a pattern analogous to the Company Law Administration wherein the powers of the Government were exercised by a purely functional Board of wholtime members who were fully accountable to the Government for the discharge of these functions. At the same time, there was a high power Advisory Board presided over by retired High Court Judge and composed of representatives of various interests who advise the Company Law Board on the matters of internal regulation of the industry. Certain basic policy matters, however, were excluded from the purview of the Advisory Board.

5.17. We, however, think that these fears are not justified. The powers under the Industries (Development & Regulation) Act are to be exercised by the Government, the Coal Board only furnishing the necessary technical advice. The Coal Board will also be the agency through which the funds for the development of the industry will be channelised. There is no bar to the Government issuing directives to the Board pertaining to any policy matters. Subject to these directives the day-to-day operational autonomy of the Board ought to be preserved.

5.18. After the removal of control on the price of coal, the residuary functions of the Coal Controller would well be performed by the Coal Board which should be reconstituted on the following lines. The Board should have a highpowered full-time Chairman of requisite eminence in the technical field of mining and geology in addition to three other full-time members, one, Member (Technical and the second, Member (Finance and Administration) and the third Member (Commercial). The Chief Mining Engineer of the Board should be upgraded and made a Member thereof. Apart from these five Members, the following should be associated as part-time Members of the Board :

- (6) Director General of Mines Safety;
- (7) One Senior Officer of transportation wing of the Railways;
- (8) A representative of public sector collieries;
- (9) One representative of private sector collieries;
- (10) Two representatives of the principal consumers.

### *Management of the ropeways*

5.19. One of the important functions of the coal Board today is the management of the ropeways. The question whether the operation of the ropeways should not be separated from the Coal Board and entrusted to a new organization has been coming up for consideration of the Government periodically. It has been felt that the ropeways should be treated as a purely commercial undertaking and its operation should be so rationalised as to pay for itself either through direct levy of economic charges on the beneficiaries of the service or through a legitimate reduction in the subsidy which is now granted out of the Coal cess. We do not think that the magnitude of the work involved would justify setting up of a new organisation for this purpose at this stage. Under the Coal Mines (Conservation & Safety) Act, the Coal Board has got statutory authority for undertaking any stowing operations. If a separate organisation is set up for the operation of the ropeways, difficulties in coordinating the activities of this organisation and that of the Coal Board are bound to arise. For the due discharge of its duties, the Coal Board will have to have on its staff a number of qualified technical personnel who could adequately look after the operation of the ropeways as well. We would, however, recommend that proforma accounts (commercial) should be maintained in respect of the ropeways so as to give a correct picture of the profitability or otherwise of this undertaking.

### *Non-official members*

5.20. It is after full consideration that we are recommending inclusion of non-official members on the Coal Board. Till 1960, the Coal Board included only officials and there was no representative of the industry on it. Non-officials were first introduced in 1960 with the express purpose of giving to the Coal Board the benefit of their accumulated experience and knowledge of the industry relating to the complex matters concerning the coal industry.

### *New Functions of the reconstituted Coal Board*

5.21. Such a reconstituted Coal Board with adequate technical personnel injected in it could then take over a number of additional functions some of which are being performed by the Coal Controller at present. These additional functions of the Board would be as under. On items (i) & (ii), the three members at serial numbers (8), (9) and (10) in paras 18 need not vote :—

- (i) Scrutiny of applications for prospecting licences, mining leases and industrial licences from coal companies and also for new coalbased industries, e.g., foundries.
- (ii) Regulation of grant of opening/reopening permission.
- (iii) Matters relating to production plans of the industry as a whole as per targets laid down in successive Five Year Plans as well as of individual collieries—technical advice in a limited way.



- (iv) Matters relating to procurement of machinery, steel, cement timber, explosives and other essential needs of the mining industry.
- (v) Mining machinery and equipment—assessment of needs and import substitution by fostering indigenous capacity.
- (vi) Programme of supplies of coking coal and blendable coals to washeries, steel plants, coke ovens and other metallurgical industries.
- (vii) Acquisition of new areas under the Coal Bearing Areas Act.
- (viii) Amalgamation of collieries.
- (ix) Annual inspection of collieries by Inspecting officers with a view to ensuring correctness of returns, compliance with orders of the Board.
- (x) Matters relating to assessment of needs for foreign exchange and procurement thereof.
- (xi) Production Consultancy—technical assistance in formulation and implementation of plans for optimum production and maximum conservation in extraction—liaison with the CIM.
- (xii) Assistance to coal industry in mechanization with a view to improving productivity, improvement in methods of mining.
- (xiii) Technical guidance to consumers of coal to promote optimum utilization—attend to complaints from individual consumers liaison with suppliers—disputes arising of wrong size and poor quality of coal.
- (xiv) Allocation of coal to consumers of metallurgical coal.
- (xv) Coordination with Central Boilers Board to develop indigenous boilers, economisers suitable for burning Indian coals, particularly, of the poorer grades.
- (xvi) Import substitution and fostering of indigenous capacity in the matter of coal, burning equipment.
- (xvii) Coordination of research of uses of coal and coal derivatives—liaison with CFRI, CMRS, and other coal research stations and national laboratories.
- (xviii) Coal transport and distribution matters—removal of railway bottlenecks—liaison with railway authorities—promotion of road transport of coal.
- (xix) Promotion of exports—location of new markets, particularly in developed countries where there is a shortage of coal reserves e.g., Japan—strict quality control—liaison with coal producers—licensing of coal producers.

### *Autonomy in day-to-day operation*

5.22. The present Coal Board constituted under the Coal Mines (Conservation & Safety) Act, 1952, is an autonomous organization which functions independently in its day-to-day operations. The matters come up to the Government only when a party is aggrieved by the orders of the Board and appeals to the Government. The powers vested in the Board in the matter of its own administration and in respect of carrying out protective works or assisting stowing/protective works are, however seriously circumscribed. For instance, the Board today can create on its own authority only posts whose pay scale does not go beyond Rs. 900 p.m. It can undertake protective works or give assistance to protective works, without reference to the Government only if the cost does not exceed Rs. 1 lakh. The rates of subsidy are also fixed from time to time by reference to the Government. We do not think that this curtailment of the Board's authority is adding to its efficiency. The high level Board that we are contemplating should be free to undertake these operations within its sanctioned budget without any prior reference to the Government.

### *Budget of the Board*

5.23. The Board's budget is being financed as it was meant to be financed under the Coal Mines (Conservation & Safety) Act, 1952 from the cess imposed on all coal and coke mined in India. At present, the expenditure of the Board just about equals the cess realization. On par with the practice with other statutory Boards like the Tea Board and the Coffee Board, the cess collected is first credited to the Consolidated Fund of India and the Board is given finances after its budget has been approved every year. Small amounts are released to the Board periodically and this, in itself, contributes to administrative delays. We understand that the mechanism of the cess being merged with the Consolidated Fund of India and then released to the Coal Board is an unavoidable procedure under our Parliamentary practice. We would, therefore, recommend that the amounts so merged must be earmarked and funded into a separate budgetary head "Coal Development Fund" to be utilized for development, credit financing, grants, technical assistance, training, subsidies to the Coal mining industries etc. at least for the next five years till the new "Coal Board", the Government and the Coal Mining Industry are able to develop convert and amalgamate the numerous coal units into a vigorous healthy and progressive modernized industry. We would, however, recommend that the Board should have complete powers of reappropriation from one use to another, once the funds are placed at its disposal, without necessitating repeated references to the Government and the consequent delays.

### *Coal Board to have its own cadre of technical personnel*

5.24. The Coal Board should be manned, as far as possible, by its own cadre of technical officers. This will ensure continuity of expertise and promote a sense of belonging. There should however, be a provision for deputation of technical officers from the Coal Board to the Coal

Mining Industry, in the private and public sector, and also from Industry to the Coal Board. Similarly, officers from other organisation like DGMS should also be eligible for deputation to the Coal Board and *vice versa*. It will be noticed that in the various Directorates in the future DGID, suggested by us, coal has not been shown as one of the sectors within the scope of the DGID. This has been deliberately done because we feel that the growth of coal industry depends on the proper development of coal mines and in this sphere expert bodies like the Geological Survey of India and the Indian Bureau of Mines would have to play a special role. They also possess technical experts whose services should be available to the Coal Board.

### *Safety aspect*

5.25. The Chief Inspector of Mines is the agency which implements the provision of Mines Act, 1952 and the Coal Mines Regulations, 1957. This Act has the objective of regulating the conditions of labour and of enforcing safety rules in mines including coal mines. The Act deals with safety and some of the welfare aspects of labour engaged in mines. It lays down the criteria to be followed in respect of specifications and extrication of coal, inspection by supervisory staff, general safety conditions to be followed in matters of ventilation, gas emission, electric appliances, coal dust, etc. The DGMS is charged with the responsibility of administering the Mines Act and regulations made thereunder. It was pointed out to us that the functions of DGMS can some times prove detrimental to the conservation aspect. A compromise between the maximum safety and maximum conservation has to be struck and this is sought to be achieved by the frequent discussions between the two Organizations, namely, the DGMS and the Coal Board.

