

REPORT
OF THE
REVIEW COMMITTEE
ON
LEATHER & LEATHER MANUFACTURES
FOR EXPORTS



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND SUPPLY
DEPARTMENT OF COMMERCE

New Delhi, February 1985

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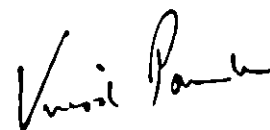
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FOREWORD

The Review Committee on Leather & Leather Manufactures for Exports was constituted by the Ministry of Commerce vide its Order No. 17(98)/84-EP(LSG) dated 11th October, 1984. The detailed terms of reference and composition of the Committee are given in the Report itself. The Committee held a number of meetings in which all members took active part and gave valuable suggestions. A number of papers prepared by the members were considered.

2. The Committee has made wide ranging recommendations to facilitate the growth of added value leather products so that an ambitious target of Rs. 1070 crores by 1989-90, the final year of the Seventh Plan, can be achieved. In particular, the Committee has identified the constraints and recommended action to make footwear the single most important item of Indian leather exports.

3. As the Review Committee consisted of diverse interests, including representatives of the trade and industry, its recommendations with regard to the export policy and export incentives had to be confined to broad indication of the direction, leaving the detailed policy prescriptions to be decided by Government.



(V. C. PANDE)
Additional Secretary
Ministry of Commerce

New Delhi
February 28, 1985

CHAPTER 1

INTRODUCTION

1.1 A Review Committee on Leather & Leather Manufactures for Exports was constituted by the Ministry of Commerce vide its order No. 17(98)/84-EP (LSG) dated 11th October, 1984 with the following terms of reference:-

- (1) To review the availability of raw hides and skins in the country and make recommendations for augmentation.
- (2) To review the requirements of machinery and technology in the organised and cottage sectors and make recommendations regarding the relevant import and fiscal policies in order to facilitate value-added production.
- (3) To review the availability of critical inputs for both domestic and export production and make recommendations regarding the import and fiscal policies in order to improve the situation.
- (4) To review the availability of semiprocessed, crust and finished leather and make recommendations for importing them in order to augment the availability.
- (5) To review the requirement of trained manpower for export production of leather and leather manufactures and suggest measures to meet it for the organised and cottage sectors.
- (6) To review the exports of semi-finished and finished leather and make policy recommendations in that regard.
- (7) To review the exports of leather manufactures, in particular footwear, and make policy recommendations in that regard.
- (8) To review the research and development efforts for maximization of value of the leather resources in the country and to make recommendations.
- (9) To examine the possibility of establishing a national leather design centre in order to promote the exports of value added leather products.
- (10) To review the roles and functions of different promotional institutions and production agencies and make recommendations to harmonise export development and production development.

1.2 The first meeting of the Review Committee was held on 27.10.84. Thereafter, meetings were held on 12.12.84, 9.1.85 and 27.2.85. In these meetings, the Committee considered a number of papers prepared by the members.

1.3 The list of members of the Review Committee is given below:-

1. Shri V.C. Pande,
Additional Secretary,
Ministry of Commerce Chairman
2. Shri M. Mohd. Hashim,
Chairman,
Council for Leather Exports,
Madras,
3. Shri Sanjoy Sen,
Chairman,
M/s. National Tannery & Co.,
Calcutta,
4. Shri Syamal Gupta,
Managing Director,
Tata Exports Limited,
Bombay.
5. Dr. Ashok Mahajan,
M/s Goodyear Shoe Factory,
Agra.
6. Shri K.N. Bhat,
Chairman,
Namaste Leather Garments Pvt. Ltd.,
Bangalore.
7. Shri P.C. Jain,
Chief Controller of Imports & Exports
8. Shri A.P. Sarwan,
Joint Secretary,
Department of Industrial Development
9. Shri B.N. Singh,
Additional Director General,
Indian Standards Institution
10. Dr. G. Thyagarajan,
Director,
Central Leather Research Institute,
Madras.
11. Shri M.R. Subramanian,
Director,
Indian Institute of Packaging,
Bombay.

12. Shri R. Thanjan,
Managing Director,
Bharat Leather Corporation Ltd.
New Delhi.
 13. Shri G.R. Sharma
Director,
Department of Revenue
 14. Shri S.P. Singaram,
Director (Leather),
Development Commissioner,
Small Scale Industries
 15. Shri R.C. Malhotra,
General Manager,
State Trading Corporation of India
 16. Shri M.P. Singh,
Additional Industrial Adviser,
D.G.T.D.
 17. Shri M. Ranjan,
Director,
Ministry of Commerce
- ... Member Secretary

1.4 Dr. G. Thyagarajan was nominated when he assumed charge of Director, Central Leather Research Institute, Madras. Shri M.P. Singh, Additional Industrial Adviser, D G T D was nominated when Shri R.Thanjan, Industrial Adviser, DGTD assumed charge of Managing Director, Bharat Leather Corporation, New Delhi.

1.5 The E.P. (LSG) Division of the Ministry of Commerce acted as the secretariat of the Committee. Shri O.P.Sharma, Under Secretary and Shri G.P. Tandon, Desk Officer rendered valuable assistance in this regard.

CHAPTER 2

SUMMARY OF RECOMMENDATIONS

2.1 Approach

The ultimate objective should be to make footwear the single most important item of leather exports. During the Seventh plan, Government policy should be fashioned to ensure the following:-

- a. Strengthening and enlargement of the infrastructure for production and export of footwear and other leather manufactures.
- b. Improved availability of finished leather for production of leather goods by means of a combination of upgrading domestic availability of semi-finished and finished leather with liberal imports.
- c. Liberal access to the best quality machines, raw materials, consumables and components for technological advancement by combining imports with the creation of domestic manufacturing infrastructure.
- d. A package of incentives to enable the export of leather goods to face world competition. (Para 3.12)

2.2 Availability of Hides, Skins and Leather

2.2.1 A professional study of the system of collection and marketing of raw hides and skins in India may be commissioned by Government. (Para 4.4)

2.2.2 The ISI standard defining finished leather should be made realistic and the export incentives should be applicable to the finished leather so defined. (Para 4.7)

2.2.3 While there is adequate availability of leather resources in India to achieve the Seventh plan targets, it would be desirable to import finished leather from bovine hides and skins free of duty. (Para 4.8)

2.2.4 A five year announcement, to coincide with the Seventh plan, should be made for duty free imports under OGL, of raw hides and skins, wet blue chrome tanned and crust leather including splits and sides. (Para 4.9)

2.2.5 As the Review Committee consisted of diverse interests, including representatives of the trade and industry, it was felt that its recommendations with regard to the export policy and export incentives should be confined to broad indications of the direction, leaving the detailed policy prescriptions to be worked out by Government. Accordingly the following recommendations were made:

- a. A stage has now come when Government should rationalise the export quota mechanism for regulating the exports of semi-processed leather. (Para 4.11)
- b. The stipulation of 40% export obligation on finishing units may be done away with. (Para 4.12)
- c. The incentives relating to finished leather exports require a fresh look by Government. (Para 4.13)
- d. A graded system of incentives, based upon comparative value addition at different stages should be considered by Government. (Para 4.14)

2.3 Upgradation of Technology

2.3.1 The need for extension services in the cottage sector for technological upgradation for rural tanners and producers of value-added leather products is self-evident. The Department of Industrial Development should chalk out clearly defined schemes for this purpose. (Para 5.1)

2.3.2 The machinery and equipment listed in Annexure-I may be placed under OGL for import. (Para 5.3)

2.3.3 The Committee strongly endorses the recommendation of the Task Force (1979) that the import duty on machines should be brought down uniformly to 25% on all tanning, finishing, footwear and other leather goods machines which find place in the OGL. (Para 5.3)

2.3.4 Non-availability of trained manpower at all levels is a serious constraint in the development of the leather manufactures industry along modern lines. Fellowships should, therefore, be instituted in order to depute artisans, supervisors and managers for foreign training. (Para 5.3)

2.3.5 Foreign experts should be invited to give in-plant training to production personnel at all levels. (Para 5.3)

2.3.6 The existing training centres should be equipped with modern machinery and equipment, for which the Department of Industrial Development should formulate appropriate schemes. (Para 5.3)

2.3.7 Technical training should be taken up by the Council for Leather Exports as a Code activity, which should be made eligible for MDA. (Para 5.3)

2.3.8 With regard to the requirements of raw materials, components and consumables for production of finished leather, footwear and other leather goods, the following recommendations are made:

- a. inclusion in Appendix 17 of the Import Policy of the items listed in Annexure II.

- b. inclusion in the OGL for import of the items listed in Annexure III.
- c. inclusion in Annexure I of Appendix 21 of the Import Policy of the items listed in Annexure IV.
- d. reduction/abolition of import duties in respect of the items listed in Annexure V. (Para 5.4)

2.4 Export of Footwear and Leather Manufactures

2.4.1 The Committee has identified the following infrastructural gaps coming in the way of export production of footwear:

- a. Non-availability of the required grades and quality of finished leather at competitive prices.
- b. Absence of good quality training in footwear engineering, design and pattern making skills.
- c. Lack of indigenous production of well engineered lasts, components and soles for the footwear industry including upgradation of the sole leather from buffalo hides.
- d. Lack of a network of modern laboratories and testing units for quality control.
- e. Absence of a brand image for India-made footwear in the world market.
- f. Lack of attractive and durable packaging.
- g. Lack of a meaningful nexus between development and research.

It is of the view that a determined initiative on the part of Government is essential to create a catalytic model which can be replicated. The Committee recommends for the consideration of Government a concrete operational model, in which a centralised autonomous agency, working under the umbrella of a reputed institute of technical education such as an Indian Institute of Technology, will perform some direct functions apart from assisting in the development of a supporting infrastructural base. A project profile for such a Footwear Design and Development Institute is appended as Appendix VII. The project will involve an investment of Rs.9.5 crores and an employment of 2900. It will be completed in four phases. (Para 6.4)

2.4.2 In the context of the recommendation regarding FDDI, it will be necessary to replicate this operational strategy in different States where nodal agencies be entrusted with the task of coordinating the development of the six supporting functions enumerated above, leaving the direct functions to be performed by FDDI alone. (Para 6.4)

2.4.3 Government may consider enlargement of the scope of the proposed Institute to include other leather goods, such as garments, handbags, gloves, etc. (Para 6.5)

2.4.4 Liberal assistance from MDA should be made available, in foreign exchange, for individual brand promotion abroad. (Para 6.5)

2.4.5 The list of raw materials required for production of intermediates for use in the export production of footwear should be included in Annexure VI to Appendix 19 of the Import Policy. This list is given at Annexure VI. (Para 6.5)

2.5 Institutional Coordination

The Committee recognises the existence of a number of agencies which have been set up by Government such as STC, BLC, State Leather Development Corporations, CLRI, CLE, CFTCs, KVIC, etc. to service varying interests. Within the Government itself, there are several Ministries which deal with different aspects of the industry. It is recommended that:

- a. Government should examine the performance of these organisations with respect to the rationale of their creation and take remedial action to avoid duplication and ensure coordination. As a first step, it is recommended that the Department of Industrial Development should examine the extent to which the State Leather Development Corporations and BLC have served their objectives.
- b. The role of a harmonising agency could be played by the creation of a statutory All India Leather Board on the analogy of other commodity Boards by integrating one or more of the existing organisations. Such a Board could also coordinate the activities of the institutions whose continuance may be considered necessary. (Chapter 7)

CHAPTER 3
GENERAL REVIEW

3.1 The Committee reviewed the profile of exports of leather and leather products from India during the period 1972-73 to 1983-84. Table 1 tabulates these export values in terms of rupees. During this period, these exports have grown from Rs. 1.86 crores to Rs. 436 crores, an all time high. The year 1973-74 was a landmark in the history of leather exports, as it saw a ban on the exports of raw hides and skins as well as the commencement of quantitative restrictions on the exports of semi-processed leather. During the decade 1972-1982, the annual growth rate in the leather sector was 8%.

Table 1. Indian Exports of Leather & Leather Products

(Crores of current rupees)

Year	Semi-processed leather	Finished leather	Footwear & components	Other leather products	Total
1	2	3	4	5	6
1972-73	153.15	16.56	8.39	8.31	186.41
1973-74	147.31 (79.3%)	16.78 (9%)	11.28 (6.1%)	10.42 (5.6%)	185.89 (100%)
1974-75	101.30	31.44	17.45	15.22	165.46
1975-76	134.34	54.72	20.16	18.77	227.98
1976-77	150.43	103.59	34.59	17.85	306.46
1977-78	120.71	98.79	25.40	12.60	257.51
1978-79	107.21	181.25	23.36	17.97	329.80
1979-80	88.54 (20.90%)	266.00 (62.7%)	47.63 (11.2%)	22.25 (5.2%)	424.44 (100%)
1980-81	56.59	186.79	55.71	29.75	328.84
1981-82	56.89	223.12	92.00	43.03	415.04
1982-83	54.41	199.90	98.89	46.75	399.95
1983-84	53.34	195.58	137.04	50.08	436.04
1984-85	50.00	265.00	165.00	60.00	540.00
(est.)	(9.3%)	(49%)	(30.6%)	(11.1%)	(100%)

Source: Council for Leather Exports, Madras

3.2 The annual growth rates of export value in the leather sector during the last three plan periods were as follows:

Plan Period	Rupee Growth Rate (%)		Rate of appreciation of US \$ (%)	Real Growth Rate (%)	
	Leather	India		Leather	India
1	2	3	4	5	6
IV (1969-74)	18.4	13.2	0.7	17.7	12.5
V (1974-79)	12.2	17.8	1.0	11.2	16.8
VI (1980-85)	10.3	11.0	8.5	1.8	2.5

The Seventh Plan Working Group on Leather Industry has proposed a growth rate of 14.7% during 1985-90. If the same rate of appreciation of the US dollar against the rupee is assumed as during the Sixth plan, the real rate of growth of export value during the Seventh plan will be 6.2%, approximately half of that during the Fifth plan.

3.3 Using the data available in the microfiches prepared by the International Trade Centre, UNCTAD/GATT, the US \$ values of world imports and Indian exports of leather and leather products for the period 1972-1982 are tabulated in Table SA-1 of the Statistical Appendix. The annual growth rates calculated from this table are given below.

