

NTC MILLS - WHETHER TO CURE THE SICKNESS OR KILL
THE PATIENT

In 1975, the Indian Government, headed by Indira Gandhi, announced the Nationalisation of several textile mills which had been making heavy losses and were on the verge of closing down. They were all owned by private managements, all of whom it was well known, had bled their companies white, after taking various loans and funds and diverting the money either to their other concerns or their own pockets. The major principle governing nationalisation was that the closure of so many mills would mean job losses on a heavy scale the social implications of which would be again difficult to handle for a government which at least claimed to be based on 'Socialistic' principles. All that is old hat now, and the new government which is firmly and avowedly wedded to the principle of the 'free market economy' wants to go back on the promise made to 2 lakhs textile workers. The earlier governments on their part never really took over and ran these mills after nationalisation, once the populist measure and served its purpose. After years of neglect, today the NTC is in a sorry state.

There are 124 mills under the National Textile Corporation, out of which 109 are nationalised and 15 are managed by NTC. Two mills have closed since, bringing the total down 122. Since Nationalisation, losses continued to pile up and the NTC now shows an accumulated net loss of Rs. ^{8037.37}~~2,03,73~~ crores. (April 1991). The actual provisional net loss in 1990-91 alone is 194.84 crores. According to Government figures however 40 mills showed cash profit while 80% of the total loss is accounted for by another 40 mills.

Mills in Maharashtra are managed under 2 subsidiaries- Maharashtra North, and Maharashtra-South 11 Mills under each, and another 13 'taken over mills' additional under Maharashtra South. North has accumulated losses by the tune of Rs.236.37 crores and South 192.55 crores. In 1990-91 alone, the net losses were Rs.14.36 crores and Rs.16.81 crores respectively (official figures).

The Government after years of just throwing a few crores into the NTC to reduce the losses at the bottom of the balance sheet, and absolving itself of all other responsibility has suddenly woken up and come out with a 'radical' solution to

this problem. In tune with its new economic policy of falling in line with IMF ^{conditionalities} contribution and practically closing down this public sector, it has announced its intention of closing down 42 mills, 14 to be closed down completely and amalgamating 49 other loss making units into 21 units. Maharashtra North is to amalgamate 4 Indu group units into 2, and 2 Akola Units into one. Maharashtra South is to amalgamate 6 units in Bombay into 3. Nothing has yet been said about the 'taken over mills'. The total number of workers and staff who will have to be retrenched will be 51,964, out of which Maharashtra North will contribute 6818 workers and 325 staff Maharashtra South will retrench 7501 workers and 560 staff.

As a sop, the Government has also put forward the alternative of formation of workers cooperatives and the possibility of state or private entrepreneurship to save these mills. Some vague ideas of redeployment through the creation of industrial estates are also briefly touched upon.

In its paper submitted to the Tri-partite Committee on Textiles, the Labour Ministry has attempted to examine the causes of this perennial sickness of the NTC Mills. According to them, the chief causes are :-

1. Lack of work culture in these mills, and non adherence to production norms especially among the workers.
2. Low productivity- an unfavourable man machine ratio, for instance when the norm for spinning is 4 workers per 1000 spindles then average in NTC is 6.2 workers per 1000 spindles and weaving; where the norm is 50 workers per 100 looms, it is 55.2 per 100 loom even going upto 66 workers in chronically sick units.
3. High overheads- the only point that has been mentioned is high wages and salaries, the average being as high as 40% of the total production value in some NTC Mills.
4. High surplus labour force and low utilisation of capacity:- Here it is mentioned that due to the heavy loss making, financial institution and suppliers are unwilling to give credit or raw material, as a result of which full utilisation of capacity is impossible-being as low as 20% in some mills.

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To deal with each of the three reasons one by one :

1. **Work Culture:-** Firstly the creation of a good atmosphere and work culture is the responsibility of the management. In an atmosphere of insecurity and demoralisation where the workers are not sure of their future and whether the mills will run, with government neglect and lack of direction on the part of the management, it is hardly likely that the workers will give their best. Besides it is a fallacy that workers are anywhere responsible for industrial sickness in general. In the words of no less a person than Shri R. Ganapathy, then Chairman of the Board for Industrial and Financial Reconstruction- 'Labour Contributing to industrial sickness cannot be held to be a major factor in any case. By and large sickness is due to other factors, mainly management failures. External environmental factor like Government policy also contribute to sickness. We have not come across a single case, where labour has been the cause of sickness in a company'. The example of Kanpur workers not accepting production norms earlier agreed upon, is not an indication of the situation elsewhere. In Bombay for instance the workload is above the norm. Where they are not working it is because in many NTC mills today, they are not being given work due to lack of raw material and because full capacity is not being utilised. This is through no fault of the workers who are in fact demanding work.
2. **Low Productivity:** This again is a management area, rather than the responsibility of the workers. The man machine ratio is not the only factor responsible for low productivity. Machinery, maintenance, management inefficiency, all influence productivity. It is upto the government and the management to upgrade machinery and efficiency and also to redeploy excess hands, if any, and hence maximize the utilisation of existing resources. All this also requires alternative, necessary policy consideration, and finance, all of which are practically non-existent.
3. **High overheads:-** The only factor that has been mentioned under this head is high cost of wages and salaries. In 34 chronically sick mills 40% of the total production