5.26. The position of the Chief Inspector of Mines (since redesignated as Director General of Mines Safety) so far as the administration of the Mines Act is concerned is rather anomalous. Under the Act, he is responsible for (a) stipulating conditions under which a mine is to be worked and supervised, (b) ensuring that these are followed and practised, and (c) initiating penal measures for repeated violations of the regulations noticed by him during the course of inspection. But an analysis of the accidents in mines will prove that these take place even when the CIM did not find any violation of the provisions of the Act or the Regulations, in such instances, which are numerous, it can be presumed that the CIM was satisfied with the working of the mine prior to the accident. Enquiries are, however, initiated immediately after such an accident had taken place by the CIM himself and frequently these result in initiation of penal measures by the CIM against the mine management. The CIM, therefore, under the Act also functions as a Judge for his own actions. Since in such cases of accidents the mine had worked according to his instructions and he did not find any fault or defect, this is a very serious anomaly and is doing lot of harm to the industry.

5.27. This situation can be corrected if the function of the CIM under the Mines Act, 1952, so far as they relate to regulatory measures on

the workings or extraction of coal are transferred to the COAL BOARD. The CIM should purely function as an inspection agency to investigate into accidents and he may be redesignated as "Chief Inspector of Accidents", so far as coal industry is concerned.

*Board to look after both safety and conservative aspects*

5.28. As a normal rule, one would prefer specialized organisations to look after their special fields leaving to the Coal Board only the developmental activities which are not the exclusive responsibility of other departments. Added to this is a general consideration that the Coal Board of the type envisaged by us should not be bogged down by regulatory functions to the detriment of their legitimate promotional activities. There are a number of Government agencies who have their distinct functions to perform having a bearing on coal industry, namely, the DGMS, the Coal Mines Welfare Commissioner, the Coal Mines Provident Fund Commissioner and the Regional Labour Commissioner. It is not our intention that the Coal Board should resume the entire responsibility for the numerous and variegated functions of the above-mentioned governmental agencies. We would, however, make an exception in respect of the DGMS's functions in connection with coal mines. We feel that the considerations of safety and those of conservations are so inextricably inter-mingled that by far the best arrangement would be for the Coal Board to assume the responsibility for both. It is significant that the Coal Mines (Conservation & Safet) Act, 1952 has the objective of not merely the conservation of coal but provides for safety of coal mines as well even though the safety aspect has been well-provided for in the Indian Coal Mines Act and regulations. Safety in coal mines has a bearing on the conservation aspect. Under section 13 of the Act, both the DGMS and the officers of the Board are empowered to take steps for ensuring safety and conservation in coal mines. The DGMS has never used these provisions of law because he already possesses sufficient powers under the Coal Mines Act and Regulations. Strangely, the Coal Board has not been exercising these powers except in very isolated cases. This type of duplication has obvious drawbacks and after considerable thought we feel the only solution lies in the Coal Board taking over the enforcement of safety regulations. We therefore, recommend that the enforcement of mines safety regulations, so far as coal mines are concerned, should be taken over by the reconstituted Coal Board.

*Consultancy service*

5.29. One more point that was urged before us, namely, that the reconstituted Coal Board should possess adequate expertise within it to provide research and consultancy service to the industry. This would mean that the Coal Board should have on its staff an adequate number of competent technicians to prepare feasibility reports, project reports, drawings and designs, etc. in their exclusive field of coal mining. We were informed that there are a few private firms of consultants engaged in this service but that their effort needs to be supplemented. We would

refer to the Administrative Reforms Commission's recommendation to the Government for constituting statutory sector corporations in different areas of industrial enterprises. One such corporation would be concerned with coal and lignite. The intention obviously is to convert the NCDC into a sectoral corporation. One of the arguments in favour of constituting these corporations is that, with their enormous resources they will be fit instruments for providing common service in research and consultancy, training, sales promotion, evolving of a common wage policy etc. We think that as far as the functions of research and consultancy are concerned, the NCDC and the reconstituted Coal Board should meet together and work out a mutually agreed earmarked programme for each of them.

5.30. The charter of the Coal Board casts on the Board considerable responsibility for the development of this industry. However, the Board has not been able to discharge these functions adequately for the following reasons :

- (i) The Board in its present set-up consists of all part-time members including the Chairman. (Under the Act, the Board can have upto seven members. At present, the Board has five members including the Chairman.) The members are high-level officers having other full-time assignments and this hardly leaves them adequate time to deal with the problems of this industry and these are necessarily treated casually at the Board's level.
- (ii) The considerations of safety urged by the DGMS virtually have a decisive voice at the Board's meeting. (The members representing the private and public sector collieries are naturally shy to differ with the opinion of the DGMS as he administers regulations and rules concerning their own mines.)
- (iii) The Chief Mining Engineer of the Coal Board is not a Member of the Board and consequently does not pull his weight in the Board's meetings.
- (iv) The Chief Mining Engineer, who is the highest technical officer available to the Board cannot single-handed cope with the all technical issues. For processing all the cases he is assisted by a non-technical secretariat under the control of the secretary of the Board who is a non-technical officer. (At present, he is an IAS officer.) The natural consequence of this arrangement is lack of adequate technical scrutiny which these matters deserve.

We are hopeful that the reconstituted Coal Board, as suggested by us, will have enough technical expertise within its membership to correct the defect mentioned above. As the Chief Mining Engineer will now be a fullfledged Member of the Board, it will ensure injection of the highest technical competence available in the industry in the functioning of the Coal Board. Since a very large number of matters come up to the Coal Board, e.g., applications for depillaring, stowing, opening/reopening,

protective works involving lakhs of rupees, and their disposal requires expert knowledge of coal mining, it is imperative that the Chief Mining Engineer should have under him a well-staffed wing of technical personnel with whose assistance he should be able to carry out the Board's orders. Merely, relying on the assistance of a non-technical Secretary would not match up with the responsibilities involved.

### *The Integrated field agency*

5.31. Coal is an industry vital to the economy and has been included in Schedule A of the Industrial Policy Resolution, 1956, which indicates that the State will have a dominant role in this industry. Grant or transfer of mining leases is governed under the Mines and Mineral (Regulations and Development) Act, 1957 and the Mineral Concessions Rules, 1960 framed under this Act. The Coal Controller acts as an Adviser of the Government in the disposal of these matters. Similarly, applications for industrial licences are processed through the Coal Controller before being submitted to the Licensing Committee. Even after obtaining an industrial licence, the licence holder has to obtain the permission from the Coal Board for opening of the coal seam or the coal mine. The Coal Board at this stage views the matter from conservation and safety aspects only. Under the present procedure, these matters have to be decided at the level of the Board, which is primarily guided by the advice of the DGMS who is a member of the Board. Opening of mines can have financial implications for the Board inasmuch as undertaking of protective works and safety measures will necessarily involve payment of subsidy from the Board. Our recommendation to entrust the residuary functions of the Coal Controller to the Coal Board would bring about an integrated system whereby a single technically qualified organisation will render assistance to the industry and provide the necessary technical advice to the Government. Both Coal Controller and the Coal Board have technical staff posted in the field for inspections etc. pertaining to their tasks. On the face of it this is a wasteful method of working and the combination of these functions will make for economy as well as strengthen the field agency.

5.32. We do not propose to review the present mining laws and rules and the provisions of the Mines and Minerals (Regulation and Development) Act, 1957, or the Mineral Concession Rules framed thereunder. We are only mentioning a particular point of view which was mentioned to us. It was contended that the present arrangement whereby a prospective mine owner first obtains a licence under the Industries (Development and Regulation) Act and then goes to the Coal Board for the permission to open a seam is avoidably cumbersome. The suggestion obviously was that one of these operations could be dispensed with. This argument has an apparent air of plausibility but after a good deal of thought we do not think that the suggestion is practicable. As stated above, the Coal Board is concerned with the conservation and safety aspects and the Board considers these matters when a particular seam or mine is to be opened. Industrial licensing has a very different objective,

namely, to develop the country's industrial potential in a balanced and sustained manner. There is already a move to liberalise industrial licensing by either giving it up or by an upward revision of the exemption limit. Coal which is an important industry will continue to receive the same treatment as is decided by Government for industry in general. The scrutiny of the Coal Board is hardly concerned with this aspect. It is more specific in nature inasmuch as it seeks to ensure a proper and safe functioning of a particular mine.



## ACKNOWLEDGEMENTS

1. One of our Members, Shri N. K. Mukarji, Joint Secretary, Department of Administrative Reforms, was also involved in the deliberations of another Study Team on the "Machinery of Central Government". His preoccupation with that work extended far beyond our expectations. We were, therefore, unfortunately deprived of his active participation and the benefit of his extensive experience and nature judgment. Realising this, he requested to be relieved of his membership of the Working Group and we regretfully had to be reconciled with his absence. We would like to thank him for whatever time he could spare for our discussions and wish to keep on record our appreciation of his effort.