Table 2. Annual Growth Rates of World Imports & Indian Exports
(%)

Year	Leather		Leather Products		Total	
	World	India	World	India	World	India
1	2	3	4	5	6	7
1973	26.3	43.3	28.3	6.7	27.9	39.4
1974	- 5.3	-21.4	22.8	62.5	16.3	-15.2
1975	4.5	- 1.4	17.0	11.5	14.7	1.2
1976	39.2	-22.0	25.8	31.0	28.1	46.5
1977	4.1	71.8	19.6	31.6	16.7	- 4.4
1978	23.3	31.8	29.9	52.0	28.8	36.1
1979-80	55.1	65.1	26.2	35.5	30.8	58.6
1980	-20.8	-44.7	9.7	37.9	3.9	-28.0
1981	-12.1	-16.2	- 5.7	3.5	- 6.6	- 8.4
1982	5.4	7.9	- 0.3	0.0	0.5	4.4
Decade 1973-82	9.7	5.0	16.7	25.5	15.4	9.6

3.4 From the same source data, the annual growth rates by individual products are tabulated below.

Table 3. Annual Growth Rates by Products (%)

S.No.	Product	V Plan (1974-78)		Decade (1973-82)		Latest 5 Years (1978-82)	
		World	India	World	India	World	India
1	2	3	4	5	6	7	8
1.	Calf Leather	15.0	-12.0	7.4	3.1	3.3	22.4
2.	Bovine leather	16.8	6.0	13.5	11.4	8.0	- 3.0
3.	Leather from Sheep skins	5.5	2.4	6.4	2.9	5.2	- 2.0
4.	Leather from goat skins	9.5	12.0	6.0	3.6	9.5	3.6
Leather :		12.0	6.5	9.7	5.0	7.0	1.8
5.	Saddlery	7.8	17.6	8.4	19.7	3.4	8.3
6.	Travel Goods & Handbags	25.5	33.2	19.4	24.0	14.1	18.7
7.	Garments	21.6	89.5	15.3	57.6	7.5	52.3
8.	Footwear	22.4	20.0	15.8	12.6	11.1	6.7
9.	Footwear Components	24.0	43.5	18.9	46.4	16.3	59.5
Leather Products:		22.9	36.7	16.7	25.5	11.1	24.3
TOTAL:		20.7	10.5	15.4	9.6	10.5	8.3

3.5 When the quantities of different product groups in the leather exports are converted into lakh pieces, the data for 1973-74 to 1983-84 emerge as follows:-

Table 4 Quantity of Leather Exported During 1973-84

(Lakh Pieces)

Year	SPL	Finished leather	Footwear & components	Other leather products	Total
1	2	3	4	5	6
1973-74	552.38 (86.2%)	68.53 (10.7%)	15.07 (2.4%)	4.98 (0.7%)	640.96 (100%)
1974-75	404.14	84.82	15.98	5.97	510.91
1975-76	470.71	163.11	17.13	8.20	659.15
1976-77	310.55	296.43	24.15	15.23	646.36
1977-78	302.77	285.64	26.52	16.43	631.36
1978-79	244.71	479.87	27.45	25.05	777.08
1979-80	156.79 (20.3%)	532.24 (70.7%)	35.42 (4.7%)	28.39 (3.8%)	752.84 (100%)
1980-81	99.44	404.81	40.90	39.44	584.59
1981-82	119.95	489.30	75.67	25.70	710.62
1982-83	114.92	415.70	80.98	30.21	641.81
1983-84	105.29 (15.4%)	430.50 (62.8%)	111.71 (16.3%)	37.73 (5.5%)	685.23 (100%)
1984-85 (est)	99.00	582.00	134.00	45.00	860.00

Notes: Conversion from kgs to pieces is based upon the rates adopted by the Dr. Seetharamiah Committee. Conversion from products to leather is based upon the rates adopted in the LEPC (erstwhile) report published in "Leathers" in November, 1978.

Source: Council for Leather Exports, Madras.

3.6 The unit value realization, computed on the basis of the data appearing in Table 1 and Table 4, is given below.

Table 5. Export Value Per Piece During 1973-84

Year	(Rs. Per Piece)				
	SPL	Finished leather	Footwear & components	Other leather products.	Total
1	2	3	4	5	6
1973-74	26.67	24.49	74.85	209.24	29.22
1974-75	25.07	37.07	109.20	254.94	32.58
1975-76	28.54	33.55	117.69	228.90	34.59
1976-77	48.44	34.95	143.23	117.20	47.41
1977-78	39.87	34.59	95.78	76.69	40.79
1978-79	43.81	37.77	85.10	71.74	42.44
1979-80	56.47	49.98	134.47	78.37	56.38
1980-81	56.91	46.14	136.21	75.43	56.25
1981-82	47.43	45.60	121.58	167.43	58.41
1982-83	47.35	48.09	122.12	154.75	62.32
1983-84	50.66	45.43	122.68	132.73	63.63

3.7 The Council for Leather Exports, Madras has carried out a sample analysis of the range of value-addition at different stages of leather processing. The results are tabulated below.

Table 6. Range of Value Addition (%)

Stage	VALUE ADDITION		Average Variation
	1980	1984	
1	2	3	4
1. <u>SPL to Finished Leather</u>			
a. Cow hides	6 to 16	45 to 95	Over five times
b. Buffalo hides	N.A.	34 to 133	NA
c. Cow calf skins	49 to 58	35 to 83	(+) 10%
d. Buff calf skins	6 to 55	13 to 60	(+) 20%
e. Red hair sheep skins	15 to 30	33 to 52	(+) 90%
f. Wool sheep skins	25 to 101	14 to 58	(-) 45%
g. Goat skins	2 to 24	37 to 62	Nearly 3 times

2. <u>Shoe uppers from finished leather</u>				
a.	Cow leather	NA	22	NA
b.	Buff calf skins	22	11	(-)50%
c.	Goat skins	13	13	Nil
3. <u>Shoes from finished leather</u>				
a.	Cow leather	NA	117	NA
b.	Goat skins	42	25	(-)40%
4. <u>Garments from sheep skins</u>				
		23	35	(+)50%
5. <u>Wallets from</u>				
a.	Sheep skins	81	111	(+)40%
b.	Goat skins	NA	131	NA

3.8 The unit value and quantity indices of exports of leather and leather manufactures during 1969-70 to 1979-80 are indicated in Table 7 below.

Table 7. Unit value and quantity indices of Exports 1969-70 to 1979-80
(1968-69 = 100)

Year	Unit value Index	Quantity Index
1	2	3
1969-70	117	96
1970-71	102	97
1971-72	105	119
1972-73	141	170
1973-74	217	109
1974-75	231	86
1975-76	251	110
1976-77	335	108
1977-78	328	104
1978-79	361	125
1979-80	470	142

Note: The latest figures are available only upto 1981-82, but have been omitted as the base was changed to 79/80 from 1980-81 onwards.

Source: Reserve Bank of India, Report on Currency and Finance (Bombay: RBI, Annual Issues)

3.9

Trends in Indian Exports.

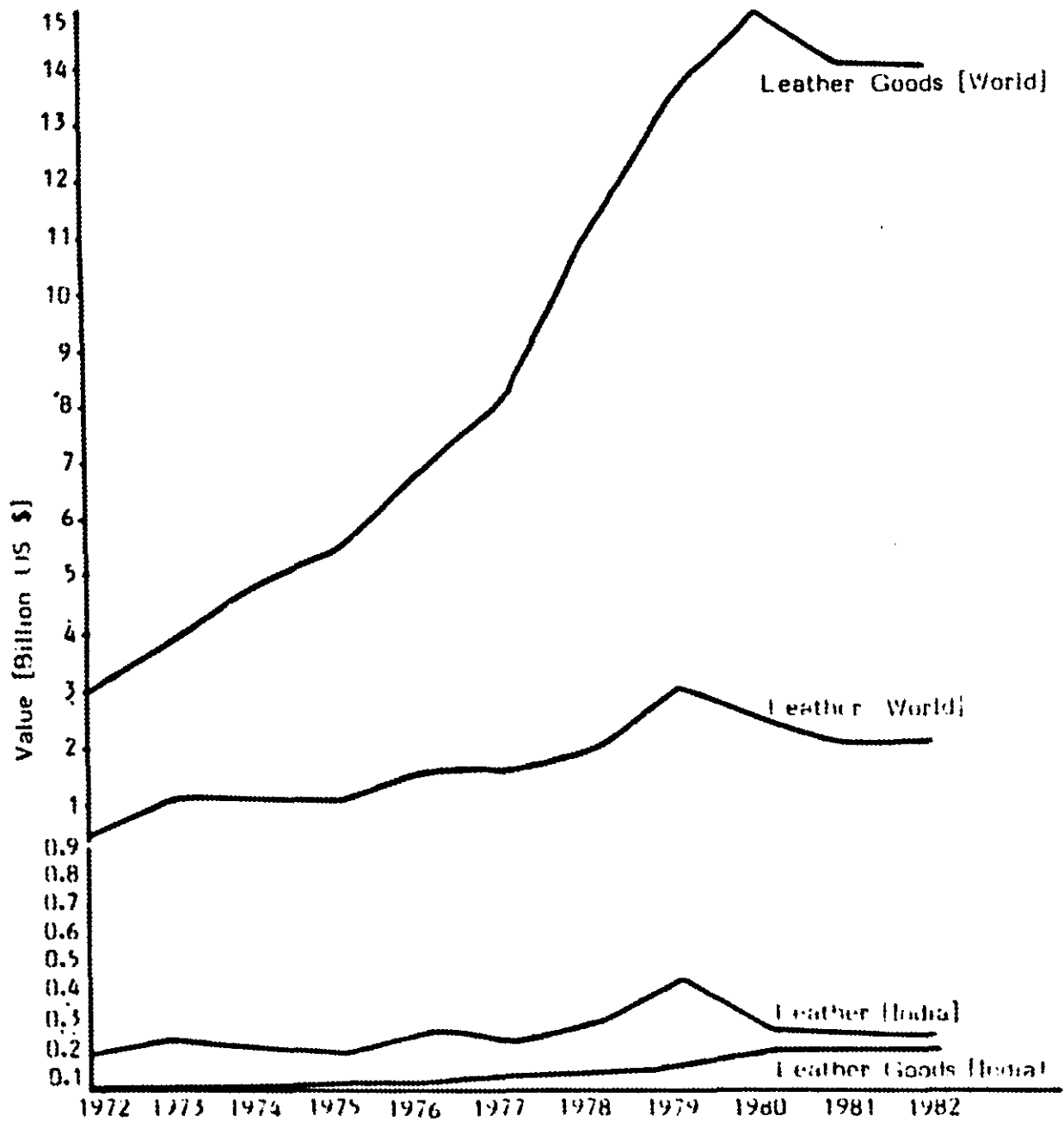
3.9.1 **Growth:** The Committee considered the data given in the foregoing paragraphs and observed that while the world imports of leather and leather products grew at an annual rate of 15.4%, the Indian exports were much slower (9.6%) in growth during the decade 1973-1982. The latest trends (1978-82) do, however, show a substantial improvement, insofar as the differential between the growth rates-world (10.5%) and India (8.3%)-has been narrowed down considerably. This is contributed by a much faster growth in the exports of leather products (world 11.1% and India 24.3%) and is characterised by a simultaneous slackening of the exports of leather. The products which have really moved fast include leather garments, footwear components, saddlery and handbags. This point is corroborated by the decline in the Indian share of the exports of leather from 14% in 1972 to 9% in 1982 and the ascent in the Indian share of the exports of leather products from 0.51% to 1.06%. The overall Indian share in the leather sector has, however, dropped from 3.68% to 2.18%. Figure 1 shows that while Indian exports of leather have generally been in step with the global import behaviour, there has been little correlation on the products side. This can be attributed to the relatively large Indian share in leather exports, as compared to a very small share in the exports of leather products.

A peculiar feature of our leather exports relates to the steady decline in the rate of growth of export earnings from the fourth plan period onwards. If the rupee earnings are adjusted to the dollar appreciation, the rates of growth work out to 17.7% in the Fourth plan, 11.2% in the Fifth Plan and only 1.8% in the Sixth plan. The explanation lies in the fact that even though conversion of tanning capacities into finishing units has taken place, the Indian manufacturers of finished leather have not been able to penetrate the OECD markets on account of their dependence on traditional buyers who have continued to exert a downward pressure on Indian prices, as the quality of Indian goods has remained circumscribed by obsolete technology. Coupled with this, of course, is the factor that the US dollar has remained artificially pegged high vis-a-vis the other currencies during the entire Sixth plan period.

3.9.2 **Unit Value:** The unit value index, compiled by the Reserve Bank of India, for the exports in the leather sector has shown a consistent increase in the seventies (Table 7). The unit values, calculated from the CLE data, have also shown a secular growth during the decade 1973-84 (Table 5). The picture by broad product groups shows varying patterns.

Leather manufactures have registered, as expected, much higher unit values than finished leather, ranging between 3 to 4 times, although there have been many fluctuations. Products other than footwear and components have shown a downward trend in unit values when taken as an aggregate. The unit values of semi-processed and finished leather, when examined more closely, reveal the following pattern.

14-A



World Imports And Indian Exports of Leather & Leather Goods

{ figure-1 }

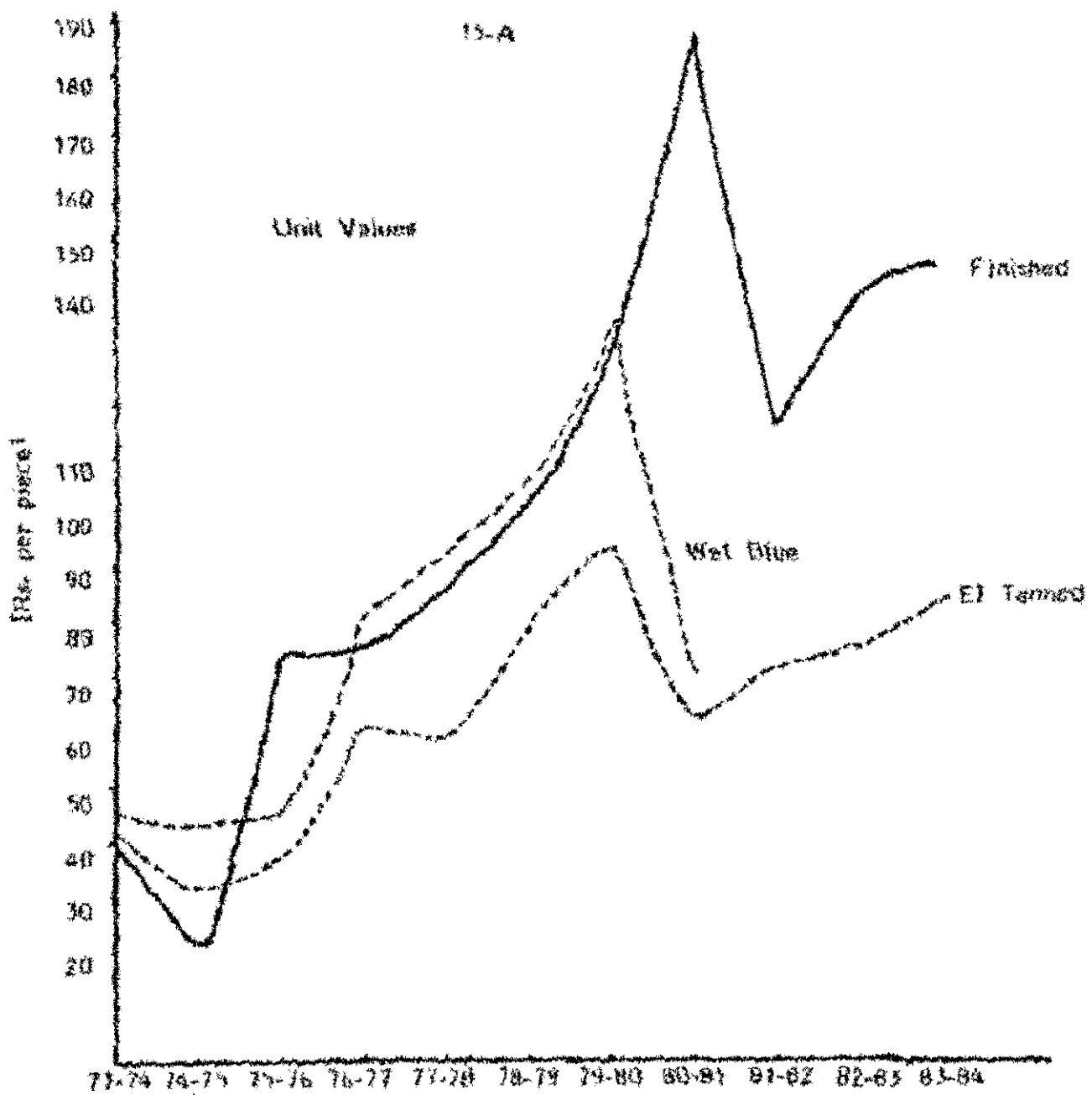
Table 8. Export value per piece of SPL. & Finished Leather

(Rs. Per Piece)