value is spent on wages and salaries. The figure for the entire NTC is 34%. The reasons for the high percentage is not mainly surplus labour or even rise in wages. If surplus workforce was the main reason for the high percentage or even for this heavy losses, when 60,000 workers have availed themselves of the VRS facility in the last 10 years, this percentage and the losses should have shown some improvement, instead of which they have increased. So far as wages are ~~xxx~~ concerned, there has been little increase in the basic wage, only D.A. has increased. This again is due to the steep increase in price which successive governments have failed to control. The workers are hardly responsible for this. What has not been mentioned is that meanwhile, total production has also plunged drastically. As a result of which the percentage of wages to the total production value has remained high. Unless this is changed and production is increased by utilising the full capacity but also putting in money for bringing in new machinery where necessary, the figures are not likely to improve comparing the figures of wage complement and losses, take the case of Maharashtra North. According to their Annual Report in 1988, expenditure on labour was Rs.41 crores 58 lakhs and losses were 32 crores, 82 lakhs, In 1989 figures are 46 crores and 37 crores respectively. Which means that even if wages are not by 50% losses are still not offset. Therefore the government's case that the main solution to heavy losses is drastic rationalisation does not hold water.

Low Utilisation of capacity :-

It is a fact that full capacity is not utilised in the NTC mills. The excuse given by the Government is that credit and raw material is not made available by financial institutions and suppliers because of the heavy losses, is facile, and an obvious attempt to absolve itself of responsibility. It was upto the government to make sure that this facility is provided to the NTC. However, it is also necessary to note that even where there is relatively higher capacity utilisation, losses have continued to accumulate.

In Maharashtra North in 1990-91 the capacity utilisation in spinning was 72% and in weaving 71.1%. In Maharashtra South in the same year, it was 80.9% in spinning, but weaving was

57.9%. Both however showed losses of over 15 crores and 16 crores respectively in the same year. The reasons for this decrease in utilisation of weaving capacity lie elsewhere. It is due mainly due to the unfair ^{competition} completion from the powerloom sector where workers are paid for less than the minimum wages, are provided none of the statutory benefits and have to work 12 hours shifts instead of 8. Tax evasion, illegal power connections also contributed to lower overheads. Private mills cut down on their weaving capacity and get it done from the powerloom sector. This irregular facility is not available to the NTC mill management. Therefore, although capacity utilisation has to be maximised, this by itself is not likely to solve the problem.

Main reasons for sickness in NTC ;--

1. The main reason is nothing but total neglect on the part of the Central Government. The NTC has been making losses not just from its inception but even before. The government did nothing more than provide some budgetary and other financial support, that too only to offset losses, not for new machinery which is basic requirement for those mills. Funds were extremely inadequate. No policy was framed, no protection provided, not thought given, no steps taken to turn it around. There was not political will, no interest whatsoever.

For instance take modernisation. In the Sixth plan a modernisation fund of Rs.301 Crores was allotted. Out of this only Rs.160 crores was actually spent on machinery modernisation the rest was spent on rehabilitation and statutory requirements. During this 7th plan, the Planning Commission sanctioned a paltry sum of Rs.177 crores out of which 75 crores was especially earmarked for statutory requirement and Rs.42 crores for labour rationalisation No funds were therefore available for actual modernisation. On the other hand the private sector could take advantage of the Textile Modernisation fund created through IDBI. Although the amount earmarked was Rs.750 crores for 5 years, this amount sanctioned reached 1367.39 crores. The NTC had no access to this fund.

After the formulation of the new industrial policy of the government the Finance Ministry has withdrawn even whatever budgetary support was available to the NTC. The existing subsidy has now been withdrawn and the NTC is being slowly starved to death.

2. After the formation of the NTC, government order like defence and police were given to NTC Mills. However, the government stopped this practice and started giving these orders out on tender system, which was a critical blow for the NTC.