2. Our deliberations and discussions covered a fairly wide area in which innumerable non-official organizations were deeply interested. We thought it particularly important that their views on the appropriate governmental machinery and procedures affecting trade and industry should be heard and given due consideration. We, therefore, invited a number of organisations to meet the Working Group and give us the benefit of their views. The response that we got was very encouraging. A number of organizations met the Working Group at their meetings at Calcutta and Bombay and many of them followed up these discussions with written memoranda and comments. The names of organisations who were good enough to take the trouble of sending their representatives to participate in these dialogues are given in Annexure II. We are indebted to them for the lively interest that they have evinced in the deliberations of this Working Group and would like to acknowledge with gratitude the assistance we have received and the clarity that we have gained due to their participation.

3. The Working Group had in all 7 meetings spread over 16 days. Our small secretariat must have toiled really hard in arranging these meetings at a short notice. We would like to place on record our appreciation of the untiring efforts of Shri P.C. Jain, Junior Analyst of the ARC whose services were kept at the disposal of the Working Group. The entire stenographic assistance was ably provided by Shri Harnam Singh Arneja who deserves our warmest thanks.

4. We made a number of demands on the Organizations of the Textile Commissioner, the Coal Controller, the iron and Steel Controller, the Jute Commissioner and the DGTD. They have cheerfully responded to our numerous demands and the zest with which they have assisted



in our work is an index of their deep interest in the future set-up of these Organizations. We would like to keep on record our appreciation of their effort and our thanks to all the officers who have shared this burden.

K. M. Mirani  
*Secretary*

Manubhai Shah  
*Chairman*

Tikaram Paliwal  
*Member*

S. L. Kirloskar  
*Member*

B. N. Ganguli  
*Member*

B. D. Kalekar  
*Member*

R. N. Vasudeva  
*Member*

NEW DELHI  
March, 1968.



## SUMMARY OF FINDINGS AND CONCLUSIONS

1. The Directorate General of Technical Development or the Development Wing, as it was earlier called, has been rendering valuable and significant consultancy service for promoting industry in the country. However, the innumerable routine and administrative functions have over-shadowed their essential functions namely, the promotion of industry. (1.6)

2. We must evolve systems and an administrative structure which can retain the technical excellence of the requisite order in the DGTD which is the chief technical advice agency of the Government. We must also bring about the right relationship between the Organization and the decision-making levels in the Ministries so that the technical inputs at the policy-making levels are both effective and adequate. (1.8)

3. The stage has not been reached where the regulatory functions entrusted to the DGTD could be separated from their developmental functions. Such a demarcation is bound to create difficulties because the problems of various industries are very closely inter-linked. Also the tendency to disintegrate the technical services by each industrial development Ministry trying to have its own separate wing is fraught with much danger of isolation and conflicts and would not make for a fruitful exchange of ideas. While the relevant directorates will serve the concerned Ministries and will remain directly in full and closest contact with the concerned ministries, the overall supervision and service discipline must vest with the DGID, the new integrated set-up recommended by us. Coordination between different Government agencies is a prime necessity at this stage and for the next 15-20 years, the balance of advantage lies in having a composite Technical and Industrial Development Advisory Service for the Government. As the Ministry of Industrial Development is required to perform nodal functions pertaining to the inter-industrial field, the reorganized DGID as its Industrial Development and Technical Service Wing should remain as a centralized integrated service. (1.12)

4. Indian industry has come of age and has reached a stage where greater mechanization and sophisticated technologies are being harnessed to our needs. The standard of service and the technical advice expected now from the technical personnel is consequently of a different and of a much higher order than was the case when the present set-up was established fifteen years ago. The current requirements necessitate a qualitative and a quantitative change in the structure of this organisation. (1.15)

5. A highly qualified and experienced cadre of technical officers should be created, styled as "Industrial Development Service" to man not only the several posts in the DGID but also jobs like the Technical Members of the Tariff Commission, Textile Development Board, Coal

Board, Technical Advisers to the Planning Commission, senior technical posts in the DCSSI and the senior posts in the Directorates of Industries of the State Governments. (1.19)

6. There should be an adequate flow of new blood at all levels and this could be provided by drawing upon the technical personnel from both the public and the private sectors and national research organisations for a limited period of time. (1.24)

7. The Organization of the DGID should be divided in six to eight fulfilled Directorates, each headed by a DDG responsible for a specific sector of industry. As the industrial vista expands, new or reorganized directorates can be constituted from time to time. (1.26)

8. Sugar and Vanaspati industries, which at present are outside the fold of the DGTD, should be brought within its scope and a Directorate created at an appropriate level. (1.26)

9. The present pay scales offered to the technical officers are not lucrative enough. The officers of the Industrial Development Service should get the following pay scales:

Asstt. Industrial Adviser . . . . .	Rs. 1800—2500
Industrial Adviser . . . . .	Rs. 2500—3000
D.D.G. . . . .	Rs. 3000—3500
D.G. . . . .	Rs. 4000

In proposing the above three tiers, we have tried to ensure the highest technical competence and expertise in the DGID so as to guide the institutions both in private and public sectors to the best extent possible. We have drastically reduced the lower levels so that the files do not have to move to more than 2 or 3 levels. This level jumping and raising of the standard will help to expedite decisions and disposal. (1.29)

10. For the initial constitution of the Industrial Development Service, the technical personnel working in the several Government organizations and offices like the DGTD, the Coal Board, the Textile Commissioner, the Jute Commissioner and the Iron and Steel Controller should be screened by the UPSC. The DGTD and the other Heads of the Organizations enumerated above should be associated in this appraisal so that all the existing competent and suitable technical officers could be fitted into the appropriate grades of the new service. Officers who are not successful in this initial recruitment will have the option to continue in their present salary scales. We expect the highest standards to be enforced in these selections. (1.29)

11. For promotion from one grade to another in the industrial development service itself, there should be no reservation or quotas for recruitment by seniority or promotion alone. Highest technical standards can be maintained only by providing open competitive element at all stages. However, for ensuring the minimum amount of security and

stability, we recommend that, for one-third to one-half of the vacancies in the posts of IAs and Deputy DGs, the officers already in the service may be given a preference provided they come up to the prescribed rigid standards of competence. (1.29)

12. In future the Assistant Development Officers and the Development Officers will be the supporting staff for the officers of the Industrial Development Service. The multiplicity of grades and scales in the ranks of the supporting staff prevailing today ought to be rationalized and a common rational pattern evolved. All the surplus staff can be employed in other jobs elsewhere. This task should be entrusted to an "Official Committee" having representatives from all these organizations and ministries. Such an official committee should work out the requirements of the supporting staff for the DGID from amongst the existing staff of the DGID and the other organizations with a view to achieve the maximum absorption of existing staff at appropriate levels and to provide them with adequate chances of promotion. (1.30)

13. Processing and compilation of the information received from the industrial units is an important function of the supporting staff. This data could be a valuable management tool. The official committee mentioned above should also, with advantage, have a look at the numerous forms and returns demanded from industrial units so as to ensure that the data collected from the industry is not only meaningful but the very irreducible minimum. The number of forms and returns required from the Industry should be reduced to the barest minimum. (1.30)

14. Officers in this cadre should be periodically sent out to the industrial units, both in the public and the private sectors and also to research laboratories and institutions so as to keep their technical competence at a high pitch and to eliminate the danger of technical obsolescence which is likely to arise if they are kept desk-bound in the department too long. The DDGs and DG should also be sent abroad occasionally to enrich their industrial and research experience. (1.32)

15. Modernization and watch-dog organisations are required to avoid the risk of obsolescence so as to reduce costs and avoid closures causing loss of production and loss of employment as have been seen in the past years. There should, therefore, be a Modernization Wing in the DGID which should continuously study the problems of industries so as to evolve methods to avoid technical obsolescence in any industry. This Wing should also suggest the necessary modifications in tax laws and other methods for ensuring an adequate flow of funds for the modernization of machinery and equipment. The DG should be the *ex officio* Commissioner General of Modernization. Each Directorate should have an officer designated as Modernization Commissioner for the group of Industries under the Directorate. (1.33 to 1.37)

16. The proper forums where the industry could come in contact with the Government would be the Advisory Council for Industry and the various Development Councils constituted under the provisions of

the Industries (Development and Regulations) Act. The Development Councils should also be constituted for industries for which they do not exist at present, e.g., steel, textile, coal and jute. (1.38)

17. To make the Development Councils effective and to secure their purposeful functioning, they should be provided with a permanent small secretariat of their own. These secretariats should be housed in one place in Delhi so that communication between the various Councils could be facilitated. The expenditure for manning the secretariats of the Development Councils could well be met out of the cess to be collected under the provisions of the Industries (Development and Regulations) Act. We recommend that a cess as provided in the Industrial Development Act shall be straightaway levied and utilised for the strengthening of the staff and the organization of the Development Councils. (1.38)

18. The technical inputs in the decision-making process of the Government should be made effective. In technical matters, the DGID's view should be given the utmost consideration. The DG should be given a position of a Special Secretary to the Government in the Ministry of Industrial Development. (1.39)

19. Entrepreneurs who are aggrieved by the decision of the technical experts of the Government should be in a position to request the Government to constitute a panel of experts including those from outside the Government to make a reappraisal and review the decision of the DGID. (1.40)

20. The Industrial landscape is changing fast. Apart from the constant vigilance kept in the DGID and the appraisals made by the Planning Commission, it will be most essential to constitute an "Industry Commission" every five years for some time till sizeable industrialisation is achieved and later on periodically as and when necessary.