Year	Bovine Hides & Skins			Sheep Skins			Goat Skins		
	E.I.	W.B.	Finis- hed	E.I.	W.B.	Finis- hed	E.I.	W.B.	Finis- ed
1	2	3	4	5	6	7	8	9	10
1973-74	40.20	45.94	40.06	19.62	19.74	6.22	26.72	24.31	27.82
1974-75	31.24	43.60	21.32	23.54	20.15	7.50	27.27	22.98	62.54
1975-76	37.55	46.14	74.25	28.81	23.35	12.63	31.19	25.14	41.53
1976-77	61.08	81.71	74.93	33.15	23.66	20.79	39.70	35.92	36.02
1977-78	58.84	92.88	86.96	34.02	28.69	32.36	36.52	35.91	35.30
1978-79	79.77	106.09	102.65	41.12	37.20	41.97	46.69	36.43	35.40
1979-80	93.58	133.02	128.99	51.93	42.68	60.68	70.67	60.85	54.96
1980-81	62.51	71.00	187.37	39.56	13.42	43.16	57.73	53.62	50.90
1981-82	71.02	Nil	116.70	37.74	25.87	39.85	46.44	40.95	38.86
1982-83	74.43	Nil	139.37	38.33	Nil	47.07	38.56	40.25	37.74
1983-84	83.59	Nil	143.46	40.76	Nil	42.60	35.02	36.25	34.92

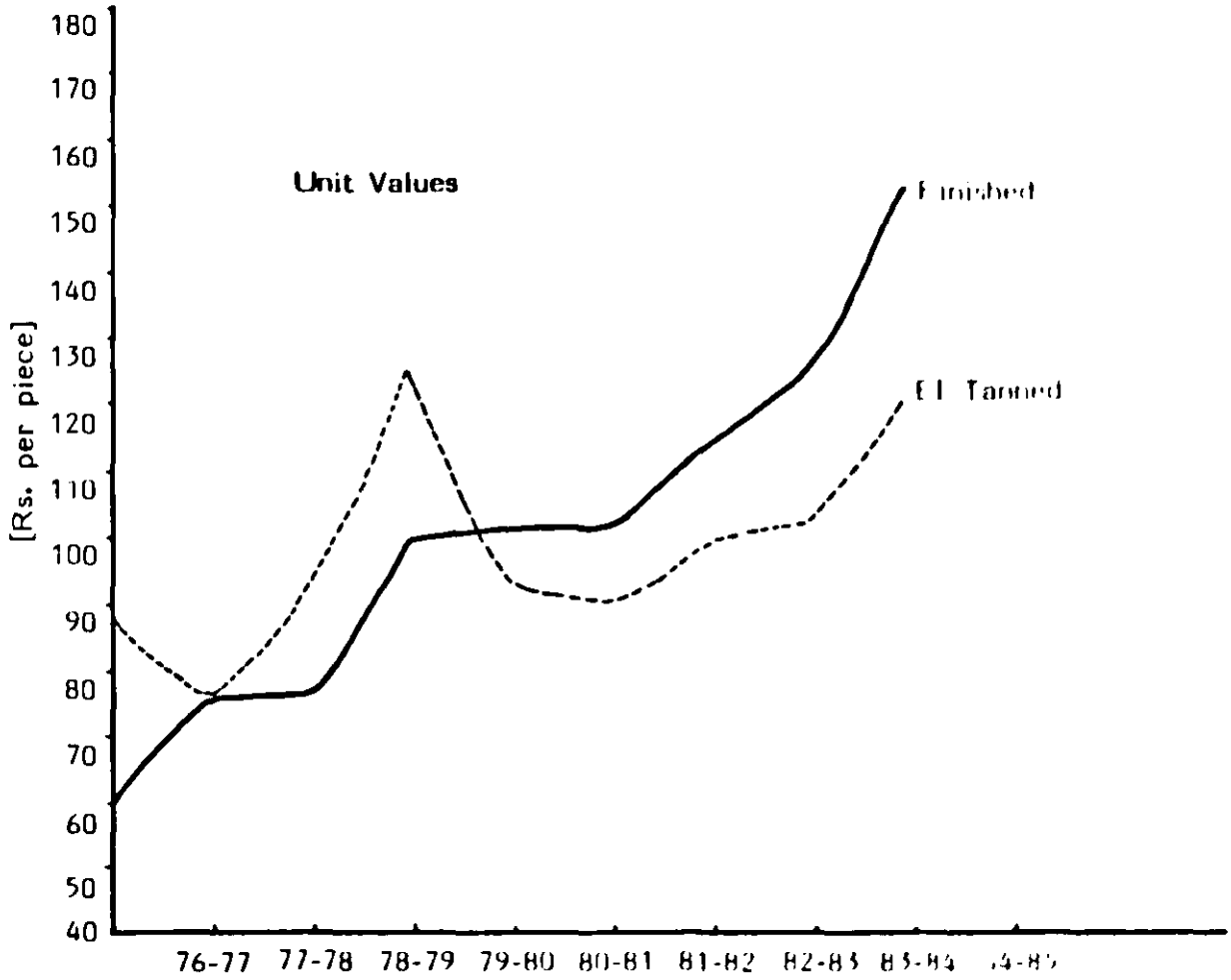
Source: The State Trading Corporation of India (STC) for semi-processed leather; the Council for Leather Exports, Madras (CLE) for finished leather.

The data given in Table 8 have been plotted in three graphs. Figure 2 shows the unit values of bovine hides and skins, clearly depicting that finished leather has fetched 160 to 300% of the unit values for semi-finished leather in the Sixth Plan. This segment, when split into cow hides, buff hides, cow calf skins and buff calf skins, shows varying patterns. While the finished leather unit values from cow hides (figure 2.1), buff hides (figure 2.2) and buff calf skins (figure 2.3) are higher than those for semi-finished leather, which is as it should be, the unit values in the case of cow calf skins reveal a reverse pattern (figure 2.3) during the eighties. The relevant statistics are given in Table 9.



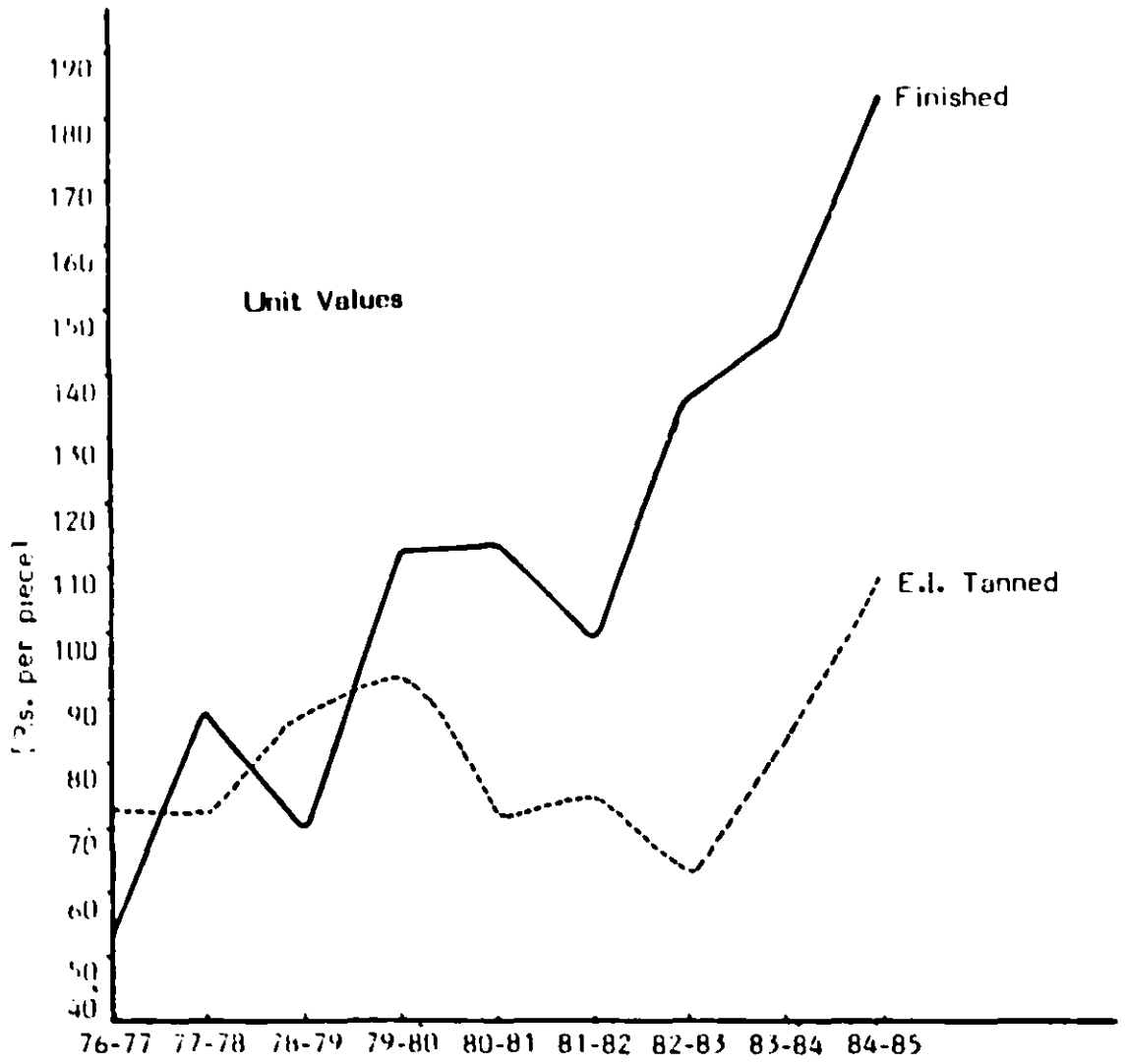
Bovine Hides & Skins

(Figure -2)

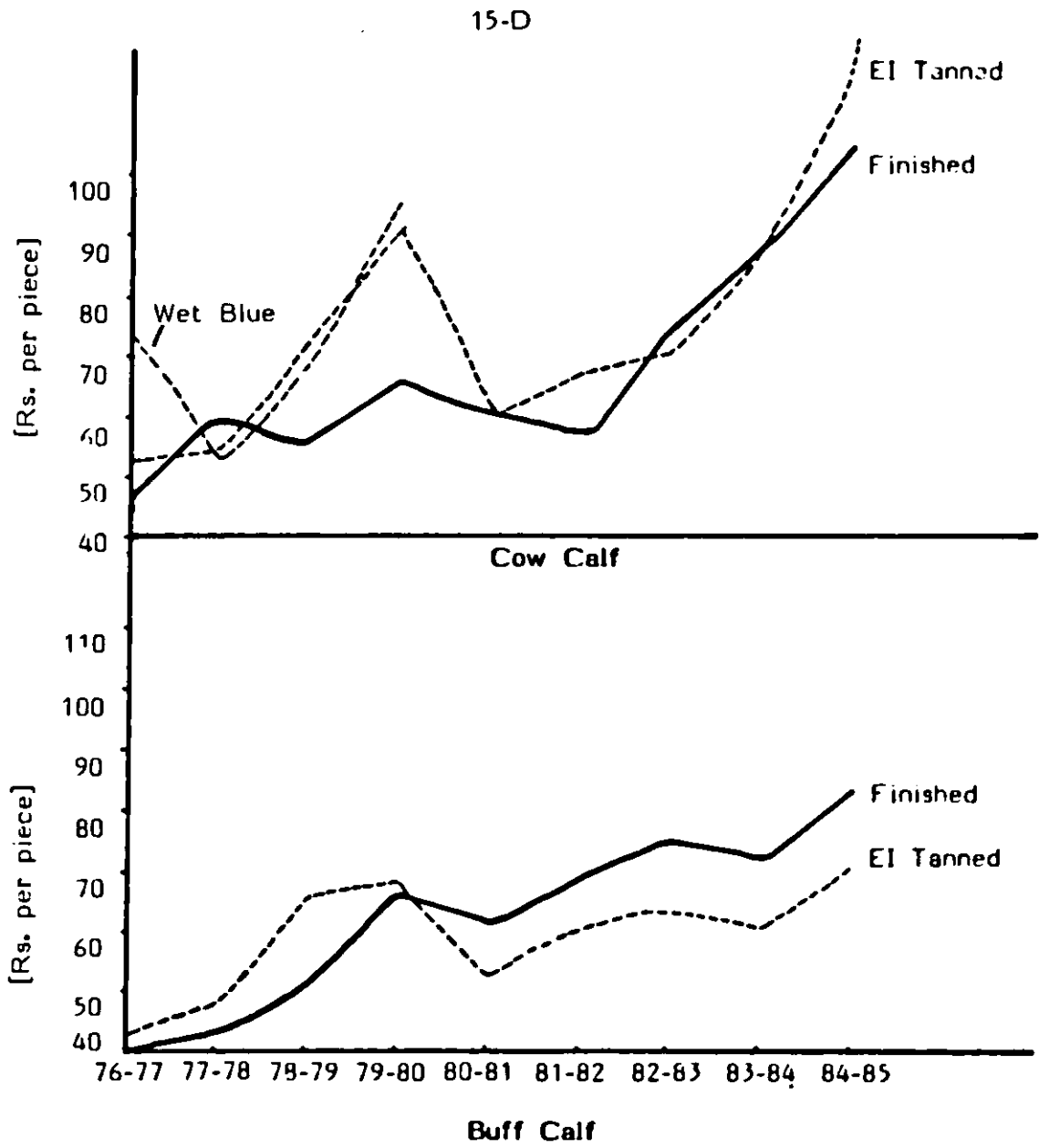


Cow Hides
[Figure - 2.1]

15-C



Buff Hides
[Figure - 2.2]



[Figure - 2.3]

Table 9. Export Values Per piece of Bovine Hides and Skins

(Rs. Per Piece)

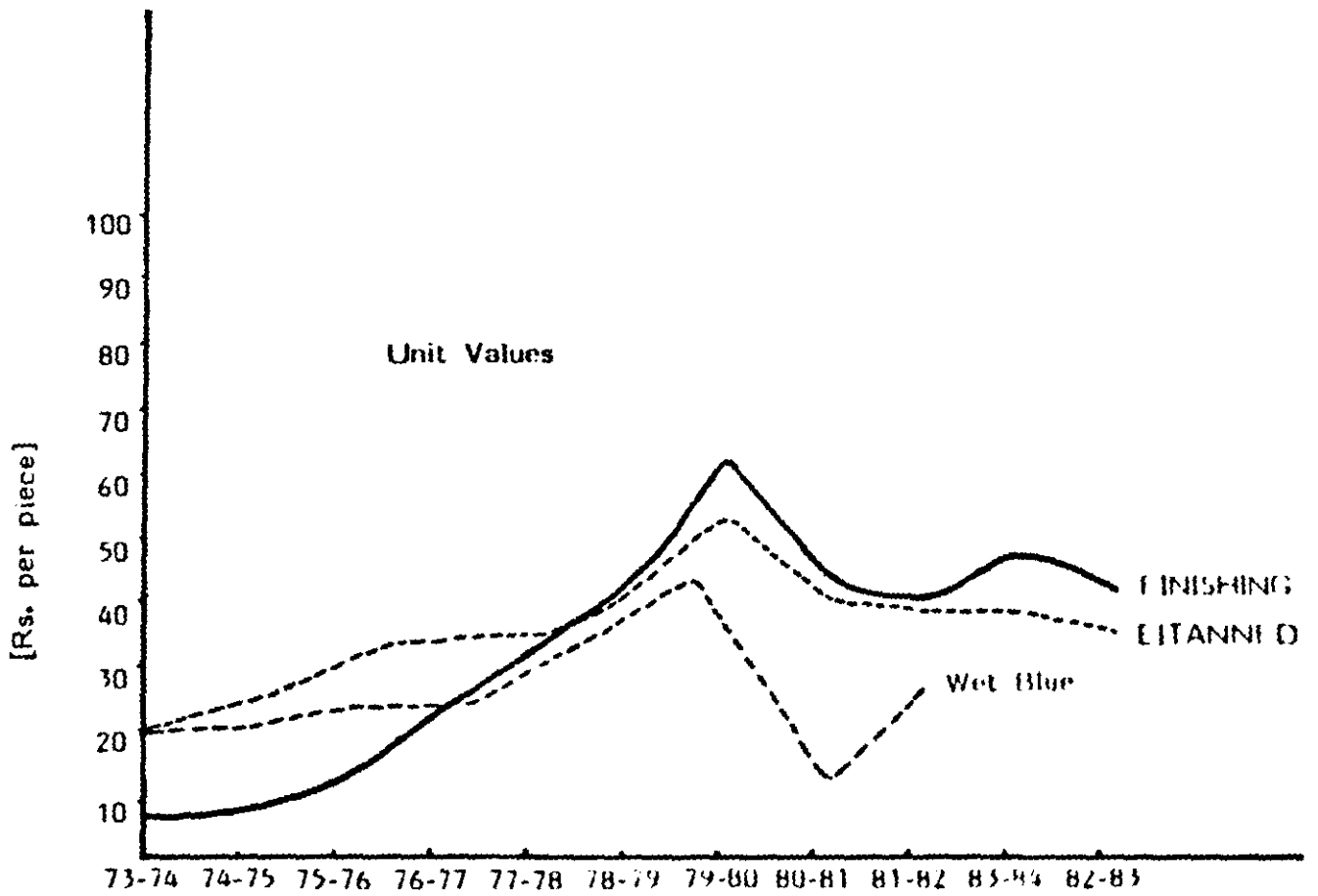
Year	Cow Hides		Buff Hides		Cow Calf Skins		Buff Calf Skins	
	E.I.	Finished	E.I.	Finished	E.I.	Finished	E.I.	Finished
1	2	3	4	5	6	7	8	9
1976-77	87.71	60.61	73.39	52.55	53.05	47.32	43.17	40.43
1977-78	76.32	76.50	72.24	87.42	55.45	59.77	47.49	42.70
1978-79	93.20	76.16	87.07	70.03	73.83	56.48	66.75	51.07
1979-80	125.01	99.02	93.64	112.74	91.21	66.29	68.63	66.03
1980-81	93.20	101.67	72.00	113.53	59.52	61.54	52.26	61.76
1981-82	90.23	100.94	75.52	98.73	67.55	57.26	60.50	68.90
1982-83	97.95	114.99	63.20	135.62	71.37	75.33	62.99	74.71
1983-84	102.00	124.16	83.02	146.00	89.46	87.57	61.46	71.07
1984-85	120.59	152.56	107.51	182.38	122.35	105.61	70.88	83.11