3. There has been almost a total absence of marketing strategy. The earlier principle of producing cheaper and better quality of cloth for the people, the production of controlled cloth and its distribution through the public distribution retail outlets has completely disappeared. The subsidy on controlled cloth has been withdrawn. No effort has ever made to develop an R & D unit to develop more durable varieties of cotton cloth and inexpensive blends for mass consumption. There was therefore no attempt to create either a domestic or an export market for the NTC products. No attempts have been made to market NTC products in the rural areas. Only 4 units have export orders and that too, negligible. Marketing was also affected because after take over in this case of some of the "taken over mills" the patents on brand name remained a bone of contention between the old mill managements and the NTC. The former still have the patent rights to their brand names and some continued to get their products manufactured through the powerloom sector and marketed it under the already popular brand names. Needless to say the aggressive and lavish advertising done by this private sector is totally absent in the case of NTC as a result of which the NTC where it has marketed its product under new brand names is able to make very little dent in this market, either domestic or outside the country. The fact that in spite of this, there is no stockpiling and almost everything still gets sold is either nothing of a miracle or else because production has reduced drastically or perhaps a proof of the inherent strength of our domestic market. The Government has made no attempt to educate people on the merits of cotton cloth. Instead man made fibres have been consistently given preference at the behest of powerful vested interests. The misfortune of the NTC is that it has no powerful lobby to back it, no voice to speak on its behalf. The absence of a marketing strategy seems to be characteristic of almost all public sector units, one extreme example being that of Crissa Drugs and Chemicals, which went sick only because of its total absence in retail outlets, and is now

one of this 58 PSU's proposed to be closed down by the government.

4. The ^{competition} completion from the powerloom sector has hit the NTC harder than the relatively stronger private sector units. Instead of encouraging the greater utilisation of the already existing installed capacity, the government allowed the unhindered proliferation of powerlooms, which has affected the capacity utilisation of the existing capacity in the powerloom sector itself, besides intensifying sickness in the entire textile industry.

5. A fall out of this situation is the total demoralisation and lack of direction that has set-in the upper ^{echelons} each on the NTC management, Besides, MD's and other important posts are changed often, and at other times administration cadre with inexperience of textile are brought in. They are also extremely vulnerable to pulls and pressures of political bigwigs and the party in power.

Other alternative suggested by the government :-

The alternatives to closure suggested thought not elaborated upon by the government are, (a) workers cooperatives (b) state entrepreneurship. (c) private entrepreneurship and (d) training and re-deployment of retrenched workers through the establishment of industrial estate.

The last suggestion is the least convincing and least acceptable one. To shut down an entire line of production and offer guarantee of employment in some other entirely new line of manufacture with the same workers is ridiculous to say the least.

Regarding private entrepreneurship, if some other management is willing to run the mill and the proposal is genuine it could be accepted as a last resort to save the mill and the workers. But the privatisation of the nationalised mills, for which the government has taken responsibility is a step backwards, an admission of failure on the part of the government. There is even talk of giving the TOM's back to the old owners who have shown total ineptitude and irresponsibility in the past. There is no case for the superiority of the private sector over the public sector. The same problems are likely to recur and there is no guarantee that the mill will be saved, the new owners on the other hand gain ownership of precious urban land for sale and development. Once privatised, what is the guarantee that the owners will not revert to their

old habit of siphoning off funds, further intensifying the sickness and finally closing it down despite the best efforts of the BIFR? And why it not considered important to consult and involve workers also when such important decisions are made; decisions which affect their basic rights and the future and security of their jobs and their families.

The option of state government taking over the managements of sick units is a not a new one. In Maharashtra, the MSTC is already managing three mills in the State. The situation in these mills exactly the same as the NTC mills. So this is alternative although positive as unlikely as further nationalisation of mills. It is also illogical to presume that the state government will succeed where the Central Government has refused to succeed. However if any State Government does come forward, the proposal is definitely welcome, and the Central Government should provide assistance and support.

Regarding workers cooperatives it is difficult to believe that the government is serious about the proposal. It is a well known fact that no workers cooperatives can run without financial backing from Central or State Government and the financial institutions. The experience of the past is not encouraging in this regard. Where workers organise to set up cooperatives, the government must first provide these guarantee write off past liabilities, provide concessional loans, and not expect only the workers to make the sacrifices. Only then can the cooperatives run.

However all these alternatives are secondary, when the government has already taken the responsibility and is now trying to shirk it without making any real and serious attempt to fulfil it. It is important to stress that if the Central Government is unwilling to accept this responsibility, neither state ownership nor the workers' cooperative can succeed in curing the sickness afflicting these mills. Therefore for a start the sickness has to be first properly diagnosed and then suitable remedies have to be applied. Without this, all alternatives become meaningless.