The Industry Commission would review the progress made by the different sectors of industries and economy in the past. The Industry Commission would identify the sectoral imbalances that might have developed due to the uneven industrial growth of different sectors and suggest remedial measures so that such imbalances may be rectified. The Industry Commission would also review the past targets and suggest future targets for different groups of industries, and would assess and estimate the inputs both of rupee finance and foreign exchange required for the industries for the next Plan period. The Industry Commission would especially outline the future programmes of import substitution, self-reliance, technological research and development in the field of industries, training of higher levels of technical manpower and export promotion programmes of semi-manufactured and manufactured goods. (1.43)

21. For looking after specific industries which have assumed large dimensions and require special care for an integrated and balanced development, the appropriate organisation would be an executive type

of a Development Board manned by technical personnel of high competence assisted by economists and management experts. These Boards should be treated as outposts of the DGID and should be manned by the technical officers equivalent to the rank of the Deputy DGs or Industrial Advisers headed by an officer equivalent in rank to a Deputy Director General. They should have within themselves technical and management competence of the highest order so that they can perform satisfactorily the functions similar to those of the DGID. (2.12)

22. The Industries which should have such Development Boards immediately are textile industry (including cotton, jute, wool and man-made fibre) and coal. So also the "petro-chemicals and agro-chemicals" (Fertilizers and pesticides etc.) and "machine building industries" ought to be looked after by such small compact Development Boards for a period of ten years at least. Periodical review of progress would indicate which of the other groups of industries have come up to such dimensions as to need the Development Board approach. (2.12)

23. These Boards should undertake the following tasks:

- (a) planning of production and setting up of production targets;
- (b) furnish the necessary technical advice to the Government;
- (c) technical consultancy service to public sector undertakings, autonomous and statutory organizations like the Tariff Commission and the IFC and also the industrial units in the private sector;
- (d) provision of necessary inputs to the industry, *e.g.*, supply of raw materials, allocation of foreign exchange;
- (e) collection, maintenance and publication of statistics. (2.17)

24. The Development Boards should not be treated as subordinate offices under the relevant Ministries of the Government. They should be treated as a part of the Secretariat itself. They should have powers to match their responsibilities so that they could be judged by their performance. (2.22)

25. For looking after the development of the textile industries including cotton, wool, synthetic fibres and jute, a high-level "Textile Development Board" should be constituted with 5 full-time Members each incharge of (i) cotton, (ii) jute, (iii) wool, (iv) man-made fibres and (v) Member Finance and Administration. The Textile Development Board should also be supported by one Modernization Commissioner, one Textile Machinery Adviser and a Financial Adviser and the Chairman of the statutory Handloom and Powerloom Board. Though it may be necessary to retain a small control organization to implement the minimum control necessary, the major task of the Board will be to provide the various inputs for development like technical know-how, raw materials, consultancy service etc.

The present post of Textile Commissioner and Jute Commissioner will be abolished. The Member (Cotton) and Member (Jute) will look after the developmental and other functions in respect of these industries. Each Member will be autonomous in respect of the industries in his charge. The Board will look after the overall integral development of the fibre industries and their exports. (3.9)

26. There should be a statutory Handloom and Powerloom Board which could be entrusted with the responsibility of planning the development of this sector and of performing other executive functions including implementation of schemes and channelization of funds. (3.12)

27. The present office of the Iron and Steel Controller should be totally disbanded. It should be replaced by a technical organization as a full-fledged Directorate of Iron and Steel which should be an integral part of the Directorate General of Industrial Development. It should be headed by a Deputy Director General, Iron & Steel. It should have a corps of technologists assisted by a well-staffed economic and intelligence unit. This DDG, with a small supporting staff can have his headquarters in Calcutta with the minimum staff located in the DGID, Delhi, so as to effectively coordinate the development of iron and steel industries with the rest of the engineering industries. (4.14)

28. The Advisory Council for Industry should also include the representatives of the steel industry doing away with the necessity of having a separate Iron and Steel Advisory Council. (4.20)

29. The Coal Board should be reorganized and the residuary functions of the Coal Controller after decontrol of the coal, should be entrusted to the Board. This will create a unified agency looking after both developmental and regulatory functions. The Board should be reconstituted so as to have the following membership:

1. The Chairman should be a person of requisite eminence in the technical field of mining and geology;
2. A full-time Member, Technical;
3. A full-time Member, Finance and Administration;
4. A full-time Member, Commercial;
5. The Chief Mining Engineer of the Board should be an *ex officio* Member.

Apart from these five full-time Members, the following part-time Members should also be included;

- (a) Director General, Mines Safety;
- (b) Transportation representative from the Railways;

- (c) A representative of public sector collieries;
- (d) A representative of private sector collieries;
- (e) Two representatives of principal consumers. (5.18)

30. The enforcement of Mines Safety Regulations so far as Coal mines are concerned, should be taken over by the reconstituted Coal Board. (5.28)





## ANNEXURE I

### *Composition of the Working Group and their terms of reference*

August 29, 1967

### *Constitution of a Working Group on Developmental, Control and Regulatory Organizations*

*Ref.* : Para 5 of the Government of India (Ministry of Home Affairs, Department of Administrative Reforms) Resolution No. 40/3/65-AR(P) dated 5th January, 1966.

The Administrative Reforms Commission hereby appoints the following persons to constitute the Working Group on Developmental, Control and Regulatory Organizations :

- |                                   |                          |
|-----------------------------------|--------------------------|
| 1. Shri Manubhai Shah . . . . .   | <i>Chairman</i>          |
| 2. Shri Tikaram Paliwal . . . . . | <i>Member</i>            |
| 3. Shri S. L. Kirloskar . . . . . | <i>Member</i>            |
| 4. Dr. B.N. Ganguli . . . . .     | <i>Member</i>            |
| 5. Shri B.D. Kalelkar . . . . .   | <i>Member</i>            |
| 6. Shri N. K. Mukarji . . . . .   | <i>Member-Secretary.</i> |

#### 2. The Group will—

- (i) have a fresh look at the developmental and regulatory organisations of the Government, namely, the Coal Controller, the Iron and Steel Controller, Textile Commissioner, Jute Commissioner with a view to assessing their suitability and effectiveness for carrying out the economic objectives;
- (ii) suggest how best their activities could be integrated with the activities of the Director General of Technical Development and the organisation of Chief Controller of Imports and Exports;
- (iii) examine their present set up with a view to building up the technical expertise necessitated by their changed role as promotional agencies rather than control organisations as hitherto;
- (iv) examine their several activities which are in the nature of price support measures with a view to ensuring that the organisational structure is adequate for the purpose; and
- (v) examine any other matter relating to their functions with the object of enlarging their contribution towards speedy economic growth.

3. The Working Group will submit its report to the Administrative Reforms Commission within a period of three months.

In partial modification of the Commission's Memorandum dated the 29th August, 1967 relating to the constitution of a Working Group on Developmental, Control and Regulatory Organizations, the Administrative Reforms Commission hereby appoints Shri K.M.Mirani, Deputy Secretary, Administrative Reforms Commission, as Secretary of the Working Group.

2. Shri N. K. Mukarji will continue as a member of the Working Group.

The Administrative Reforms Commission hereby appoints Shri R. N. Vasudeva, an officer of the Indian Administrative Service, as a Member of the Working Group on Developmental, Control and Regulatory Organisations in addition to those already appointed, *vide* Commission's memorandum dated the 29th August, 1967.



## ANNEXURE II

### *List of Organisations which met the Working Group at Calcutta and Bombay*

#### *Calcutta :*

- I
  1. Bharat Chamber of Commerce.
  2. Orient Chamber of Commerce.
  3. Indian Chamber of Commerce.
  4. Indian Engineering Association.
  5. Bengal Chamber of Commerce.
  6. Engineering Association of India.
  7. Steel Association of India.
  8. Joint Plant Committee.
  9. Steel Exporters Association.
  10. Engineering Export Promotion Council.
  11. Tata Iron and Steel Company Ltd.
  12. Indian Iron and Steel Company.
  13. Rourkela Steel Plant.
  14. Durgapur Steel Plant.
  15. Bharat Small Re-Rollers Association.
- II
  1. Indian Mining Association.
  2. Indian Colliery Owners Association.
  3. M. P. and Vidarbha Mining Association.
  4. Coal Consumers Association of India.
  5. Indian Mining Federation.
  6. Soft Coke Producers Collieries Association.
  7. Indian Coal Merchants Association.
  8. Mining Geological and Metallurgical Institute of India.
  9. Tata Iron and Steel Company Ltd. (Coal Deptt.)
- III
  1. Indian Jute Mills Association.
  2. The East India Jute and Hessian Exchange Ltd.
  3. Jute Technological Research Laboratories.
  4. Indian Jute Industries Research Association.
  5. Gunny Trades Association.
  6. Jute Balers Association.
  7. Jute Agriculture Research Institute.