Source: STC, C.I.E

Figure 3 shows the unit values of sheep skins, demonstrating that finished leather is only marginally higher in unit value than E.I. tanned sheepskins, during the eighties. Again, figure 4 depicts the unit value of goat skins, showing a surprising feature of finished leather recording less unit values than both E.I. tanned and wet blue chrome tanned goat skins. *It is difficult to resist the conclusion that finished leather prices of cow calf, sheep and goat skins have suffered because the actual exports consisted largely of crust leather rather than finished leather, a practice which is adopted also by the neighbouring countries.*

3.9.3 Product Mix: The product-mix in the Indian leather export basket has changed substantially over the decade as the quantity of semi-processed leather has fallen from 86.2% to 15.4% and the quantities of finished leather, footwear and components and other leather products have risen from 13.8% to 84.6%. If semi-processed and finished leather are combined, the contribution of leather has come down from 96.9% to 78.2% and that of the leather products risen from 3.1% to 21.8%. The picture is more or less similar in value terms also. It can be concluded that the transition from semi-processed leather exports to finished leather exports, which began in 1973-74, is nearing completion.

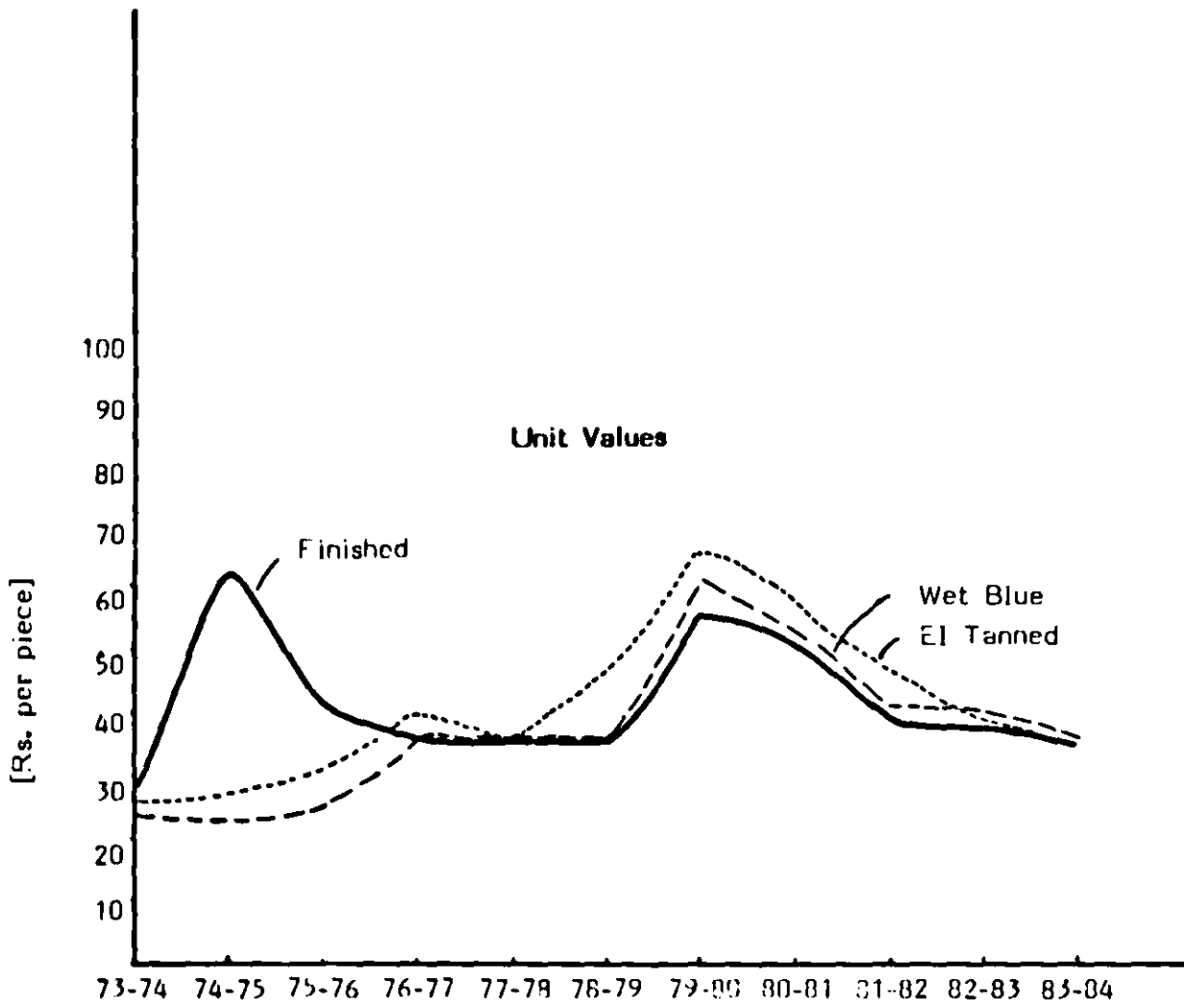
16-A



Sheep Skins

[Figure - 3]

16-B



Goat Skins

3.9.4 Value Addition: From the point of view of value-addition, Table 6 shows significant improvement in the value-addition percentage in finishing cow hides and goat skins during the Sixth Plan period, while wool sheepskins registered a decline. Similarly, sheepskin wallets and garments showed improvement, but shoe uppers of buff calf skin and shoes of goat skin showed erosion.

3.9.5 Direction of Exports: Table SA-2 given in the Statistical Appendix, indicates the export values of different product groups in the leather sector by destinations, during the Sixth Plan. EEC accounted for nearly half of the exports. East European countries accounted for a quarter. The remainder went largely to USA, Canada, Japan and Australia. The major destinations by product-groups are tabulated in Table 10.

Table 10. Major Export Destinations (1980-85)

	<u>Product Group</u>	<u>Destinations</u>
1.	E.I. tanned hides and skins	EEC (76%)-Italy (38%) and U.K. (33%); Japan (18%)
2.	WB chrome tanned hides and skins	East Europe (98%)-USSR (87%)
3.	Finished leather	EEC (43%)-Italy,FRG & U.K; East Europe (25%),of which USSR (20%)
4.	Footwear components	East Europe (42%)-USSR,GDR USA & Canada (31%); EEC (23%) - FRG,UK,Italy;
5.	Footwear	EEC (41%) - UK,FRG,Italy; USA, Canada, Australia
6.	Leather goods	EEC (55%) - FRG,UK,Italy; USA, Canada, Australia East Europe (7%) - USSR

Source: Council for Leather Exports, Madras.

It is clear from this table that footwear and other leather products have clearly identified markets in the General Currency Area, although shoe-uppers have a substantial dependence on the USSR and GDR markets. USSR is also a 90% buyer of the wet blue chrome tanned goat skins.

3.10 Strategy for the seventh plan

Keeping in view these trends in our exports of leather and leather manufactures, the Committee has come to the conclusion that the thrust provided during the Sixth plan period, following the recommendations of the Task Force on Leather and Leather Manufactures (1979), in re-directing the strategy for leather exports towards finished leather and leather manufactures should be further accelerated. *The final goal should be to make footwear the single most important item of leather manufactures, such that India emerges a world leader by the turn of the century.* In that context, the approach of the Committee was to identify the infrastructural gaps which are coming in the way of footwear exports at present and work out the operational strategy for the Seventh Plan with a view to achieving the export targets suggested by the Seventh Plan Working Group on Leather Industry as follows:-

Table 11. Seventh plan Export Targets

		(Rs. in Crores)						
Product Group	84-85	Annual growth	85-86	86-87	87-88	88-89	89-90	
1. Semi-processed leather	50	-20%	40	30	25	20	15	
2. Finished leather	190	-10%	170	150	135	120	100	
3. Leather footwear	25	20%	30	35	45	55	65	
4. Footwear components	170	35%	230	310	420	570	770	
5. Other leather manufactures	60	15%	70	80	90	105	120	
Total	495	15%	540	605	715	870	1070	

3.11 The Committee has noted that Indian entrepreneurs have forged ahead during the Sixth Plan period in the exports of shoe uppers. The shoe uppers manufacture has been profitable, labour cost advantage being larger in uppers versus footwear and hence the need to devise an appropriate policy package in order that footwear production is taken up with similar earnestness in the face of stiff competition posed, other than Italy and Spain, by countries like Brazil, Korea and Taiwan.

3.12 *In operational terms, this ambitious strategy will require, in the opinion of the Committee, policy approaches towards the following:*

- a. *Strengthening and enlargement of the infrastructure for production and export of footwear and other leather manufactures.*
- b. *Improved availability of finished leather for production of leather goods - a combination of upgrading domestic availability of semi-finished and finished leather with liberal imports.*
- c. *Liberal access to the best quality machines, raw materials, consumables and components for technological advancement by combining liberal imports with the creation of domestic manufacturing infrastructure.*
- d. *A package of incentives to enable the export of leather goods to face world competition.*



CHAPTER 4

AVAILABILITY OF HIDES, SKINS AND LEATHER

4.1 The Development Council for Leather & Leather Goods has assessed (1983) that the availability of hides and skins will be 33.65 million and 74.30 million respectively in 1984-85 and 34.56 million and 77.10 million respectively in 1989-90, leading to an additionality of approximately 1 million hides and 3 million skins during the Seventh Plan. The calculations are given in para 4.2 and 4.3 below.

4.2 Based on the population of animals in 1977, the last livestock census for which final results are available, and the annual growth rate of 0.17% for cattle, 1.20% for buffalo, 1% for goat and 0.04% for sheep, the estimated animal population for the years 1979, 1984 and 1989 is given below:

Table 12. Animal Population in India

(No. in million)

Animal Category	1977	1979	1984	1989
Cattle	180.00	180.62	182.16	183.71
Buffalo	61.96	63.46	67.36	71.50
Goat	75.36	76.88	80.80	84.92
Sheep	40.87	40.90	40.99	41.07

4.3 The availability of hides and skins has been worked out on the basis of mortality and slaughter rates applied by the Development Council while the Sixth Plan preparation was under way. As the situation has not undergone any significant change, these offtake rates of 12% for cattle, 17.5% for buffalo, 66.6% for goat and 50% for sheep have been used to yield the following projections:

Table 13. Availability of Hides & Skins in India

(No. in Million)

Animal Category	1979-80 ^(a)	1984-85 ^(a)	1989-90 ^(a)
Cattle	21.67	21.86	22.05
Buffalo	11.11	11.79	12.51
	<hr/>		
Hides	32.78	33.65	34.56
	<hr/>		
Goat	51.20	53.81	56.56
Sheep	20.45	20.49	20.54
	<hr/>		
Skins	71.65	74.30	77.10

(a) Calendar year figures are assumed for fiscal year, e.g. 1979 for 1979-80.

4.4 The Seventh Plan Working Group on Leather Industry has endorsed these figures, but they are based upon an animal census as old as 1977 and the assumption that the mortality and slaughter rates have not undergone any significant change. The Committee felt that a systematic study of the system of collection and marketing of raw hides and skins in India is necessary. Until then, all policy measures to facilitate optimum utilisation of these resources for both domestic and export production will continue to lack the requisite data base. *It is, therefore, recommended that a professional study of this subject may be commissioned by Government at the earliest.*

4.5 On the demand side, the Committee has examined the finished leather requirements for meeting the export targets during the Seventh Plan. The Committee considered the fact that the real growth rate in the export value envisaged during the Seventh Plan is only 6.2% per annum, if the rate of dollar appreciation vis-a-vis the Indian rupee is assumed to be the same as during the Sixth plan (Para 3.2). In fact, the US \$ has been rising @ 10% against the rupee recently. In terms of leather availability, Table 4 shows that India exported the equivalent of 777 lakh pieces of finished leather in 1978-79 and an estimated 860 lakh pieces in 1984-85. The Committee noted that there has been an upward pressure on the domestic prices of

raw hides and skins as well as finished leather particularly from sheep skins, owing primarily to improved demand in the overseas markets for finished leather. This gives rise to the impression that the economy of producing leather goods, where finished leather is the raw material, is adversely affected by rising prices of the raw material if the quantum of finished leather exports rises above 550 lakh pieces. A growth of 6.2% per annum in the overall export value can, therefore, be achieved if

- a. *there is an improvement in the overall unit value realization to the extent of 6.2% per annum in dollar terms; and*
- b. *steps are taken to ensure that crust leather is subjected to the final finishing process in India rather than being exported under the category of finished leather.*

4.6 It is recognised that increase in the unit value realization will depend upon technological upgradation by way of access to the modern machinery and manufacturing processes, coupled with an aggressive marketing plan, leading to the production and export of better quality goods. In this context, the importance of creating the capability in the Indian finishing industry to convert crust leather into finished leather by making fresh investments assumes considerable significance. The finishing capacity in existence at present is given in Table 14 below:

Table 14. Existing Finishing Capacity for Leather

(Lakh Pieces)

Sector	No. of Units	Hides	Skins
1	2	3	4
DGTD Units	65	81.00	559.50
SSI Licensed Units	46	52.20	51.60
SSI Licensed units (by conversion)	31	9.20	60.00
SSI Unlicensed unit	800	79.80	39.00
KVIC Units	NA	118.00	4.00
TOTAL	-	340.20	714.10

Source: Seventh Plan Working Group on Leather Industry (Planning Commission)

4.7 The capacity utilization of the DGTD units (medium and large scale) has ranged between 40 and 45% during the Sixth plan. It was represented before the Committee that while the DGTD units possess by and large the necessary machinery and equipment to finish the crusted leather, the same cannot be said of the SSI units in general. The export of crust leather is, therefore, an important factor in the low capacity utilization of the finishing units, which suffer from non-availability and high prices of their raw material. The Committee noted at the same time that a large number of small scale units, which require fresh investments to create genuine finishing capacity, will be affected adversely if any drastic steps were taken with regard to the exports of crust leather. *It is therefore recommended that the ISI standard defining finished leather should be made realistic and the export incentives should be applicable to the finished leather so defined.*

4.8 Apart from the steps outlined in the preceding paragraph, the Committee deliberated upon the need for importing finished leather. It was brought to the notice of the Committee that a large market for sports shoes remained untapped because of non-availability in India of cow leather of the right thickness. Similarly, another important market for ladies "court" shoes went by default as the Indian cow leather was too stretchable and fit only for producing ladies' "booties". The price of the imported material will, in the opinion of the Committee, be much higher than that of the domestic varieties of cow hides. From the points of view both of quality and price, such imports are not likely to constitute injury to the domestic finishing industry. The Committee felt that while there was adequate availability of leather resources in India to achieve the Seventh Plan export targets, *it would be desirable to import finished leather from bovine hides and skins free of duty.* As regards goat skins, the Committee took note of the fact that Pakistan and Bangladesh being the major supply sources, the finished goat skins imported from these countries will actually be crusted skins and will, therefore, be largely utilized for finishing in India and exporting. The import prices devoid of duty will also be lower than the domestic prices, which will adversely affect the interests of the domestic industry.