Policy Proposals :-

Cloth is one of the basic human requirements. Profit cannot be the main criterion governing its production. It is the duty of the government to see to it that basic requirements

are supplied to its citizens at low cost, subsidised if necessary. The same principle applies as to food, shelter, transport, health etc.

This is not to say that there is not either the need or the possibility to 'turn around' the sick textile units. We have everything that is necessary to ensure a flourishing textile industry in this country. India has the largest area under cotton cultivation in this world. However in cotton production, it ranks only 4th. Even though cotton production has improved both in terms of quality and quantity, more needs to be done in this direction. Cotton prices and production are perennially fluctuating and the area under cotton cultivation is decreasing. We have a highly skilled workforce, technologists and managers, ample installed capacity, indigenous production of a major portion of the necessary machinery, and potential for a huge domestic as well as export market. If despite this, sickness continues to dog the textile industry, some fundamental weaknesses in government policy are obviously to blame. And these weaknesses are not most glaringly evident in the case of the NTC.

We are convinced that the solution to this perennial sickness of the NTC lies in curing it rather than killing the patient. Added to the obvious merits in saving the NTC, the fact is that the cost of closure is also very high considering dead loss of assets, cost of rationalisation rehabilitation and restructuring. Add also the social cost in terms of displacement and unemployment of over 3 lakh persons (workers and families), a consideration which cannot be brushed aside as of no consequence. It in this background that we submit the following proposals:

- 1) Extend the cotton monopoly procurement scheme to the entire country, stabilise the price of cotton, increase its production and supply a certain quota to the NTC at a stable price. As suggested by Expert Committee on the Textile Industry (1985), increase the powers of this Cotton Corporation of India to import and export cotton as and when necessary, so that prices can be stabilised.

- 2) Limit increase in installed capacity until present capacity is fully utilised. This refers to the powerloom sector in particular.

- 3) Implement Labour Laws in the power loom sector. Prevent tax evasion and other unfair methods of competition.
- 4) Reduce taxes in textile sector, since it is priority sector and a basic necessity, as well as the oldest and largest industry in this country. (It is also the biggest foreign exchange earner).
- 5) Provide subsidy and necessary funds for increasing production and for planned and necessary modernisation of machinery and building in NTC.
- 6) Increase production of cheap and good quality NTC cloth, institute R & D and marketing for upgradation of quality and arrange for distribution through the public distribution system. Develop an effective marketing strategy not only in-urban but also in mofussial and rural areas.
- 7) Concentrate on cultivating the huge domestic market and utilise full capacity to facilitate exports, especially to other tropical countries whether the climate is suited for cotton clothing.
- 8) Give all central and state Government orders to the NTC including defence, police, school uniforms and municipal government employees uniforms etc.
- 9) Prohibit sale of NTC land at the cost of the interests of the workers and the company.

CONCLUSION : In conclusion one can only stress that the government cannot wash its hands off completely of the responsibility to the workers of the public sector units, and leave them and the textile industry to the mercy of the so-called 'free Market Forces', which is a euphemism for powerful vested interests and multinationals. It is a luxury which a poor third world country like India cannot afford. The workers have little access to the consumers paradise promised by the IMF model world economic order. Nor is such a model either ideal or possible in Indian conditions. It is not in the interest of either the worker or even indigenous industry. This is not to justify the earlier course of adopting populist economic measures without backing it up with a strong political will and a firm and real commitment to the principle of self reliance and people oriented development. But the current economic policy of total capitulation to forces of the IMF and so-called market forces is as dangerous if not so. The contradictions emerging from the actual nitty of implementing this policy are clear proof. 'The f'

proposed for the 58 public sector units including the NTC is no exception. The National Renewal (?) Fund, that is to provide a 'safety net' for the workers who will be thrown out, will barely cover 3 to 4 percent of the amount required. This amount again is 6 to 10 times the total annual losses of the units which are to be closed down.

Units like NTC should be saved not only because of the social arising out of such massive job losses but also because it does not make sound economic sense - a principle to which our new policy makers claimed to be committed. It is far more rational to first examine whether there are other alternatives, whether the units can be 'turned around'. In the case of NTC we are convinced that this can be accomplished with the necessary policy framework and political will.

We have neither the necessary experience or expertise to put forward an infallible blue print for solving the problem of sickness in the NTC Mills. The problem is too complex to immediately offer such a blue print. All we are saying is that alternatives other than closure should be evolved, and that closure is definitely the worst alternative in the circumstances. This paper is an attempt to raise the right questions and put the issue in proper perspective.

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