8. Export Inspection Council.
9. Bengal Jute Dealers Association.
10. Calcutta Jute Fabrics Shippers Association.
11. Jute Mills Machinery Manufacturers Association.

*Bombay*

1. Fast India Cotton Association.
2. Textile Processors Association.
3. Textile Machinery Mfg. Association.
4. Association of Merchants and Mfrs. of Textile.
5. Indian Cotton Mills' Federation.
6. Bombay Millowners Association.
7. Textile Export Promotion Council.
8. Maharashtra Chamber of Commerce.
9. The Bombay Chamber of Commerce and Industry.
10. Ahmedabad Mill owners Association.
11. Silk and Artsilk Mills Association.
12. The Silk and Rayon Textiles Export Promotion Council.
13. The Association of Man-made Fibre Industry.
14. Bomby Piece Goods Merchants Mahajan.
15. Hindustan Chamber of Commerce.
16. All India Association of Industries.



Manubhai Shah

सदस्य

भारत सरकार

प्रशासनिक सुधार आयोग

GOVERNMENT OF INDIA

ADMINISTRATIVE REFORMS COMMISSION

नई दिल्ली

New Delhi

June 4, 1968.

My dear Shri Mathur,

I have great pleasure in sending herewith the supplementary Report of the Working Group on Developmental, Control and Regulatory Organizations. As you would recall, at your kind instance, our Group was asked to examine the Tariff Commission. This Report deals with that.

2. It is needless for me to say that we have all enjoyed the task entrusted to our Group by you. Even though some of the recommendations contained in both of our Reports are of far-reaching consequence, I have no doubt that the Administrative Reforms Commission will consider them as valuable contribution particularly with regard to economic administration.

3. Shri Mirani had to leave for Manila while the second report was under preparation. I shall once more express my gratitude to him and to the Commission for the valuable co-operation and heavy work done by Shri Mirani. I shall also put on record the thanks of the Members of the Working Group to Dr. B. D. Sharma who has brought his wide experience to bear on this Second Report which has been prepared through his labours at top speed.

4. We have once more to thank you as the guiding spirit behind these labours to put the economic administration of our country on sound and speedy lines. I hope the Government would follow all the major changes suggested in the Commission's Reports. I am quite sure that the country's gratefulness to the Administrative Reforms Commission would be of a lasting character.

Thanking you and with kindest regards,

Yours sincerely,

MANUBHAI SHAH

Shri H. C. Mathur,

Member,

Administrative Reforms Commission,  
NEW DELHI.

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**Supplementary Report of the**  
**WORKING GROUP**  
**on**  
**'DEVELOPMENTAL, CONTROL & REGULATORY**  
**ORGANIZATIONS'**

**Report on**  
**THE TARIFF COMMISSION**  
**ADMINISTRATIVE REFORMS COMMISSION**

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## SUPPLEMENTARY REPORT

The Tariff Commission was established under the Tariff Commission Act, 1951 as a statutory body. It can recommend protection for a period exceeding three years, if in its opinion such long term protection is necessary to provide the necessary impetus to the protected industry. Secondly it has powers to recommend protection to new or embryonic industries. The Commission also has two other important functions. (a) It can keep a continuous watch over the progress of protected industries in order to see how far the protected industries discharge their obligations to the community. For this purpose the Commission obtains the statistical data relating to capacity production, sales, stocks, selling prices, etc. as also views from consumers regarding the quality, availability and prices of protected items. In addition, it has statutory powers to review the case for protection at the expiry of the period for which the protection is granted. These powers were meant to ensure that the objectives of protection are achieved and that the burden which is cast on the consumer by protection is not abused by the protected manufacturers. (b) Under Section 11 of the Tariff Commission Act, 1951, the Tariff Commission can enquire and report on several matters like the grant of protection for the encouragement of industry, increase or decrease in the customs and other duties, action to be taken in relation to the dumping of goods in home market occasioned by excessive imports, action to be taken when an industry may be taking undue advantage of tariff protection by charging unnecessarily high prices by limiting supplies, by inflating costs of production or by lowering the quality. The Commission can also enquire into matters pertaining to restraint of trade to the detriment of the public. In some matters, the commission is empowered to make enquiries *suo moto*.

2. In recent years, two distinct influences have simultaneously affected the working of the Tariff Commission. On the one hand, the Industrial Policy Resolution, the industrial licensing mechanics, the balance of payments crisis and the elaborate import and exchange regulations and controls have progressively reduced the effectiveness of tariff protection as an instrument for promotion industrial development. On the other hand, the advent of planning with its emphasis on social justice and price control over essential industrial products has given a new importance to the function of price enquiries. In fact, the Tariff Commission has been conducting some price inquiries, as well.

3. With the decline of the importance of tariff protection as an instrument for developing the infant industry, the number of tariff enquiries has been continuously going down.

4. While, the elaborate industrial licensing procedure regulates the industrial growth of the country, the detailed and quantitative restriction imposed on import of numerous—hundred and hundreds of foreign products—provided a totally sheltered market to the indigenous products.



Tariff as one of the principal tools and instruments of economic growth and development has been losing its importance and effectiveness in all developing as well as developed countries. As a matter of fact, as compared to the protection afforded by import regulations and controls to thousands of items, tariff protection granted to the few items through inquiries by our Tariff Commission is negligible.

5. The Tariff Commission has occasionally conducted some price inquiries. The Commission normally determines ex-works cost of a commodity and arrives at the fair price after examining other claims like rehabilitation allowance, contingency allowance etc. It is important to note that the Commission determines the ex-works cost on the basis of data provided by the industrial units but does not really enquire whether the cost of production is excessive and whether the producers are showing any cost-consciousness so as to protect the consumers interest. Nor are the decisions of the Commission binding on Government.

6. We have had several discussions with the Chairman and Members of the Tariff Commission and a number of non-official organizations who were invited to participate in our deliberations. It was quite apparent to everyone that the effectiveness of tariff rates as an instrument of protecting Indian industry has dwindled on account of import restrictions and serious curtailment in foreign exchange allocations. It was, therefore, not surprising that there was very little pressure on domestic manufacturers to reduce their costs or to look for markets abroad. The above factors coupled with the inflationary conditions that have developed in recent years have had the effect on making tariff protection a defunct element in our economic policies in domestic industries. We, therefore, feel that tariff protection cannot replace quantitative restrictions on imports either of the very wide variety of capital goods or of raw materials and intermediates. Nor can tariff mechanism help in quick and urgent decisions required to conserve and save foreign exchange or protect indigenous industries. Tariff protection in the present context can have only a marginal utility so long as the present stage of our development continues. Quantitative restrictions on imports is not a phenomenon unknown to other countries. Indeed, no country in the world, particularly no developing country today relies on tariff rates alone as a means of developing local industries or regulating imports. We, therefore, feel that there is no need to continue the Tariff Commission in its present form.

### *Price Policy*

7. As has been stated above, the function relating to price enquiries is assuming increasing importance in India. It is a significant feature of the Indian Industry that it is totally sheltered from competition. The present system of widespread import control provides effective protection not only against foreign suppliers but has eliminated internal competition as well, because our production and prices are not regulated by the market mechanism. In this set up, which virtually amounts to a sort of

enforced market sharing, it is not surprising that the domestic producers have no incentive for achieving optimum efficiency of production. There is no particular urge to reduce the costs. The high costs in our economy arise from other factors also. Shortage of foreign exchange makes it difficult to secure full utilisation of manufacturing capacity in a number of industries.

8. The lack of cost consciousness in our economy has almost reached alarming proportions. Over the years, no national pricing policy or pricing system has been evolved. Ad-hocism on the price front has been in vogue for the last two decades with the result that no price stability of fair and remunerative prices based on efficient functioning of the economy have been evolved.

9. We are convinced that in the agricultural sector, buffer-stock operations and support prices alone can lead to price stability and discipline. Likewise unless essential cash crops are properly developed under a rational pricing policy for producers and consumers alike on a long term basis, the industrial products based on cash crops will never achieve any state of healthy "Growth Economy". In the field of manufacturing industries, unless continuous watch dog operations and determination of price levels and price discipline over fairly long periods are brought about through proper costing and pricing, we are afraid that in the absence of international competition for commodities both for import and export and in the stage of our highly sheltered domestic market, our economy will never achieve a break through. It is, therefore, essential that cost and price disciplines and policies are evolved on a rational and scientific basis.

#### *National Economic (Price, Cost and Tariff) Commission*

10. Taking all these factors into account we feel that a new organisation called, the National Economic (Price, Cost and Tariff) Commission should be established by an Act of Parliament in place of the present Tariff Commission. Since the new functions of this Commission would need the expert knowledge of technologists, economists and management experts, the Commission should have about 7 full time members. This will enable the Commission to sub-divide itself into smaller panels, as and when necessary, for determining the prices of essential raw materials, intermediates and consumer goods and to carry out cost reduction studies.