4.9 The Committee also considered the fact that the imports of raw hides and skins as well as wet blues had been insignificant despite the imports being duty free. The Committee observed that there were several reasons for this. In the case of raw hides, the question of putrefaction of the goods during voyage because of lack of air circulation in the containers, had remained an obstacle in the imports. For wet blues, the container loads required heavy financial commitments, addition of new machinery to deal with the larger size of the pieces and, above all, a time-span of two to three years to develop a source of importing the wet blues of the right specifications. The Committee recognised that an important reason why the industry had not been able to make

use of the facility of duty-free imports so far was the absence of a long term duty free regime, as the notifications of duty exemption were valid only for six months to one year. *The Committee has, therefore, no hesitation in recommending that a five year announcement to coincide with the Seventh Plan period should be made for duty free imports under OGL of raw hides and skins, wet blue chrome tanned and crust leather including splits and sides.*

4.10 In the context of augmenting the domestic availability of finished leather, there are several other areas for action. First, there is the question of the export policy regarding semi-processed leather. Secondly, there is the question of Government policy regarding export obligation on leather finishing units. Thirdly, there is the question of balancing the availability of finished leather for export with that for further value addition in the shape of leather manufactures. Finally, there is the question of tailoring the budgetary support such as CCS, AFS and Duty Drawback to the promotion of exports of leather manufactures vis-a-vis finished leather.

4.11 With regard to the export policy for semi-processed leather, the Committee considered the arguments for and against a more restrictive regime. As stated earlier in Para 3.9.3, the decade 1973-83 has witnessed substantial reduction in the quantity and value of exports of semi-processed leather. The current year's (1984-85) quota of 149.46 lakh pieces is 19.35% of the base year quota (1972) which was 772.38 lakh pieces. Out of this, the quota of E.I. tanned hides and skins is 20.57% and that of wet blues is only 7.40% of the base year quota. The actual utilisation of quota in the current year is not expected to exceed 60%. The Seventh Plan Working Group on Leather Industry has recommended an annual deceleration of 20% in the exports of semi-processed leather. A widely shared view persists that semi-processed leather is being exported in the garb of finished leather, as the ISI standard promulgated in 1981 is too liberal in its definition of finished leather. At the same time, sight cannot be lost of the fact that a complete ban may invite retaliatory measures from importing countries and that the export window available to such semi-processed leather as can hardly be put to meaningful use domestically should remain open. The Committee also took note of the representations made by small tanners that they had to pay premia to quota holders, who were not manufacturers themselves, in order to export against their quotas. The members made several suggestions such as endorsing the annual deceleration of 20% in the quota levels, linking quota with past performance, eliminating quotas for wet blue buff calf skins and cow hides, increase in the export duty as well as canalisation of SPL export below a specified f.o.b. realisation. After detailed deliberations, the Committee reached the conclusion that *a stage had now come when Government should rationalise the export quota mechanism.*

4.12 As regards the export obligation imposed on leather finishing units to encourage exports of finished leather, the Government has already lowered the minimum level to 40%. Considering that exports of finished leather from India have now developed a substantial market contact over the last one decade, and with a view to augmenting the domestic availability of finished leather, the Committee recommends that *this stipulation of 40% export obligation on finishing units may be done away with.*

4.13 The question of physical and fiscal restrictions on the exports of finished leather were considered by the Committee. Some members felt that finished leather was a fashion-oriented product and constant interaction in the market would alone enable the country to keep abreast of the fashion and colour. A majority of the members, particularly those representing the interests of exporters of value-added products, however, drew the attention of the Committee to the spurt in the prices of finished leather due to export and the physical shortage of finished leather. It was also stated that higher unit value realisation in exporting leather goods was by itself sufficient reason for gradually discouraging the exports of finished leather. Reference was also made to the recommendations of the Seventh Plan Working Group on Leather Industry to decelerate finished leather exports by 10% annually. After detailed deliberations, the Committee reached the conclusion that *the incentives relating to finished leather exports required a fresh look by Government.*

4.14 The subject of reviewing the cash compensatory support (CCS), air freight subsidy (AFS) and duty drawback rates applicable to exports of finished leather and leather manufactures was considered by the Committee. It was noted that the present rate of CCS is 5% for sole leather, 7% for finished leather, 7 to 15% for leather footwear and components and 10% for leather garments, travel goods, handbags, wallets, gloves, industrial gloves, heavy leather goods, etc. Although some members suggested that CCS should be withdrawn from finished leather and sole leather, it was finally recognised that CCS is determined on the basis of prescribed guidelines and is in the nature of compensation for certain cost disadvantages. It was also felt that a workable solution would be to increase the gap between the CCS rates admissible to finished leather exports on the one hand and leather manufactures exports on the other. Almost the same considerations apply to the other support measures, viz., duty drawback and air freight subsidy. After careful consideration the Committee recommends that *a graded system of incentives, based upon comparative value addition at different stages, should be considered by Government.*

CHAPTER 5

UPGRADATION OF TECHNOLOGY

5.1 It is well recognised that the leather sector is spread out in the cottage, small scale, medium scale and large scale industry throughout the country and the level of technology being employed at all stages of value addition to hides and skins is essentially traditional, with certain exceptions where some units have improved their methods of production by foreign collaboration. The Committee felt that there was an urgent need for an intensive extension programme in the cottage sector, particularly for rural tanners. If tanning in rural/cottage sector improved, that would improve the quality of the raw-material for export production. Similarly in the cottage sector the need for well planned extension services to upgrade the techniques of production of leather products is even more pronounced. At present these services are being rendered primarily through the Khadi and Village Industries Commission (KVIC), but they are far below the requirements of the situation. *It is, therefore, recommended that the Department of Industrial Development chalk out clearly defined schemes for the Seventh Plan for this purpose.*

5.2 With regard to the organised sector, the Committee reviewed the attempts being made by such agencies as the Development Commissioner, Small Scale Industries (DC, SSI) and the Bharat Leather Corporation to provide package assistance for production of leather goods through cooperatives. The Central Leather Research Institute is also providing extension facilities to the small scale sector. All these measures are inadequate to meet the requirements of technological upgradation in this sector which involves access to modern machinery and equipment, and availability of trained manpower.

5.3 It is the considered view of the Committee that with the leather industry having responded enthusiastically to reach the level of around Rs. 550 crores of exports of leather and leather manufactures by the end of the Sixth Plan—a target which had been envisaged in the report of the Task Force (1979) — the time has come now to align Government policy with the objective of doubling these exports by the end of the 7th Plan through a package of liberal policy measures, whether it relates to access to modern machinery or to availability of trained manpower. With this objective, the Committee recommends the following measures:-

- a. *The machinery and equipment listed in Annexure I may be placed under O.G.L. for import. The Committee has obtained the concurrence of D.G.T.D. in regard to this list.*
- b. *The Committee strongly endorses the recommendation of the Task Force (1979) that the import duty should be brought down uniformly to 25 per cent on all tanning, finishing, footwear and other leather goods machines which find place in the O.G.L.*
- c. *Non-availability of trained manpower at all levels is a serious constraint in the development of leather manufactures industry along modern lines. Fellowships should, therefore, be instituted in order to depute artisans, supervisors and managers for foreign training.*
- d. *Foreign experts should be invited to give in-plant training to production personnel at all levels.*
- e. *The existing training centres should be equipped with modern machinery and equipment, for which the Department of Industrial Development should formulate appropriate schemes.*
- f. *Technical training should be taken up by the Council for Leather Exports as a Code activity which should be made eligible for M.D.A.*

5.4 Access to modern technology will remain hollow if Government policy is not made conducive to easy availability of raw materials, components and consumables for production of finished leather, footwear and other leather goods. As a result of liberalisation of the import policy and the tariff policy of Government at the beginning of the Sixth Plan, the industry has tried to exploit business opportunities as far as possible. It is, however, the considered view of the Committee that further liberalisation is a *sine qua non* of reaching anywhere near the ambitious export target of over Rs.1,000 crores by the end of the Seventh Plan. The Committee has considered indepth the requirements of such critical inputs for added value production in the leather sector and obtained the concurrence of DGTD regarding the import policy as well as the import tariffs. It is, therefore, recommended that the following measures may be adopted by Government:

- a. *Inclusion in Appendix 17 of the Import Policy of the items listed in Annexure II.*

- b. *Inclusion in the OGL for import of the items listed in Annexure III.*
- c. *Inclusion in Annexure I of Appendix 19 of the Import Policy of the items listed in Annexure IV.*
- d. *Reduction/abolition of import duties in respect of the items listed in Annexure V.*

CHAPTER 6

EXPORT OF FOOTWEAR AND LEATHER MANUFACTURES

6.1 It has been observed earlier that the Seventh Plan export strategy should be directed towards making footwear the single most important item of leather manufactures such that India emerges a world leader by the turn of the century. In operational terms, it means that the infrastructural gaps between production of shoe uppers and footwear should be identified and a policy environment created in which the entrepreneurs are encouraged to make the transition rapidly. The Committee considered a paper prepared by the Council for Leather Exports and an operational model prepared by a consultant in this connection. The Committee noted that the export of footwear at present consists mainly of sandals and chappals, although there has been a steady growth in the export of finished shoes during the last three to four years. If the present trend of job preference for sectors other than leather continues in the western countries, India stands to gain substantially in the world market for footwear.

6.2 The Committee has identified the following constraints in the exports of footwear.

- a. Non-availability of the required grades and quality of finished leather at competitive prices. In this regard the Committee has already made recommendations in the earlier chapters regarding import and export policies for leather, machinery, equipment, raw materials, consumables and components. It has also recommended varying levels of tariff for imports.
- b. Absence of good quality training in footwear engineering, design and pattern making skills.
- c. Lack of indigenous production of well engineered lasts, components and soles for the footwear industry including upgradation of the sole leather from buffalo hides.
- d. Lack of a network of modern laboratories and testing units for quality control.
- e. Absence of a brand image for India-made footwear in the world market.
- f. Lack of attractive and durable packaging.
- g. Lack of a meaningful nexus between development and research.

6.3 As the production of footwear is reserved for the small scale sector, the Committee feels that any operational strategy to surmount these constraints will have to be based upon encouragement to this sector of the industry, where a typical unit may employ 20-25 persons and produce 100-200 pairs of shoes per day. The Committee is also of the view that a determined initiative on the part of Government is essential to create a catalytic model which can be replicated. In this model, a centralized autonomous agency is envisaged which will perform some direct functions apart from assisting in the development of a supporting infrastructural base.

6.4 *In this context, the Committee recommends for the consideration of Government a concrete operational model, in which the centralized agency is an autonomous organisation called the Footwear Design and Development Institute (FDDI) which will work under the umbrella of a reputed Institute of Technology.* A project profile for the FDDI is appended as Annexure VII. The FDDI will perform the direct functions of training of personnel at all levels in footwear engineering, design and pattern making skills for production of quality footwear. It will also coordinate six supporting functions of:

- i. equipment manufacture, repair and training;
- ii. advertising, publicity and market promotion through a media agency;
- iii. sole leather manufacture, dissemination and training through a foreign collaboration;
- iv. last manufacture, repair and training through a foreign collaboration;
- v. component manufacture and training through a foreign collaboration; and
- vi. quality control laboratory for physical and chemical tests and colour matching.

Besides, the Institute will coordinate the production of 20 clusters of pullover making units and 20 assembly, finishing and marketing centres spread throughout the country. It will have strong working linkage with the Central Leather Research Institute to facilitate a regular flow between research and development and will also work in close cooperation with the

Indian Institute of Packaging. The Project will involve an estimated investment of Rs. 9.5 crores and an employment of 2900. It will be completed in four phases. *The Committee feels that it will be necessary to replicate this operational strategy in different States where nodal agencies can be entrusted with the task of coordinating the development of the six supporting functions enumerated above, leaving the direct functions to be performed by FDDI alone.*

6.5 The Committee also recommends that Government may consider enlargement of the scope of the proposed Institute to include other leather goods, such as garments, handbags, gloves, etc. Besides, the Committee recommends the following measures:

- a. *Liberal assistance from MDA should be made available, in foreign exchange, for individual brand promotion abroad.*
- b. *The list of raw materials required for the production of intermediates for use in the export production of footwear should be included in Annexure VI to Appendix 19 of the Import Policy. This list is given at Annexure VI.*

CHAPTER 7

INSTITUTIONAL COORDINATION

The Committee has noted that there is a multiplicity of institutions and organisations concerned with the production and export development of leather and leather products. For example, the State Trading Corporation of India (STC) is engaged primarily in the work of a canalising agency for semi-processed leather as well as footwear exported below specified FOB prices. The Bharat Leather Corporation (BLC) is engaged primarily in domestic selling of footwear and leather goods through its chain of retail outlets. There are several State Leather Development Corporations which were set up as promotional bodies to meet the requirements of the small scale and cottage industries. The Central Leather Research Institute (CLRI) is primarily working in the area of research and training in leather technology. The Central Footwear Training Centres set up by the Development Commissioner, Small Scale Industries are engaged in the training of shop-floor workers. The Khadi and Village Industries Commission is engaged in promotional schemes for the cottage sector. The new Council for Leather Exports has been created in June, 1984 as the nodal agency for export promotion of leather and leather manufactures. Besides, within the government itself, the Ministry of Industry deals with leather from the licensing and production angles, Ministry of Commerce deals with the export and import policies and the Council of Scientific & Industrial Research (CSIR) is in charge of research by virtue of being the administrative department for CLRI. The decentralised nature of the industry at different levels of processing (from raw hides and skins to semi-finished leather to finished leather and finally to leather products), therefore, receives fragmented attention from different Government agencies. The Committee feels that there is an urgent need for harmonisation of the activities of this plethora of organisations so that production, marketing and development can go hand-in-hand without duplicating and thereby wasting efforts and resources and also ensuring that all aspects receive well coordinated support. The Committee did not have the occasion to examine this question in detail, considering the complexity of the subject, but would like to make the following recommendations:

- (a) *Government should examine the performance of these organisations with respect to the rationale of their creation and take remedial action to avoid duplication and ensure coordination. As a first step, it is recommended that the Department of Industrial Development should examine the extent to which the State Leather Development Corporation and B.L.C. have served their objectives.*

- (b) Flowing from the study referred to in (a) above, it is stressed that a suitable institutional arrangement should be evolved for harmonising the production, marketing and development aspects of the leather industry in India. In this context, the Committee suggests that the role of a harmonising agency could be played by the creation of a statutory All India Leather Board on the analogy of other commodity Boards by integrating one or more of the existing organisations. Such a Board could also coordinate the activities of the institutions whose continuance may be considered necessary.
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TABLE SA - 1. WORLD IMPORT OF LEATHER & LEATHER PRODUCTS WITH INDIA'S SHARE

[Value - US\$ '000]

S.No.	Products (SITC Rev. 2 Number: N = New, O = Old)	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1	2	3	4	5	6	7	8	9	10	11	12	13
A. LEATHER PRODUCTS												
1.	Leather Belting (6121)	7493.4 (32.3) (0.43%)	11183.9 (18.9) (0.17%)	13403.4 (12.0) (0.09%)	9959.0 (54.5) (0.55%)	10373.8 (4.7) (0.05%)	11547.4 (66.5) (0.58%)	12850.0 (490.0) (3.81%)	16480.0 (990.0) (6.01%)	19530.0 (420.0) (2.15%)	15440.0 (370.0) (2.40%)	12820.0 (330.0) (2.57%)
2.	Harness makers goods (6122)	28116.7 (1011.8) (3.60%)	39025.4 (1855.2) (4.75%)	47995.3 (2552.1) (5.32%)	38085.9 (2578.6) (6.77%)	46095.7 (3510.9) (7.62%)	53210.0 (4096.2) (7.70%)	56930.0 (4160.0) (7.31%)	69750.0 (6240.0) (8.95%)	78860.0 (7700.0) (9.76%)	63120.0 (6410.0) (10.16%)	63030.0 (6080.0) (9.56%)
3.	Prepared parts of footwear (6123)	99064.5 (1222.5) (1.23%)	125723.4 (1790.3) (1.42%)	158472.1 (2948.4) (1.86%)	175030.2 (2166.8) (1.24%)	198909.2 (2129.0) (1.07%)	263408.5 (5375.1) (2.04%)	370270.0 (10810.0) (2.92%)	490570.0 (22070.0) (4.50%)	568980.0 (27400.0) (4.82%)	554500.0 (46910.0) (8.46%)	558820.0 (55450.0) (9.92%)
4.	Leather mfrs. nes. (6129)	27118.3	38873.6 Neg.	38873.4 Neg.	31468.5 Neg.	41924.8 Neg.	57993.8 Neg.	75440.0 (460.0) (0.61%)	93120.0 (450.0) (0.48%)	121170.0 (340.0) (0.28%)	106810.0 (640.0) (0.60%)	101830.0 (340.0) (0.33%)
5.	Travel goods, hand bags (8310)	443264.6 (3383.3) (0.76%)	618789.2 (5397.7) (0.46%)	701051.1 (5414.7) (0.77%)	819655.0 (9465.8) (1.16%)	1102770.9 (8698.5) (0.79%)	1345530.1 (12359.7) (0.92%)	1932860.0 (22650.0) (1.17%)	2364480.0 (24990.0) (1.06%)	2585370.0 (27810.0) (1.08%)	2620970.0 (28910.0) (1.10%)	2603870.0 (29100.0) (1.12%)
6.	Leather clothes accessories (O - 8413) (N - 8481)	392566.8 (235.2) (0.06%)	555507.3 (444.5) (0.08%)	773146.9 (1739.8) (0.23%)	872305.4 (1260.3) (0.14%)	1001819.1 (1475.0) (0.15%)	1132944.0 (2713.3) (0.24%)	1476500.0 (10850.0) (0.73%)	1632690.0 (17720.0) (1.09%)	1589960.0 (22400.0) (1.41%)	1586070.0 (19740.0) (1.25%)	1621470.0 (22190.0) (1.37%)
7.	Fur etc. clothes products (N - 8483) (O - 842)	172255.7 (41.8) (0.02%)	273828.5 (163.6) (Neg.)	329218.3 (195.5) (0.06%)	390351.3 (587.4) (0.15%)	591101.0 (1355.3) (0.23%)	768574.4 (3168.3) (0.41%)	885180.0 (3970.0) (0.45%)	1267550.0 (4170.0) (0.33%)	1494380.0 (4340.0) (0.29%)	1353430.0 (4190.0) (0.31%)	1139410.0 (3450.0) (0.30%)
8.	Leather footwear (85102)	1792897.4 (9236.2) (0.52%)	2142938.7 (8881.9) (0.41%)	2606329.0 (12869.4) (0.49%)	3126313.8 (13040.9) (0.42%)	3878682.9 (20924.6) (0.54%)	4585657.8 (21862.7) (0.48%)	5863610.0 (22110.0) (0.38%)	7537500.0 (25900.0) (0.34%)	8317140.0 (51790.0) (0.62%)	7631820.0 (40210.0) (0.53%)	7792400.0 (30380.0) (0.39%)
TOTAL 'A'		2962777.4 (15163.1) (0.51%)	3803352.8 (15849.4) (0.42%)	4668489.7 (25731.9) (0.55%)	5463169.1 (29154.3) (0.53%)	6871677.4 (38098.0) (0.55%)	8218866.0 (49641.8) (0.60%)	10673640.0 (75500.0) (0.71%)	13472140.0 (102530.0) (0.76%)	14775390.0 (142200.0) (0.96%)	13932160.0 (147380.0) (1.06%)	13893650.0 (147320.0) (1.06%)

TABLE SA - 1. WORLD IMPORT OF LEATHER & LEATHER PRODUCTS WITH INDIA'S SHARE (Continued)

(Value - US \$ '000)

No.	Products (SITC Rev. 2 Number : N = New, O = Old)	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1	2	3	4	5	6	7	8	9	10	11	12	13
B. LEATHER												
1.	Calf Leather (6113)	109288.2 (15586.0) (14.26%)	120819.1 (18846.9) (15.60%)	97438.0 (4235.5) (4.35%)	107433.0 (2337.3) (2.18%)	171049.1 (5975.1) (3.49%)	189066.1 (7697.4) (4.07%)	244360.0 (9930.0) (4.06%)	299950.0 (18880.0) (6.29%)	238920.0 (9610.0) (4.02%)	233450.0 (15180.0) (6.50%)	222570.0 (21110.0) (9.48%)
2.	Leather Bovine NES (6114)	345405.1 (16609.1) (4.81%)	463292.3 (49765.5) (10.74%)	453915.2 (36588.2) (8.06%)	497093.9 (31129.4) (6.26%)	762523.0 (53340.3) (7.00%)	833191.2 (56183.8) (6.74%)	1006740.0 (66440.0) (6.60%)	1613480.0 (117730.0) (7.30%)	1262850.0 (59970.0) (4.75%)	1102290.0 (45970.0) (4.17%)	1221080.0 (48690.0) (3.99%)
3.	Leather from sheep lambs (N - 6115) (O - 61191)	179017.3 (30257.9) (16.90%)	230804.0 (46304.3) (20.06%)	242561.4 (40238.3) (16.59%)	228156.8 (37322.8) (16.36%)	257380.8 (43059.8) (16.73%)	258799.2 (45000.1) (17.39%)	301710.0 (51410.0) (17.04%)	442470.0 (77490.0) (17.51%)	358030.0 (42380.0) (11.84%)	304670.0 (35470.0) (11.64%)	333820.0 (40480.0) (12.13%)
4.	Other Leather (O - 61199) (N - 61169)	76874.7 629.8 (0.82%)	112477.7 (852.8) (0.76%)	108927.5 (3575.7) (3.28%)	100275.4 (2273.1) (2.27%)	129141.5 (4354.6) (3.37%)	151069.1 (3136.9) (2.08%)	165730.0 (4620.0) (2.79%)	243330.0 (11010.0) (4.52%)	224110.0 (5620.0) (2.51%)	232970.0 (5510.0) (2.38%)	199000.0 (4500.0) (2.26%)
5.	Leather from goat kid skins (N - 61161) (O - 61192)	163769.1 (64173.3) (29.19%)	181041.8 (65899.2) (36.40%)	152400.0 (57866.4) (37.97%)	185263.6 (67403.7) (36.38%)	250713.2 (104178.8) (41.55%)	186624.0 (76575.4) (41.03%)	281550.0 (116330.0) (41.32%)	504620.0 (186440.0) (36.95%)	369180.0 (110110.0) (29.83%)	282050.0 (88920.0) (31.53%)	292190.0 (91370.0) (31.27%)
6.	Leather Patent Metalised (N - 61183) (O - 61195)	29759.5 (9.5) (0.03%)	33544.4 (3.3) (0.01%)	25712.9 (118.1) (0.46%)	11571.7 (33.9) (0.29%)	2279.4 (95.8) (4.20%)	18976.5 (122.7) (0.65%)	19290.0 (20.0) (0.10%)	26630.0 (10.0) (0.04%)	25640.0 (20.0) (0.08%)	24900.0 (210.0) (0.84%)	28480.0 (230.0) (0.81%)
TOTAL 'B'		904113.9 (127265.2) (14.08%)	1141979.3 (181672.3) (15.91%)	1080955.0 (142622.2) (13.19%)	1129794.4 (140500.2) (12.44%)	1573087.0 (211004.4) (13.41%)	1637726.1 (188716.3) (11.52%)	2019380.0 (248750.0) (12.32%)	3130480.0 (411560.0) (13.15%)	2478730.0 (227710.0) (9.19%)	2179330.0 (191260.0) (8.75%)	2297140.0 (206380.0) (8.98%)
TOTAL [A + B]		3866891.3 (142428.3) (3.68%)	4945332.1 (197521.7) (3.99%)	5749444.7 (168354.1) (2.93%)	6592963.5 (169654.5) (4.72%)	8444764.4 (249102.4) (2.95%)	9856592.1 (238358.1) (2.42%)	12693020.0 (324250.0) (2.55%)	16602620.0 (514090.0) (3.10%)	17254120.0 (369910.0) (2.14%)	16111490.0 (338640.0) (2.10%)	16190790.0 (353700.0) (2.18%)

Source: ITC Microfiche 1970-74, 1973-77, 1978-82. (Courtesy: TDA)

NOTE: FIGURES OF INDIAN EXPORTS ARE SHOWN IN BRACKETS UNDER WORLD IMPORT FIGURES. PERCENTAGES REFER TO INDIA'S SHARE.

TABLE SA - 2. LEATHER EXPORTS DURING 1980 - 81 to 1984 - 85*

[Value in Million Rs.]

DESTINATION	E.I. Td. Hides & Skins	W.B. Ch. Td. Hides & Skins	Finished Leather	Leather Goods	Indl. Leather Mfrs.	Leather Footwear	Footwear Components	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. <u>ALL COUNTRIES</u>	1723	970	10937	1731	579	1130	4163	21233
2. <u>E.E.C.</u>	1308 (75.91)	17 (1.75)	4659 (42.60)	959 (55.40)	425 (73.40)	467 (41.33)	952 (22.87)	8787 (41.38)
West Germany	17 (0.99)	Neg -	1345 (12.30)	443 (25.59)	228 (39.38)	82 (7.26)	308 (7.40)	2423 (11.41)
Italy	651 (37.78)	14 (1.44)	1848 (16.90)	64 (3.70)	8 (1.38)	50 (4.42)	57 (1.37)	2692 (12.68)
U.K.	577 (33.49)	1 (0.10)	564 (5.16)	245 (14.15)	46 (7.94)	190 (16.81)	210 (0.24)	1833 (8.63)
3. <u>EAST EUROPE</u>	29 (1.68)	953 (98.25)	2756 (25.20)	122 (7.05)	62 (10.71)	89 (7.88)	1764 (42.37)	5775 (27.20)
G.D.R.	28 (1.63)	48 (4.95)	345 (3.15)	13 (0.75)	1 (0.17)	20 (1.77)	658 (15.81)	1113 (5.24)
U.S.S.R.	- -	842 (86.80)	2148 (19.64)	70 (4.04)	59 (10.19)	61 (5.49)	1104 (26.52)	4284 (20.18)
4. AUSTRALIA	Neg -	- -	310 (2.83)	136 (7.86)	16 (2.76)	51 (4.51)	28 (0.67)	641 (3.02)
5. JAPAN	309 (17.93)	Neg -	190 (1.74)	35 (2.02)	1 (0.17)	7 (0.62)	17 (0.41)	559 (2.62)
6. U.S.A. & CANADA	11 (0.64)	- -	1334 (12.20)	231 (13.34)	21 (3.63)	299 (26.46)	1284 (30.84)	3180 (14.98)
7. OTHERS	66 (3.84)	- -	1688 (15.43)	248 (14.33)	54 (9.33)	117 (10.35)	118 (2.84)	2291 (10.79)

* Estimates for 1984-85 have been used.

Note: Figures in bracket indicate the percentage share of the country in the total export of the item from India.

Source: Council for Leather Exports, Madras.

List of Machinery and Equipment to be placed under OGL for Import

1. Band knife splitting machine (non-hydraulic)
2. Hydraulic Scudding Machine
3. Crimping Machine
4. Forepart Conditioning Machine
5. Pounding/Beating and Ironing Machine
6. Lining Roughing Machine
7. Automatic Tapeing and Seam Rubbing Machine
8. Thermo cementing-cum- folding Machine
9. Testing equipment, namely, Flexometer, Lastometer, Penetrometer, Permeometer, Rub Fastness Tester (Wet & Dry), Dyeing and Tumbling Machine (Laboratory Model), Tensile Tester and Sole Adhesion Tester
10. R & D equipment, namely, Shrinkage Temperature Testing Machine, Abrasive Tester for leather/ rubber soles and Sole Flex Resistance Tester.
11. Polishing machine for leather manufactures.

**List of Items for inclusion in
Appendix 17 of the Import Policy**

SHOPPING LIST ITEM	EXPORT PRODUCT SL.NO.
1. Synthetic Organic Tanning Agents	D.1.4
2. Basic Chromium Sulphate (10%)	D.1.4
3. Acrylic, Polyurethane emulsions/ binders/fillers/penetrators (5%)	D.1.4
4. Buffing paper, pH paper and indicator (10%)	D.1.4
5. Gambies extract	D.1.4
6. Polyurethane foam laminated with cotton/nylon/synthetic/wool fabrics	D.2.1 (i)
7. Zips in coils and its components	D.2.1 (i) & (ii) and D.2.2, with face value restriction raised to 10%.

**List of Raw Materials, Components
and Consumables for inclusion in
the OGL**

Consumables:

1. Pre punched cards used in leather footwear.
2. Plastic/PVC/Nylon lasts with or without steel hinges
3. Cutting and clicking dies
4. Polyethelene/Nylon/PVC/Polyester Hytronic type Clicking Boards
5. Aluminium Shoe forms with or without heating elements
6. Silver Marking Pens
7. Industrial Sewing Machine needles with leather point
8. Harness needles for hand sewing
9. Bell Skiving knives
10. Plastic patterns
11. Band Knife for splitting machines
12. Stamping Wheels
13. Hand sewing awls
14. Plastic/Nylon tipped hammers
15. Designer's Kit, namely, Designer's Knife, Shoe Measuring Tape, Designer's Tape and Satra Vacuum Former.

Raw Materials :

1. Casein based glazings and dressing for leather finishing.
2. Wet Blue chrome tanned, crust & finished leather including splits and sides.
3. Leather Finishing Auxiliaries-fillers, penetrators and slip agents.
4. Threaded Heel Nails and Hand tacks for leather.

ANNEXURE IV

List of items for inclusion in Annexure 1
of Appendix 19 of the Import Policy

- (i)** **Raw Materials and Components
for footwear:**
1. Nylon sewing thread
 2. Bonded Thread
 3. H S Thread (wax coated)
 4. Toe Caps and Toe Puffs/Box Toes
of Synthetic material
 5. Packing Materials
 6. Polystyrene materials for counters
in sheets.
 7. Elastic tapes/webbings.
 8. Synthetic backers for shoes including
mixtures of rubber/crepe/nylon
etc.
 9. Polyurethane foam in sheets and pieces
cut to size.
 10. Artificial furs both laminated with
foam and unlaminated
 11. Polyurethane foam laminated with cotton
or nylon fabrics.
 12. Steel toe caps
 13. Insoles/midsoles of cellulose boards
impregnated with latex in sheets or
rolls.
 14. Polyurethane Foam laminated with
cotton/nylon/synthetic wool
fabrics.