11. An appropriate appraisal of costs in an industry requires not merely economic and management expertise, but technological knowledge as well. The present Tariff Commission has a very limited number of technical staff. Some assistance is also, sometimes, taken from the officers of the DGTD. We think that the National Economic (Price, Cost and Tariff) Commission would need a far greater support from technical staff, economists and Chartered, Cost and Management accountants and management, productivity and labour experts than is the case with the present Tariff Commission.

### *Composition of the N.E.C.*

12. Thus, the National Economic (Price, Cost and Tariff) Commission will have to be manned by highly competent and experienced personnel drawn from all walks of life. We would, therefore, suggest that the Chairman of the NEC should generally be a non-official (non-technical or technical) of high competence and ability; the only exception to this could be made in a case like that of a former Governor of Reserve Bank, even though he be an official.

13. Amongst six others, two members should be technocrats of proven ability; two should be drawn from the rank of leading economists, leading chartered or cost of management accountants and management experts; one member should represent consumers' interests and one should be a leading trade union leader. The main concern of all the members should be to induce continuing productivity consciousness in the country's economy while safeguarding legitimate labour interests.

14. The Chairman should have the status of a Minister in the Union Government and the members should have the status of Additional Secretaries to the Government of India. Since the highest technical advisory agency of the Government is the Directorate General of Industrial Development, it would be a sheer waste of resources if the DGID's services are not harnessed for the benefit of the National Economic (Price, Cost and Tariff) Commission. We, therefore, recommend that the Director General of Industrial Development should become a part-time member of the NEC. In this manner the entire know how available to the DGID's organisation will be available to the Commission. Devoting of the working of both these organisations, one looking after the technological aspects and the other concentrating on the economic aspects, will be beneficial for the proper growth of industry.

15. While the Director General of Industrial Development can provide the technological support to the National Economic (Price, Cost and Tariff) Commission, the full economic implications of any proposed action can be assessed only by the Economic Advisers to the Government. Today, a number of Ministries dealing with different sectors of national economy have their own Economic Advisers. The Study Team on "Economic Administration" constituted by the Administrative Reforms Commission have also recommended that the Chief Economic Adviser to the Government should be the formal head of all these Economic Wings. We recommend that the Chief Economic Adviser to the Government should be made a part-time Member of the NEC.

16. It should be obvious that fixation of prices, which is an intricate exercise, by Administrative orders or *ad hoc* committees, may cause considerable damage by creating sectoral imbalances if the full economic implications are not assessed. Therefore, the tendency on part of ministries, in recent years, to resort to *ad hoc* committees for price determination is to be deplored.

17. We have also taken note of the fact that, in recent years, the Government have, as a matter of policy, relaxed price controls on several commodities allowing market forces some room for play. We approve of these policy trends, but even when controls are done away with the economy has to be oriented to a climate of price discipline to price stabilisation and continuous reduction of production costs from their present very high levels and, finally, to the positive goals of increases in efficiency and productivity. Wide fluctuations in prices and continuing inflationary pressures causing non-stop rise in costs and prices have to be held in check.

18. The National Economic (Price, Cost and Tariff) Commission that we contemplate should not waste its energies in assessing the costs of innumerable indigenous products. We contemplate that the attention of the NEC should be devoted to selected essential raw materials and intermediate products of industries which may term as "growth commodities" i.e. Commodities, which have an impact on the entire economic field. The NEC would study in depth the basic problems confronting the industry and identify the several factors which are having an adverse effect on the costs. While it will not be a specific task of the NEC to suggest reduction of various taxes, direct or indirect, it will certainly be their responsibility to identify the total impact of various direct and indirect levies which constitute an important element in the final production cost. Similarly the NEC is not to be burdened with the working out of an appropriate wage policy for a particular industry as there are other specialized agencies for undertaking these tasks. But the NEC should identify the element of cost attributable to the wages, and state of productivity in particular industry and indicate studies and ways and means as to how labour productivity could be raised. Similarly, management practices in industry level much to be desired. The top management structure and policies need radical reorientation. Professional and middle management needs to be strengthened. Marketing and merchandising surveys, studies and expertise in fields like consumer servicing, consumer preferences and consumer satisfaction should be properly developed with a view to serving a modern economy. In the light of the findings of the NEC, all these aspects will have to be reviewed and properly oriented for different sectors of essential manufacturing industries. In other words, the Commission will be an apex expert organization which will provide the economic rationale to Government in their decision-making. It will also help in the fashioning of fiscal instruments of resource mobilization and resource allocation and management and production development.

19. It is unfortunate that for the past many years the recommendations of the Tariff Commission seems to have been unheeded, diluted, turned down or arbitrarily modified by Government. This has seriously affected the prestige of the Tariff Commission whose utility has already being questioned in the industrial and commercial circles. Even the statutory requirement that the reports of the Tariff Commission and the action of Government thereon must be laid on the Table of the Parliament in due time has proved an inadequate safeguard against lightly

rejecting the Tariff Commissions recommendations. As a matter of fact, the various administrative Ministries of the Government of India have increasingly taken recourse to numerous *ad hoc* committees being set up for determining prices etc. and thus obviating the need to make a reference to the Tariff Commission. The National Economic (Price, Cost and Tariff) Commission cannot be treated in this fashion if it is to command any respect in public and to render a real service to the economy.

*Powers of the N.E.C.*

20. We would have liked to recommend that the new Act constituting the National Economic (Price, Cost and Tariff) Commission, should have a provision whereby Government can differ from the recommendations of the Commission on prices determination only by a resolution passed by Parliament; and there too the Government could refer back the issues to the Commission for reconsideration or review on specific points. For example, if it is found that the recommendations of the N.E.C. on prices have not taken into account some facts or aspects which have come to the notice of the Government or Members of Parliament, the report could be remitted back to the Commission for reconsideration. We would have also liked to recommend that the findings and determination of prices referred to the N.E.C. by the Government on its own motion or on a motion by the Industry should be binding both on the Government and the Industry and generally the prices so determined by the Commission should prevail for a stipulated period with recommended automatic adjustments, if any, linked to specific variables.

21. We expect that the Government will have to really give serious attention and consideration to the recommendations of the National Economic (Price, Cost and Tariff) Commission in case of prices fixed by the NEC. The Government should not be allowed to trifle with the findings of such a high level national body of experts. In conformity and consonance with its economic and social policies, government may issue specific directions providing guide lines and enumerating various grounds on which it would like the NEC to consider and determine the prices of different "growth commodities", wherever they refer such inquiries about any product or community to the NEC. However, having so directed, Government should be duty bound to accept and implement the findings of the NEC on prices.

22. However, we do realise and appreciate that it may not be possible in our country yet to give such powers, as mentioned by us in paras 20 and 21 above to the National Economic (Price, Cost and Tariff) Commission. We have in mind a very great parallel where in the United States, the Federal Prices Commission have been given wide powers and authority to determine prices and enforce them without any modification or changes by the Government. The main idea is that when price stability and price discipline are sought to be achieved through the instrument

of such a competent body as the NEC, its finding to further that end should be respected and implemented by all concerned including the Government and the industry. We realise the limitations that this type of delegation of authority and power to a high powered NEC would require long years of sound traditions, requisite leadership in public administration and a high enough level of expertise within the country. Therefore, the time may not yet be ripe for giving such powers to the NEC. However we would like to reiterate and stress that as far as possible the recommendations on prices made by the NEC should be fully honoured and accepted by Government and industry and they should be rarely modified and only on some very strong grounds. It will be a pity if after having constituted the NEC of the type and high-powered composition that we have recommended, its decisions on prices are to be treated casually and not accepted by Government and industry or if Government in different Ministries were to determine prices of essential goods and products through numerous *ad hoc* committees as is the current practice. In recent years too many price inquiries and decisions on prices have been made by *ad hoc* Committees and the executive Wing of the Government. A few price inquiries have been entrusted to the Tariff Commission by Government rather in a casual way not necessarily according to or leading to any well designed and integrated scheme of National Price Policy. Such odd disjointed price inquiries of a few products here and there cannot contribute to any formulation of comprehensive and integrated long term national price policies and price stability in the national economy.

23. Therefore, short of granting full powers to the National Economic (Price, Cost and Tariff) Commission as is prevalent in some of the Western democracies including the U.S.A., we would recommend that the recommendations on prices arrived at by the NEC after a thorough study of the problems in relation to commodities referred to the NEC by the Government should be honoured and accepted.