(ii) Raw Materials for finished leather

- 15. Oxalic Acid
- 16. Calcium/Sodium Formate
- 17. Borax
- 18. Acetic Acid
- 19. Formaldehyde

(iii) Consumables for Finished Leather Manufacture

- 20. Scudding and Fleshing machine knives
- 21. Band splitting machine knives
- 22. Setting machine blades
- 23. Electrical Trimming Knives

ANNEXURE V

**List of Raw Materials, Consumables and Components
for Reduction/Abolition of Import Duties**

<u>ITEM</u>	<u>IMPORT DUTY RECOMMENDED</u>
1. Wattle Extract Solid and Powder	40%
2. Stamping foils	40%
3. Nitro Cellulose Lacquer Emulsion in concentrated or diluted forms	40%
4. Readymade leather footwear dressings.	40%
5. Polyester/Polyalcohol based pigments, polyurethane (PU) Resins in aqueous emulsion/dispersion	40%
6. Penetrators (Leather Finishing Auxiliaries)	40%
7. Fillers (Leather Finishing Auxiliaries)	40%
8. Slip agents (Leather finishing Auxiliaries)	40%
9. Protein Binders for leather finishing, synthetic resins, binders other than acrylic.	40%
10. Casein based glazings and dressings for leather finishing	40%
11. Wax emulsions	40%
12. Thermo plastic cement, such as polyamide, polyurethane, polyester resins in rods or granules.	40%
13. Plastic/Nylon/PVC/Polyester Hytronic type clicking boards.	40%
14. Plastic/Nylon Tipped Hammers	40%

15.	Plastic Patterns	25%
16.	Plastic/PVC/Nylon lasts with or without steel hinges	Nil
17.	Insoles/Midsoles with or without steel reinforcement cut to size or in sheet made of polyester plastics with or without hardened cardboard sheets.	25%
18.	Nylon/Polyester/Cotton/Crepe paper backed reinforcement tapes	40%
19.	Rubber Crepe sheets for soles and heels.	40%
20.(a)	Pickled hides, skins, pelts, splits and parts thereof.	Nil
(b)	Raw or salted hides and skins where the value of hides and skins is more than that of wool/hair thereon	Nil
(c)	Wet blue chrome tanned, crust and finished leather including splits and sides	Nil
21.	Brand/size labels	40%
22.	Shoe laces	40%
23.	Mohair fabrics of size not exceeding 1 sq.meter each	40%
24.	Felt Sleeves	40%
25.	Plastic Soles	40%
26.	PVC Soles	40%
27.	Leather heels	40%
28.	Plastic heels	40%
29.	Rubber heels	40%
30.	Heel Tips	40%

31	Unit soles of plastic/rubber/ thermoplastic rubber/PVC with or without heels.	40%
32.	Prototypes of shoe uppers, pullovers and finished shoes mainly of leather.	25%
33.	Glazing stones	40%
34.	Threaded Heel Nails, Hand Tacks and Staple pins for leather	40%
35.	Machine Tacks	40%
36.	Harness needles for hand sewing	25%
37.	Steel Shanks and Shank R.vets	40%
38.	Stamping Wheels	40%
39.	Prepunched cards used in leather footwear	40%
40.	Leather Designer's Kit, namely, Designer's Knife, Shoe Measuring Tape, Designer's Tapes and Satra Vacuum Former	40%
41.	Shaving Machine Blades	40%
42.	Metallic embellishments, eyelets, buckles etc. other than zip fasteners	25%
43.	Industrial sewing machine needles with leather point.	25%
44.	Tanning and colouring drums	25%
45.	Bell skiving knives	25%
46.	Band knife for splitting machines	25%
47.	Cutting and Clicking dies	25%
48.	Aluminium shoe forms with or without heating elements	40%
49.	Silver Marking Pens	25%

ANNEXURE VI

List of Raw Materials for Production of Intermediates for use in the Export production of Footwear to be included in Annexure VI to Appendix 19 of the import policy

<u>Raw materials for import</u>	<u>Intermediate product for export production</u>
1.(a) Insole material in sheet and roll form including leather	Insoles
(b) Reinforcement in fibre plastic or treated cardboard in roll or sheet form.	
2.(a) Counter material in roll or sheet form including leather	Counters
(b) Synthetic material in sheet form for counters	
3. Synthetic material in roll or sheet form for Toe Puffs	Toe Puffs
4.(a) Soling materials in sheet form including sole leather	Unit soles
(b) Welts in continuous length or cut pieces in leather and in synthetic material	
(c) Heel core in plastic, wood or synthetic material	
(d) Veneer for covering of heels in leather and PVC coated materials in sheet or cut form	
(e) Heel tips and toplifts in leather and synthetic materials or in combination	
(f) Adhesives	
(g) Screws, nails or fittings for fixing the heel tips or toplifts.	

- 5.(a) Moulded Plastic Blocks
- (b) Set of Hinges
- (c) Thimbles
- (d) Metal sheet for bottom plating Plastic lasts
- (e) Serrated nails



FOOTWEAR DESIGN AND DEVELOPMENT INSTITUTE

PROJECT PROFILE

Footwear Industry in Italy, fifty years ago, was in a state similar to the Indian Footwear Industry today.

It was dominated basically by a few manufacturing kingpins who, independent of other apparel industry, dictated fashions and colours. The main criteria for discerning a good shoe from a bad shoe was the number of years a particular factory, which made that particular shoe, had been in operation. It was a measure of honing the artisan skills of a family within the long standing factories.

Keen interest by the Italian Government for the welfare of its Leather Industry, mass production and increase in labour costs, brought about the change from artisan shoe making to standard engineered footwear production. The minor defects in the process of shoe making which showed due to non-standard materials, lasts and components were corrected by artisans on the shop floor. The most important man in the manufacture of footwear was the Benching Man who by means of hammers and pincers corrected all the defects in the shoe before the sole was attached to it.

Today, in Italy, every component is engineered and well tested before being put into mass production leaving no defects to be found in the shoe, no room for chances. Standardisation of components in the Footwear Industry in Italy has brought about a major break-through in the world market.

We, in India, have abundant artisan skills which go back many centuries before Italy.

Given standardised and engineered input, our Footwear Manufacturers are capable of leading a revolution in the manufacture and export of footwear made in India.

Footwear today has changed from utility to fashion-and-leisure wear. Footwear business in India or abroad is dominated by dictates of fashion.

Footwear Design & Development Institute in India (as in other developed countries) could soon become the hub of the industry.

The medium, if properly promoted, will help translate conceptualised styles (within the parameters i.e. dictates of colours, fashion forecasts and materials) into engineered patterns, lasts, components resulting in an over-all development of the industry as a whole, and bring it at par with the Footwear Industry in the West and hopefully surpass it.

To ensure that development work percolates to the small scale/cottage sectors, development work has to be institutionalised.

Rising export of finished leather and footwear uppers from India to sophisticated markets of the world have confirmed India's capability for finished leather and the Bank of Skills available.

Associated with the Footwear Design and Development Institute, an Integrated System with six ancillary areas is envisaged so that the development work is translated into a product range.

An Integrated System of Development, Production and Marketing has been worked out where the benefits of development would flow not only to mechanised factories alone, but equally to cottage and small scale sectors giving them the advantages of Designs, standardised lasts and components.

The system, as worked out, is self supporting and has the scope for replication.

Footwear Design and Development Institute is envisaged to upgrade the skills as well as the quality of product. It will also be a centre to promote scientifically engineered footwear through participation in Fairs and Exhibitions in India and abroad to demonstrate beyond any doubt that excellent shoes can be assembled in India given standard lasts and components. The skills available within the country can fruitfully utilise these facilities to manufacture shoes matching the best standards in the world - as also emphasizing the fact that small units, producing 100-120 pairs per day and employing 20-25 people, can utilise the advantages of developing these basic facilities as also run on sound economical norms. The Footwear Design and Development Institute can effectively communicate to the small units the day to day technological developments taking place around the world by translating the same in the nuts and bolts of footwear manufacture.

OBJECTIVES:

1. To act as a Technical Institute of standing to introduce Engineering Disciplines for imparting training to would be entrepreneurs/professionals with a view to bringing a qualitative and quantitative change (in designing and pattern making skills) amongst the captains of the industry, thus enabling India to emerge as leader in the Footwear Industry by year 2000.
2. To make available to the Trade facilities that would lead to manufacture of improved merchandise for overseas and the domestic markets.
3. To work as a catalyst for building the infrastructure for indigenous production of well engineered lasts, components and soles for the Footwear Industry including upgrading of the sole leather from buffalo hides.

RECOMMENDATION

It is strongly suggested that every attempt must be made to get Footwear Design & Development Institute affiliated to Indian Institute of Technology, Delhi

FINANCING AND OPERATION

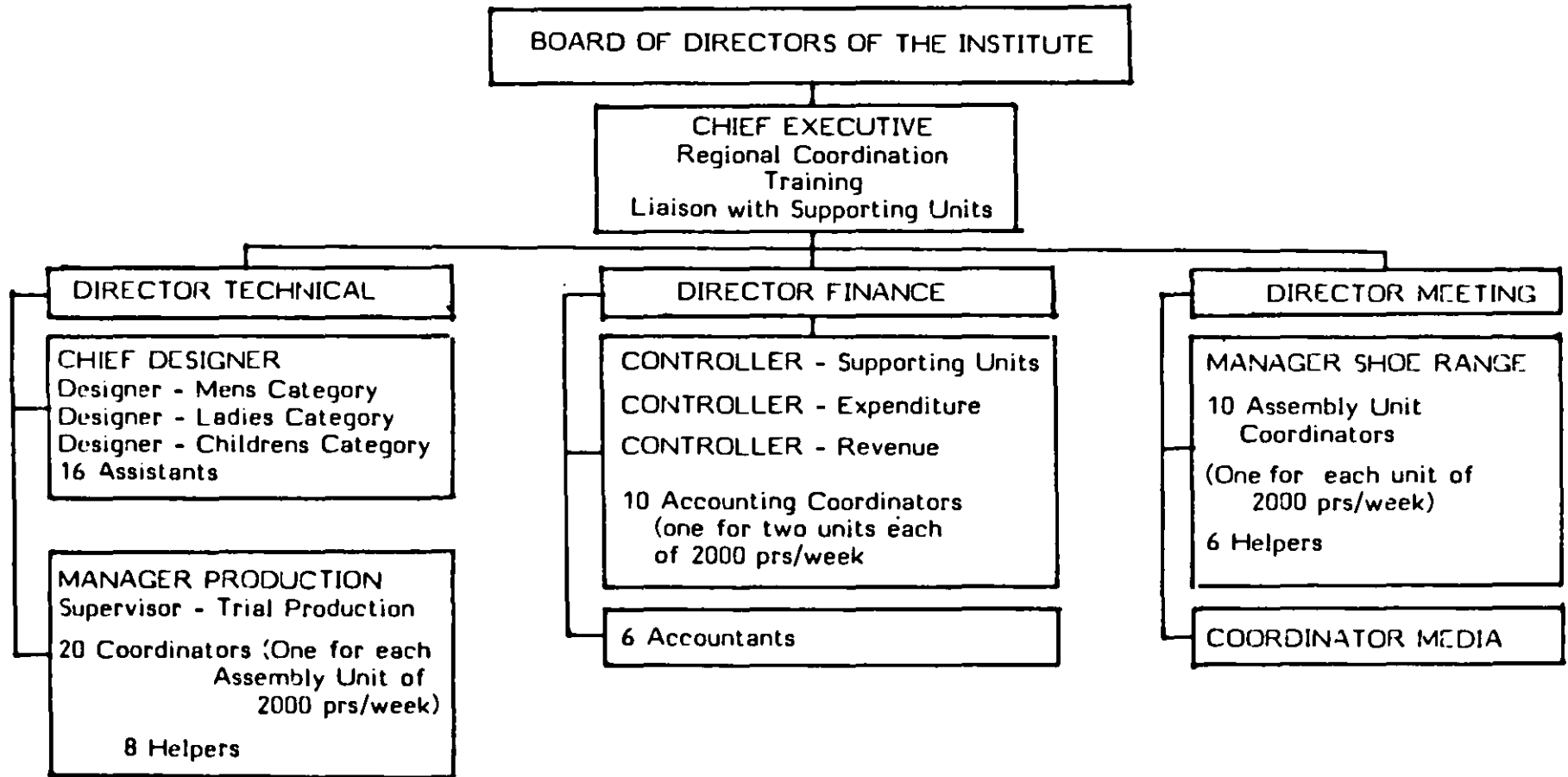
1. The Institute will provide guidelines for the development of the Footwear Industry upto the year 2000.
2. Apart from developmental work, such as designing, working out collaboration arrangements, majority of supporting functions will be run by independent entrepreneurs on commercial lines. To overcome the lack of basic infrastructure (which is capital intensive) financial support will have to be given by the Institute for creation of infrastructure for production of lasts, components (including shanks) and improvement in tanning of sole leather in the short term and for putting up plants for leatherboard and toe puff materials in the long term. These plants are capital intensive requiring long gestation periods before becoming commercially viable and yet essential for the development of the Industry.
3. A surcharge will be payable to the Institute by supporting production/service units and satellites which are financed by the Institute.

4. Terms of financing will follow the State Trading Corporation Development Scheme, duly modified, to meet the present requirements (See Annexure 'A'). It may be recalled that this scheme was the turning point for the production of footwear uppers in India.
5. The Institute will have the right to expect the supporting units to impart training to an agreed number of people each year.
6. The Institute will pay for the work done by the supporting units of production, but will be accorded highest priority treatment for its development work.

DIRECT FUNCTIONS

1. Arranging finance for development activities and supporting production functions.
2. Overall guideline for development of the industry.
3. Designing, pattern cutting, testing to meet the needs of the trade.
4. Training personnel at all levels.
5. Laying down minimum quality specifications for footwear.
6. Gathering and disseminating information regarding styles, colours, materials.
7. Participate in various Design and Trade Fairs.
8. Membership/affiliation with Institutes of international standing and repute (See Annexure 'B')
9. Publication of technical papers - books and training programmes.
10. Administrative aids such as costing, computerisation of activities, preparation of lay out, quality control etc.
11. Co-ordinate the activities of Regional bodies.

FOOTWEAR DESIGN AND DEVELOPMENT INSTITUTE
ORGANISATION STRUCTURE



LASTS MANUFACTURE
1200 Pairs/Week

64 people, Rs.80 L.

MEDIA
CENTRE

15 people, Rs.65 L.

FOOTWEAR DESIGN & DEVELOPMENT
INSTITUTE

91 people employed

Rs. 105 lakhs required

EQUIPMENT
MANUFACTURE

33 people, Rs. 60 L.

LABORATORY

15 people, Rs. 90 L.

SATELLITE PULLOVER UNITS: 80

SATELLITE ASSEMBLY UNITS: 20

2560 people, Rs. 280 lakh

DELHI - 8
Jalandhar - 4
Chandigarh - 4
Agra - 4
Meerut - 4
Kanpur - 4

BOMBAY - 8
Indore - 4
Ahmedabad - 4
Pune - 4

CALCUTTA - 4
Patna - 4

MADRAS - 8
Bangalore - 4
Hyderabad - 4

COMPONENTS MFR
40000 prs/week

66 people, Rs. 80 L.

SOLE LEATHER TANNERY
25 tonnes/week

35 people, Rs. 80 L.

FOOTWEAR DESIGN AND DEVELOPMENT INSTITUTE

EMPLOYEES - 91
CAPITAL COST - Rs. 105 LAKHS
(Status ??)

(Grants-in-Aid in the first five
years of operation of the Institute)

1. BOARD OF DIRECTORS

Nominated by
GOVERNMENT
PRINCIPALS OF SUPPORTING MANUFACTURING
SERVICE UNITS

2. INITIAL FINANCING - THROUGH LEATHER DEVELOPMENT
FUND

3. FIRST FIVE YEARS OPERATIONAL EXPENSES - THROUGH
LEATHER DEVELOPMENT FUND until the first batch
of entrants has graduated from the Institute.

4. RUNNING EXPENSES FROM SIXTH YEAR ONWARDS

To be met through a fixed percentage charge on turnover
of Supporting production/Service units and satellites.

5. FACULTY

Full-time faculty from Supporting Manufacturing/Service
Units

Guest lecturers: specialists from overseas/domestic industry

e.g. Leather buyers
Range builders
Production Experts
Marketing Experts

and from institutions like SATRA, ARS SUTORIA, Indian
Standards Institution, Central Leather Research Institute,
the State Trading Corporation, Export Inspection Agency.

6. PRACTICAL TRAINING IN SUPPORTING PRODUCTION/
SERVICE UNITS AND SATELLITES augmented by visits
to other well established industrial units in organised and
small scale sector.

7. Management Studies, Computer Training to be imparted by Indian Institute of Technology along with other courses in common with all IIT entrants.

SUPPORTING MANUFACTURING/SERVICE UNITS

UNITS

1. Last Manufacture
2. Equipment Manufacture
3. Components Manufacture
4. Sole Leather Tanning
5. Laboratory
6. Media Centre

To be run through Private Entrepreneurs-materials and running cost to be borne by the entrepreneurs - CONCESSIONAL FINANCE through Development Fund for infrastructure as under:

- 10% as earnest money with the application
- 20% against delivery of machines
- Two years moratorium
- Balance 70% over the NEXT 7 YEARS in half yearly instalments
- Interest at 8% on amount outstanding (rebate of 2% for timely payment).

OBLIGATIONS

1. To provide Faculty Members to the Institute
2. To provide practical training to students of the Institute
3. To contribute to the Institute an agreed percentage of turnover so as to make the Institute self sufficient.

GOVERNMENT HELP

Liberal import of inputs not produced indigenously.
Financial help in Research and Development projects for phased substitution of imported materials.

SATELLITE PULLOVER/ASSEMBLY UNITS

- 80 Satellites and 20 Assembly Units
- To be run through Private Entrepreneurs
- Concessional finance to be made available, as in the case of Supporting Production/Service Units.
- Materials and running cost to be borne by the entrepreneurs
- Will have an obligation to pay agreed percentage of turnover to the Institute.

Pullover units

- Design and specifications to be provided by the Institute.
- Components (including lasts) other than uppers to be provided by the Institute via the satellite assembly units.
- Lasted pullovers to be delivered to the Assembly Units.
- Pullover units will be at liberty sell their product to other than assembly units, or export the same.

Assembly Units

- To work closely with four agreed Pullover units providing them lasts, components and technical help, including quality control
- Will assemble, finish and box the shoes for the domestic market or for exports
- Responsible for Marketing of the production.

SATELLITES FOR PRODUCTION OF FOOTWEAR-STAGING & LOCALITIES

CAPACITY: Pullover Unit - 100 pairs/day
 Assembly Unit- 400 pairs/day

	STAGE II 1986-87		STAGE III 1988-90		STAGE IV 1991-2000	
PULLOVERS Uppers making will be the responsibility of the entrepreneurs	Delhi	4	Calcutta	4	Calcutta	4
	Agra	4	Delhi	4	Chandigarh	4
	Madras	4	Agra	4	Jalandhar	4
	Bombay	4	Madras	4	Meerut	4
			Bombay	4	Indore	4
			Kanpur	4	Ahmedabad	4
					Pune	4
					Bangalore	4
					Hyderabad	4
					Patna	4
	----- 16		----- 24		----- 40	
Assembly, finishing and marketing centres one for every four pullover satellites	4		6		10	
Expected additional revenue through Rs.5/- per pair surcharge for services, i.e. supply of lasts, designs, patterns, components etc.	Rs.20 lakhs per year		Rs.30 lakhs per year		Rs.50 lakhs per year	
Total Revenue	Rs.20 lakhs per year		Rs.50 lakhs per year		Rs.100 lakhs Per year	

Regional Distribution of Manufacturing Centres

Region I	Delhi	Jalandhar Chandigarh Agra Meerut Kanpur
Region II	Bombay	Indore Ahmedabad Pune

Region III	Madras	Bangalore Hyderabad
Region IV	Calcutta	Patna
SATELLITES	EXPECTED EMPLOYMENT (People)	CAPITAL INVESTMENT (Rs.in lakhs)
Pullover Units	2,160	80
Assembly Units	400	200

SUPPORTING PRODUCTION FUNCTIONS

(According first priority to the development work of the Institute)

1. Equipment manufacture
 - grading
 - cutting patterns
 - cutting knives
 - marking knives
 - perforation dies
 - brand stamping dies
 - forming and other moulds
 - repairing and training

2. Media centre (anticipated to be organised by a Media Agency)
 - advertising
 - preparation of audio visuals for display and training
 - participation in International Fairs
 - promotion of brand image for Indian Footwear.

3. Sole Leather Tannery (anticipated through collaboration)
Pilot unit - Production 25 tonnes per week
Process development - Dissemination - Training

4. Lasts (anticipated through collaboration)
 - copying
 - grading
 - modification
 - repairs
 - original model last making

5. Component manufacture - (anticipated through collaboration)

- insoles
- counters
- toe puffs
- shanks
- heels
- unit soles

and training

6. Laboratory

(to work as an independent commercial organisation).

Physical and chemical tests of materials and made ups
Colour matching

Working out minimum quality specifications

FOOTWEAR DESIGN AND DEVELOPMENT INSTITUTE

C A P A B I L I T I E S

ITEM	STAGE I 1985	STAGE II 1986-87	STAGE III 1988-90	STAGE IV 1991-2000
PATTERNS AND EQUIPMENT	Engage Free Lance Designers, copy patterns, make basic patterns, transfer designs from one last to another.	Make cutting templates and bound patterns. Make cutting knives and Brand stamps. Run training courses, send good performers for Advanced Designer's courses.	Make original designs - run Advanced courses in Designing, Invite Experts for teaching. Establish fulfilled knife making department capable of producing perforation dies, marking dies, embossing plates, moulds and metal lasts.	Export Equipment Establish 4 Regional Centres for the manufacture of knives etc.
TRIAL OF DESIGNS AND PATTERNS FOR PRODUCTION	Establish basic facilities, mostly manual.	Establish clicking, stitching, lasting and assembly, capacity 100 pairs a week including Brand Stamping.	Establish a mechanised Pilot Workshop for clicking to assembly and finishing for trying out the equipment and designs.	Establish prototype workshop in 4 Regional Centres.

ITEM	STAGE I 1985	STAGE II 1986-87	STAGE III 1988-90	STAGE IV 1991-2000
MEDIA-GRAPHICS DISPLAY AND PROMOTION OFFICE AND TRAINING AIDS.	Photography Lab., Photocopy, Workshop for Patterns and Lasts	Computer/word processor, Slide projector for training, Basics in display/ arrangement. Take part in Exhibitions - Promotion material through Indian/ Overseas agencies.	Training through video films. Basic costings Publication of Technical Papers and Books.	
SOLE TANNING	Appoint 2 professional Indian sole leather tanners to tan the hides. Work out an arrangement with a tannery in Europe to tan the hides Export 20 tonnes of wet salted buff hides to Italy. Establish work process and formula with Indian tanners present during experimental tanning.	Work out a project for establishing a viable sole leather tannery. Offer the project to Indian entrepreneurs. Ensure that Chemicals required are available for production in India with minimal Import Duty. Train 10 -15 tanners in the new tanning process.	Give incentives to all sole leather tanners in the shape of low interest finance for building up the infrastructure in machines, equipment and handling Ensure that chemicals are made available as also the services of tanners trained in the Pilot tannery in stage II.	Encourage establishment of sole leather tanneries in other parts of India - if necessary, by starting Pilot Plants.

ITEM	STAGE I 1985	STAGE II 1986-87	STAGE III 1988-90	STAGE IV 1991-2000
LASTS MANUFACTURE	Buy under licence lasts, start hand modification and copies to suit Indian conditions.	<p data-bbox="867 371 1108 591">Arrange collaboration. Buy back arrangement for export can be worked out for material.</p> <p data-bbox="867 622 1150 786">For domestic requirements, priority will be accorded to the component projects.</p> <p data-bbox="867 843 1150 1158">Copy, grade, modify, repair- from imported designs and imported blocks and accessories. Collaborate, train, calibrate - production 300 - 400 pairs per week.</p>	<p data-bbox="1310 340 1556 525">Enhanced cash compensatory support for sole leather passing laid down quality tests.</p> <p data-bbox="1310 853 1556 1099">Mould blocks in India-produce original lasts Introduce fittings for various markets, capacity 1000-1200 pairs per week.</p>	Export lasts - establish 4 Regional Last Making units.

ITEM	STAGE I 1985 IMMEDIATE	STAGE II 1986-87	STAGE III 1988-90	STAGE IV 1991-2000
<p>COMPONENTS Insoles (shanks) counters, toe puffs, units soles</p>	<p>Import components under licence to suit immediate requirements and small pairages.</p>	<p>Seek collaboration for the manufacture of components. Material for toe puffs and counters and shanks will have to be imported for at least 5 years till demand justifies establishment of capital intensive production units in India.</p> <p>Establish injection moulded unit sole machine and plant for making unit soles from buffalo leather. Train people, capacity 8000 - 12,000 pairs per week. Offer components to 16 satellite footwear units.</p>	<p>Raise capacity to 40,000 pairs a week. Introduce injection moulded counters and toe puffs. Reinforcement of insoles through polypropelene. Encourage and try out indigenous materials for insoles, counters and toe puffs. Offer locally made components as import substitution to exporting units. Offer components to additional 24 satellite footwear units throughout India.</p>	<p>Offer package deal to Developing countries, complete with Designs, Lasts and Components.</p>
<p>LABORATORY</p>	<p>Basic physical and chemical testing laboratory with standard SATRA tests for leather and made ups-lay down minimum quality Specifications.</p>	<p>Training laboratory personnel</p>	<p>Colour matching and ageing equipment - complete standards and disseminate.</p> <p>Send personnel for Advance Training</p>	<p>Duplicate laboratories in 4 Regional Centres.</p>

FINANCIAL ESTIMATES FOR THE INFRASTRUCTURE

(Running cost not included)

	STAGE II 1986-87 Lakh Rs.	STAGE III 1988-90 Lakh Rs.	STAGE IV 1991-2000 Lakh Rs.
Design and Development Centre- 20,000 Sq.ft. Building and Generator	50	10	10
Pattern making, grading/stitching, test lasting attached to Development Centre	15	10	10
Administrative aids	20	20	20
1. Last Manufacture and Repairs	40	20	20
2. Component Manufacture and Moulds	40	20	20
3. Equipment manufacture, knives moulds, perforating dies, forming moulds, brand marking dies.	30	15	15
4. Laboratory and Colour Matching.	20	40	30
5. Pilot sole leather tannery	40	20	20
6. Media Division	30	20	15
7. Stitching & lasting @ Rs. 1 lakh each	16	24	40
7. Assembly units Rs.10 lakh each	40	60	100
Total Rupees - lakhs	341	259	300

Expertise - Last makding and components and sole leather tannery	9	11	
Contingencies	10	10	10
	<hr/>		
Total	360	280	310
GRAND TOTAL			950
Contributions to centre at Rs.5/- per pair	20 pa	30 pa	50 pa

SUPPORTING PERSONNEL

To be paid by the Entrepreneurs

		Operational Staff	Managerial Staff
Last Manufacture 20 pairs/man/week	1200 pairs/week	60	4
Patterns and Equipment Manufacture		30	3
Components Production	40,000 pairs /week	60	6
80 Satellite Pullover Units - 500 pairs/week - 25+2		2,000	160
20 Assembly and Finishing Units - 2000 Pairs/week - 18+2		360	40
Media		10	5
Laboratory		10	5
Sole Leather Tannery	25 tonnes/week	30	5
		<hr/>	
	TOTAL	2,560	228

ANNEXURE 'A'

THE STATE TRADING CORPORATION OF INDIA'S DEVELOPMENT SCHEME
FOR LEATHER INDUSTRY

Objective	To finance small and medium sized units to commence/increase production of export worthy finished leather, leather goods and leather derivatives.
Eligibility	Units having satisfactory record of performance and willing to route exports at agreed percentage of their production through STC.
Preference	Preference will be given to those units which are already engaged in leather and/or leather goods production.
Nature of assistance by STC	<ul style="list-style-type: none">- Import of selected machines at economical assistance prices and delivery thereof to the units as by STC indicated in "Term of Payment"- Wherever necessary and possible, negotiate technical-cum-marketing tie-ups and provide expertise for up-stream and down-stream projects.
Sale Price	<p>Sale price includes the cost of machines, freight, insurance, port and clearance charges, customs duty, warehousing, handling and other charges based on actuals, as incurred upto the point of delivery plus sales-tax.</p> <p>In case where sale is effected by transfer of documents of title when the machines are on the high seas, the purchasers will themselves pay port charges, customs duty etc., and STC will pay advance upto 70% of the customs duty which will carry the interest at same ratio and be repayable in the same manner as the sale price.</p>
Terms of Payment	<p>Purchasers to pay sale price as follows:</p> <ul style="list-style-type: none">a. 10% as earnest money with the application;b. 20% against delivery of machines, andc. balance 70% to be paid in fourteen equal half yearly instalments, the first instalment being payable twenty four months after delivery of machine(s).
Interest	<p>8% per annum payable on the amount outstanding along with each of the aforesaid fourteen instalments.</p> <p>In case of prompt and timely payment of STC's dues and compliance with all other terms and conditions, a rebate of 2% on the interest will be admissible to the party, i.e. the rate of interest will be reduced to 6% per annum.</p>

- Other terms**
- i. Commencing from the expiry of twenty four months after delivery of machines/documents of title and until full payment. However, exports, if any, during the first year will be account STC (upto a limit of five times the original financial assistance) and will be liable for service charges as given in para (ii) below.
 - ii. Payment of agreed service charges (1% on business secured directly by the purchasers and 3% to 5% on the business secured by STC (to be calculated on FOB value).
- Security**
- Hypothecation of machines sold to the purchasers.
- Adequate insurance cover at the cost of the purchasers in favour of STC.
- Default**
- In the event of purchasers default in payment of STC's dues and/or fulfilment of purchaser's export obligations, as aforesaid, STC may take possession of the machines and resell the same at the risk and cost of the purchasers and recover its dues; the resultant loss, if any, being to the purchaser's account.
- In case of non-fulfilment of export obligations by the purchasers, they will be liable to pay to STC damages at the rate of 3% of the export of shortfall in fulfilment of their export obligations
- Documents**
- Application in the prescribed form.
 - Certified statement of accounts for the last three years.
 - Export performance for the past three years and projections of exports for the next five years in terms of quantity and value.
 - Monthly reports on progress of utilisation of machines and exports.
 - Sale-cum-hypothecation agreement for machines.

General

1. The purchaser may at his option repay part or all of the loan assistance before the due date(s), in which event interest on such repayments will be payable only upto the date(s) and actual repayment(s).
2. 25% of the quantum of finished leather earmarked under obligation of the purchaser for export on account STC may be pre-empted by STC for direct sale/use.
3. Acceptance/rejection of any application made under this scheme will be at the sole and absolute discretion of STC.

MEMBERSHIP/AFFILIATION

1.	SATRA	KETTERING (U.K.)	LABORATORY
2.	LEICESTER COLLEGE OF TECHNOLOGY	U.K.	TECHNICAL EDUCATION
3.	CORDWAINERS COLLEGE	LONDON (U.K.)	TECHNICAL EDUCATION
4.	S.A.D. ALRAN & Cie	MAZAMET (FRANCE)	DEVELOPMENT
5.	CANADIAN INSTT. OF FOOTWEAR	CANADA	EDUCATION
6.	ARS SUTORIA	ITALY	DESIGNING
7.	LINEA PELLE	ITALY	COLOUR FORECASTS
8.	FREE LANCE DESIGNERS	ITALY	DESIGNS/ FASHIONS
9.	ITALIAN MINISTRY OF LEATHER	ITALY	TECHNICAL EDUCATION
10.	COUNCIL FOR LEATHER EXPORTS	MADRAS	INDIA
11.	CENTRAL LEATHER RESEARCH INSTITUTE	MADRAS	INDIA
12.	INDIAN STANDARDS INSTITUTION	DELHI	INDIA