#### *Price stabilisation—Buffer stocks operations*

24. In our opinion the single economic factor to which we attach the greatest importance is a long term price policy, price stability and price discipline for essential goods and raw materials brought about through the mechanism of buffer stocks, stock piles and operations of buffer stocks of essential goods and basic raw materials through the stipulation of support prices and release prices. For all important commodities namely, essential food-grains, cotton, jute, sugar, important edible oil seeds and oils, essential raw materials like iron ore, steel, pig iron, non-ferrous metals, basic chemicals and basic petroleum products, we would strongly recommend that some Buffer Stock Corporations for each group of similar commodities should be established. These corporations can be established in the joint sector *i.e.* Government, producers, trade and industry can join together in such corporations with Govt. having majority participation so that the over all public interests are protected in harmony with sectional interests to the extent possible. In the operation

of these Buffer Stock Corporations, the minimum guaranteed support prices to the producers should be stipulated so as to guarantee to the producers a fair and remunerative return for their products and simultaneously with a view to maintain stability in prices, the Government should stipulate proper release prices by the Buffer Stock Corporations. Thus instead of resorting to the tortuous mechanism of price controls through statutory prices and detailed and complex production and distribution controls as were in vogue in the last two decades in our country, we should have price policies which will bring out price stability and price discipline through buffer stock operations for essential commodities. These operations will ensure fair and remunerative support prices and workable release prices which will regulate the prices of essential commodities and basic raw materials and intermediates within reasonable limits so as to safeguard the interests of the agriculturists, the industries and the consumers.

25. If the findings and determination of the National Economic (Price, Cost and Tariff) Commission on prices of essential products and commodities have to command the highest regard of both, the Government and the Industry, its cost studies will have to be based on detailed statistical data which the industrial units must by law be required to furnish on demand from the Commission. It has been noticed in the past that various industrial units do not cooperate in supplying the necessary data to the Tariff Commission when price enquiries are undertaken. This reluctance by the Industry is motivated by the fact that these enquiries are not welcomed by the industry who are enjoying the full benefits of a totally sheltered market. We, therefore, recommend that the NEC should be given powers analogous to the Commission of Enquiries to go into the cost structure.

26. An elaborate cost study requires a sound knowledge of the costing system appropriate to a particular industry. For this purpose, the Commission will have to be provided with expert staff in the field of cost and works accountancy and productivity and management technique. In order to provide some mobility to the personnel and facilitate bringing in of fresh blood it will only be proper if the personnel is taken from the Cost Accountants Organisation of the Ministry of Finance. Similarly, the technological personnel need not necessarily be recruited by the National Economic (Price, Cost and Tariff) Commission but may be taken on deputation from the Directorate General of Industrial Development or drawn from various official and non-official agencies.

### *Cost reduction studies*

27. Just as price policies would be important, one of the most significant problems of our economy is the ever rising costs of production which has made the Indian economy one of the highest cost economy in the world. This hurts both our internal production, trade and consumers and our external trade. Presently there is no organisation in

the Government or outside which can analyse this malady, increasingly identify different cost elements and suggest remedies. Next to evolving national price policies, we would like the National Economic (Price, Cost and Tariff) Commission to be the main instrument to study cost of important products, analyse the different cost components and recommend measures to combat each of the components of this otherwise vicious circle of high cost, high prices, erosion of savings, lower rate of capital formation, and high costs. The NEC should cost out different essential products and commodities in depth and point out the effect of multiplicity of taxes, if any, determine the cost escalations on account of bad management practices, low labour productivity and other causes. While such cost reduction studies can be only indicative and cannot be statutorily or administratively enforced as in the case of prices, the Government, industry, trade and consuming public will thereby have correct and expert assessment of the situation, it will help them to devise and undertake suitable remedies into national policies for reducing costs. Besides determination of prices for essential goods and basic raw materials and intermediates, the cost reduction studies would be one of the major functions of the NEC.

### *Tariff Examination*

28. We have suggested earlier that tariff has lost its utility as a tool of economic development and industrial growth. In due course, however, the Government may find that import of certain items could be better regulated through the mechanism of tariff rather than through import controls, import restrictions. Therefore, occasionally Government may refer to the new Commission such items which, in their opinion, may be regulated by a regime of tariff. Therefore, in the new Act setting up the National Economic (Price, Cost and Tariff) Commission necessary provision enabling the Commission to conduct such tariff examination may also be provided.

### *Foreign Technical Know-How*

29. Several leading industrialists and Business Organisations raised the question of foreign technical know-how and foreign investment during our discussions. The main point of anxiety voiced by the representatives of industry and business was whether there could be a high powered independent authority or a commission or a body which can be entrusted with the task of considering major cases of foreign technical know-how and foreign investment. There has been a feeling in the country voiced at different levels and forums for discouraging large foreign investments and majority foreign participation and control by foreign investors. There is also a feeling in certain sections that we are getting too much dependent on foreign technical know-how. Per contra, several views were expressed to us that the indigenous technical know-how has not yet gained the requisite dimensions where we can shut out or drastically reduce the induction of foreign technical know-how and foreign investment.



Some of the views expressed to the Working Group desired that the new National Economic Commission should also be entrusted with this task as one of its functions.

30. A lot of controversy is going on about foreign collaborations and foreign investments. Foreign collaborations can be divided into two broad categories. The first includes foreign capital participation which also brings with it the foreign technical know-how. In cases of majority foreign equity capital, it also brings in foreign control and management. The other category comprises only technical collaborations from foreign parties who sell their engineering and/or technical know-how on payment in cash or on payment of royalty on an annual basis for a stipulated period of years without any financial participation in the equity capital or with a small minority participation in equity in the form of free shares in lieu of a part or the whole of the compounded royalty or free.

31. One of the suggestions made to us was that the new National Economic (Price, Cost and Tariff) Commission should be asked to advise Government on this vital subject from time to time as the NEC will be a body consisting of high powered and competent experts. As an independent body, it will also be able to assess the various claims by the entrepreneurs desirous of having foreign collaboration on the one hand and the indigenous research workers on the other. We have considered this suggestion carefully. In the first place we do not think that the present system of *ad hoc* decisions i.e., Government or the Secretaries' Committees or an inter-ministerial Board or a Committee on foreign Investments and Agreements consisting of officials alone can serve the purpose of formulating a national policy. Nor will such a Board or Committee inspire any confidence among the contending parties and the foreign collaborators. Such an Inter-Ministerial Committee or Board may also be excessively subject to pressures of political and other lobbies as its deliberations will not be open, nor be through public hearings or a public dialogue. We do not therefore, approve of the present method of processing such agreements.

32. In our view the broad guidelines of the policies of foreign technical know-how and foreign investments have to be evolved by the Government, on the basis of a consensus and adequate assessment of technologies. Once such a policy is laid down by the Government in broad terms, the details can be settled and approved by the Ministers concerned. In the first phase we believe that an enactment should be passed by the Parliament prohibiting all foreign majority holdings in future. Whether foreign technologies or investments come or not, we are quite convinced that foreign majorities are a great menace to the country in the long run. The Foreign Investment Law should provide that only in very exceptional cases when the Government thinks it appropriate in public interest to permit foreign majority holding, the Government as a whole may permit it. Even for such rare exceptions, no cases of majority foreign participation, where the foreign investments are of small amounts, should be permitted under any circumstances.

33. We are also convinced that if the world over, it is known that Indian Foreign Investment Law forbids majority foreign holding, the foreign entrepreneurs will be readily forthcoming for minority participation with their technical know-how in permissible industries.

34. The Foreign Investment Law may also lay down certain guarantees against nationalisation and expropriation of foreign investment and provide for fair compensation in cases where Government nationalise it in public interest under the common law of the country.

35. Likewise the Foreign Investment Law should ban the utilisation of any foreign brand names. It has a sad commentary that even with the impact of strong nationalism in our country after Independence, many sections of the people are lured by foreign brand names. More than anything else, these foreign brand names which are sometimes based on special quality and mostly backed by high pressure aggressive salesmanship and mass publicity have tended to make the Indian goods and Indian brands look inferior. In competition, the indigenous goods with the indigenous brand names suffer gravely against foreign brands. Therefore, we are of the clear view that even when foreign technical know-how and/or foreign investment may be permitted in a discriminating manner as per the policy of the Government from time to time, there is no ground to permit any foreign brand name whatsoever.

36. Another handicap which the Foreign Investment Law could remove is with regard to the total restrictions imposed by some of the foreign investors on export of the products of their factories in this country. The new law therefore should lay down that the export franchise of the units established with foreign technical know-how and/or foreign investment should be totally free and worldwide. No ban or restrictions on export franchise in the joint ventures with foreign investment or foreign technical know-how should be permitted under the new Foreign Investment Law.

37. In our view while we agree with the suggestions that there should be an independent body to advise Government on broad guide lines on technical know-how and foreign investment, it is neither feasible nor necessary to entrust this task to the new National Economic Commission. This is a field where the Government Policies are bound to change from time to time depending upon the needs of the emerging situation. Therefore, in our view, the hands of the Government should be left completely unfettered in determining the national policy on foreign investment and foreign technical know-how. Government can direct necessary changes and modifications in the Foreign Investment Law of the country from time to time by amending it in such a manner as would meet the needs of the economy.

38. In order to determine the types of foreign technical know-how and the categories of industries in which it should be permitted, the best course for the Government would be to first draw up a comprehensive

list in consultation with the Director-General of Industrial Development. A Standing Committee can be constituted by the Government consisting of about three members of the New National Economic Commission, the Director-General of Council of Scientific and Industrial Research, concerned Directors of National Laboratories, the Director-General of Industrial Development and the Chief Economic Adviser and one or two representative of Industries and the Federation of Indian Chambers of Commerce and Industry. This Standing Committee can examine the list prepared by Government and review it every two years so that (i) a permissible list of foreign technical know-how, (ii) a list of indigenous know-how available for exploitations and (iii) a list of totally banned industries for foreign technical know-how is finalised and notified with wide publicity. Any cases of major difference between the contenders of indigenous know-how and foreign technical know-how can also be examined by this Standing Committee. Instead of a purely official Committee unapproachable and unrepresented by either the research bodies or the industry, such a composite committee would resume public hearings and open dialogue and discussions. Also the recommendations of such a standing committee on which the expertise of the NEC in the field of industries is available may help to evolve satisfactory national consensus on such a controversial subject. We however do not like the NEC as a body to get burdened or involved in this matter.

### *Export Assistance*

39. A suggestion was made to us that the National Economic (Price, Cost and Tariff) Commission should also undertake the study of various industries in order to assess the quantum of aid or assistance to be provided for export promotion. At present, a number of India's export products are receiving assistance from Government in several forms or are being regulated by a regime of export duties. While there is certain apparent plausibility in this suggestion we feel that export trade is a very sensitive and delicate sector which requires more close and inward-looking examination for which the forum of NEC would not be suitable. Such examination should be done quietly and expeditiously by a permanent compact small interministerial committee or group rather than the NEC.

### *Personnel of the N.E.C.*

40. We have examined the staffing pattern and the facilities available in the present Tariff Commission. We find the staff highly inadequate and particularly when the National Economic (Price, Cost and Tariff) Commission with its wide functions is constituted, it will prove totally inadequate. We would, therefore, suggest that the staff should be adequately strengthened, particularly as far as cost accountants, economists and management experts are concerned and adequate and proper supporting personnel will have to be provided. In our view it is also necessary to have properly staffed cost division and research division under the new Commission. Unless the new Commission has got

adequate and competent research personnel, it will be difficult for it to function as a watch dog of the National Economy in the two most important basic fields of prices and costs. The cost reduction studies would involve many complex studies and enquiries. Likewise fixation of prices and evolving a system of panels or industries which should remain associated with the NEC for the purpose of creating a proper liaison between industry, distribution trade, labour and other consumer interest will require a competent staffing pattern. Agreed models and guidelines will have to be evolved for price determination and cost studies. This will need excellent staff work.

41. Existing staff of the Tariff Commission should be absorbed in a proper manner in the new set up of the National Economic (Price, Cost and Tariff) Commission and the salaries and grades and terms of their employment should be protected and placed on the basis of continuity with the new Commission. As there will be a much better and larger set up in the new Commission, we have no doubt it will be possible to absorb the existing staff satisfactorily under the new structure.

#### *Location of the N.E.C.*

42. The Tariff Commission is at present placed under the Ministry of Commerce. As the proposed functions of the new National Economic (Price, Cost and Tariff) Commission are for more basic and crucial to the entire strategy of economic development of the country, this ministry would not be the right place. The most appropriate place for its location would be the Ministry of Economic Affairs, who are responsible for determining the broad directions of the national effort in economic development. We, therefore, recommend accordingly that the National Economic Commission should be under the jurisdiction of the Ministry of Economic Affairs. However, we would also stress that although the Commission will be under that Ministry, it has to be autonomous in the real sense of the term and should work for all the concerned Ministries.

#### *Relationship with the planning commission*

43. A suggestion has been made before us that the National Economic (Price, Cost and Tariff) Commission, instead of being an independent organisation, should be a part of the Planning Commission. It is argued that the Planning Commission by the very nature of its functions, is constantly required to keep a close watch on the overall price trends in the economy as prices are ultimately the visible indicators of the deep seated economic forces. The statistical base in the Planning Commission for performing this function has to be really strong such as to sustain a realistic economic structure. There is some force in this argument but there are obvious disadvantages. For one, the important functions which we have envisaged will require a depth study and detailed deliberations at the highest level. They may, therefore, not

claim the attention they deserve in the Planning Commission preoccupied with other most vital and important national tasks of evolving broad strategies, appraising the basic trends and directing instrument patterns. Secondly, the special specific expertise which we want to built up in the National Economic Commission (Price, Cost and Tariff) from top to bottom would also not be feasible in the Planning Commission with its vast jurisdiction. Thirdly, the Planning Commission itself may become unwieldy if it undertakes these functions. However, we are in complete agreement with the view in so far as it emphasises the necessity of a very close and intimate relationship between the Planning Commission and the NEC. The Planning Commission is ultimately responsible for bringing about necessary conditions for a stable price economy and price discipline. We would, therefore, recommend that the Planning Commission should make fullest use of the NEC which will be the highest advisory body in the country. On this subject and may also assign to it any studies which may be of use to the Planning Commission itself in formulating its own policies and strategies. We envisage the closest possible liaison between the two. The NEC should in a way, be staff agency not only of the Government but also of the Planning Commission so far as the question of policies on prices, costs and tariff are concerned.

#### *Research Division*

44. We would also recommend that the library and the economic journals and literature available with the Commission should be enlarged. The new Commission should really become an institution where all the available literature, data and books of cost accounting, modern economics, price studies, publications of the different economic institutions from every important country of the world and all available literature and data in our country from different States should be organised in the library attached to the new Commission. As a matter of fact in due course the library and the research division of the new Commission should become the central point of fundamental and applied research in these fields for the benefit of our schools of Economics, universities, institutions and organisations interested in these fields.

#### *Conclusions*

45. To conclude we find that at present the price structure of our economy is neither determined by the forces of a competitive market as there is no room for their free play; nor, in their absence is the structure being moulded on a well-conceived long term strategy. This has resulted in ad-hocism and the entire field is subjected to so many pressures and pulls of interested groups that the emerging pattern has no relationship, whatsoever, to the underlying economic forces and the need of the economy. The Tariff Commission has become redundant in the face of numerous other attendant restraints. It has also consequently suffered in prestige; hardly any attention is being paid to its recommendations and, more often than not, it is being by-passed by Government. To

put the entire economy on an even keel, we recommend the Constitution of a statutory body to be known as National Economic (Price, Cost and Tariff) Commission. Its functions should comprise :

- (i) determining of prices of essential commodities, raw materials and intermediates;
- (ii) cost reduction studies;
- (iii) tariff enquiries.

46. On the question of utilisation of indigenous know-how by evolving broad guidelines for permitting foreign technical know-how where absolutely essential, we have recommended the setting up of a Standing Committee as in para 38.

47. We would have very much liked if the recommendations of the National Economic (Price, Cost and Tariff) Commission, so far as relating to price determination, were to be statutorily binding on Government subject to a provision for any specific item being referred back to the Commission for further investigation in case the Parliament finds it necessary on some important grounds. However, as the present climate does not appear to be propitious for such a bold step, we recommend that at least sound conventions should be developed with the above end in view. The recommendation of the Commission should be given highest consideration and differed from, if at all, rarely. In relation to all other functions, the role of the National Economic (Price, Cost and Tariff) Commission should, however, be advisory.

48. As we envisage this Commission to be a very high powered body, its Chairman should have the rank of a Minister and its members that of an Additional Secretary to the Government of India. There should be about 7 members in all drawn from various disciplines including a representative of consumer-interest and a trade union leader. The Director General of Industrial Development and the Chief Economic Adviser to Government of India should be its part-time members.

49. The Commission should have competent complement of technical staff including cost and works accountants, productivity and management specialists, economists and technicians. These persons should, however, where possible, be drawn from the pool of officers serving with other Government organisations, public sector undertakings and even the private sector. We envisage a constant flow and inter-change to avoid redundancy.

50. The functions of the Commission in relation to price determination will be highly selective and, therefore, will be confined to essential, key and growth commodities. The cost studies, however, may be conducted in a broader range. For obvious reasons, tariff enquiries will be few and far between.

51. The question of foreign participation is now crucial. There should be a broad based Standing Committee including three members of the National Economic (Price, Cost and Tariff) Commission, the Chief Economic Adviser. The Director General of Industrial Development, representatives of Industry etc. who should give their continuing attention to this problem. We are also of the view that Government should not permit majority participation of foreign capital except in very exceptional cases. The Parliament should enact a Foreign Investment Law banning foreign majority participation in a general way. The Government should also immediately prepare three lists, a list of indigenous know-how available for development, a list of permissible areas for importing technical know-how, and a list of industries wherein foreign technical know-how should be totally banned. These should be reviewed every two years and should be given widest possible publicity.

52. In view of the nature of its functions, the National Economic (Price, Cost and Tariff) Commission should be placed under the Ministry of Economic Affairs. There should be a very close liaison between the N.E.C. and the Planning Commission and the former should provide adequate staff support to the Planning Commission on issues relating to the broad price policies and strategy.

B. D. Sharma, *Secretary*

Manubhai Shah, *Chairman*

Tikaram Paliwal, *Member*

S. L. Kirloskar, *Member*

B. N. Ganguli, *Member*

D. B. Kalelkar, *Member*

R. N. Vasudeva, *Member*

NEW DELHI, June, 1968.