REPORT NO.
130

सत्यमेव जयते

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE
ON COMMERCE

ONE HUNDRED THIRTIETH REPORT

Industrial Policy in the Changing Global Scenario

(Presented to the Rajya Sabha on 2nd December, 2016)
(Laid on the Table of Lok Sabha on 2nd December, 2016)

Rajya Sabha Secretariat, New Delhi
December, 2016/Agrahayana, 1938 (Saka)

Website : *http://rajyasabha.nic.in*
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Hindi version of this publication is also available

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COMPOSITION OF THE COMMITTEE

(Constituted w.e.f. 31st August, 2012)

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri Vijay Jawaharlal Darda
3. Shri Shadi Lal Batra
4. Shri P. Bhattacharya
5. Shri Rangasayee Ramakrishna
6. Shri K.N. Balagopal
7. Shri Ishwarlal Shankarlal Jain
8. Shri Prem Chand Gupta
9. Shri Birendra Prasad Baishya

$10. Dr. Vijay Mallya

LOK SABHA

11. Shri J. P. Agarwal
12. Shri G. S. Basavaraj
13. Shri Kuldeep Bishnoi
14. Shri C. M. Chang
15. Shri Jayant Chaudhary
16. Shri K. P. Dhanapalan
17. Shri Shivaram Gouda
18. Prof. Sk. Saidul Haque
19. Shri S. R. Jeyadurai
20. Shrimati Putul Kumari
21. Shri P. Lingam
22. Shri Baijayant 'Jay' Panda
23. Shri Kadir Rana
24. Shri Vishnu Dev Sai
25. Shri Jagdish Sharma
26. Shri Adagooru Vishwanath
27. Shri Arun Yadav

$ Nominated w.e.f. 26th February, 2013 *vice* Ms. Anu Aga who resigned from the membership of the Committee on 20th December, 2012.

#28. Shri Nalin Kumar Kateel

@29. Shri Nama Nageswara Rao

*30. Shri Mukul Wasnik

**31. Vacant

Nominated w.e.f. 14th December, 2012.

@ Nominated w.e.f. 14th December, 2012.

* Nominated w.e.f. 1st May, 2013.

** On account of the demise of Shri Dilip Singh Judev on 14th August, 2013.

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22. Shri P. Lingam
23. Shri Baijayant 'Jay' Panda
24. Shri Kadir Rana
25. Shri Nama Nageswara Rao
26. Shri Vishnu Dev Sai

[$] Resigned from the membership of Rajya Sabha on 12th February, 2014.
[@] Resigned from the membership of Lok Sabha on 21st September, 2013.

[#]27. Shri Jagdish Sharma
28. Shri Adagooru Vishwanath
29. Shri Mukul Wasnik
30. Shri Arun Yadav
31. Vacant

[#] Disqualified from the membership of the Lok Sabha.

COMPOSITION OF THE COMMITTEE

(Constituted w.e.f. 1st September, 2014)

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Dr. Ashok S. Ganguly
4. Shrimati Thota Seetharama Lakshmi
5. Dr. Vijay Mallya
6. Shri Shantaram Naik
7. Shri D. Kupendra Reddy
8. Shri Jesudasu Seelam
9. Dr. C. P. Thakur

#10. Shri Vayalar Ravi

LOK SABHA

11. Shri Sultan Ahmed
12. Shri Subhash Chandra Baheria
13. Shri Abhishek Banerjee
14. Shri Bodhsingh Bhagat
15. Shri Jitendra Chaudhury
16. Shri Chhotelal
17. Shri Sudheer Gupta
18. Dr. Kambhampati Haribabu
19. Shri Galla Jayadev
20. Shri Chandra Prakash Joshi
21. Shri Prabakaran K.R.P.
22. Shrimati Kavitha Kalvakuntla
23. Shri Dhananjay Mahadik
24. Shri Kamal Nath
25. Shri T. Radhakrishnan
26. Shri Janak Ram

[#] Retired w.e.f 21st April, 2015 and nominated afresh w.e.f. 30th July, 2015.

27. Shri D.S. Rathod
28. Shri Charanjeet Singh Rori
29. Adv. Narendra Keshav Sawaikar
30. Shri Vinod Kumar Sonkar

@31. Shri Kamlesh Paswan

@ Nominated w.e.f. 25th March, 2015 *vice* Shri Ram Charitra on his nomination to Committee on Transport, Tourism and Culture.

COMPOSITION OF THE COMMITTEE

(Constituted w.e.f. 1st September, 2015)

&1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
#3. Dr. Ashok S. Ganguly
4. Shrimati Thota Seetharama Lakshmi
@5. Dr. Vijay Mallya
6. Shri Shantaram Naik
7. Shri Vayalar Ravi
8. Shri D. Kupendra Reddy
%9. Shri Jesudasu Seelam
10. Dr. C. P. Thakur
$11. Dr. Narendra Jadhav
*12. Shri Ram Kumar Kashyap

LOK SABHA

13. Shri Sultan Ahmed
14. Shri Subhash Chandra Baheria
15. Shri Abhishek Banerjee
16. Shri Bodhsingh Bhagat
17. Shri Jitendra Chaudhury
18. Shri Chhotelal
19. Shri Jayadev Galla
20. Shri Sudheer Gupta
21. Shri Chandra Prakash Joshi
22. Shrimati Kavitha Kalvakuntla
23. Dr. Hari Babu Kambhampati
24. Shri Dhananjay Mahadik
25. Shri Kamal Nath

& Appointed on 17th July, 2016 subsequent to retirement of Dr. Chandan Mitra w.e.f. 29th June, 2016.
# Retired w.e.f. 17th November, 2015.
@ Resigned w.e.f. 4th May, 2016.
% Retired w.e.f. 21st June, 2016.
$ Nominated w.e.f. 20th May, 2016.
* Nominated w.e.f. 28th July, 2016.

26. Shri Kamlesh Paswan
27. Shri K. R. P. Prabakaran
28. Shri T. Radhakrishnan
29. Shri Janak Ram
30. Shri Dipsinh Shankarsinh Rathod
31. Shri Charanjeet Singh Rori
32. Adv. Narendra Keshav Sawaikar
33. Shri Vinod Kumar Sonkar

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1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri Ram Kumar Kashyap
4. Shri M.P. Veerendra Kumar
5. Shrimati Thota Seetharama Lakshmi
6. Shri Shantaram Naik
7. Shri Vayalar Ravi
8. Shri D. Kupendra Reddy
9. Shri Kapil Sibal
10. Dr. Kanwar Deep Singh

LOK SABHA

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13. Shri Bodhsingh Bhagat
14. Shri Jitendra Chaudhury
15. Shri Chhotelal
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18. Shrimati Kavitha Kalvakuntla
19. Dr. Hari Babu Kambhapati
20. Shri Saumitra Khan
21. Shri Dhananjay Mahadik
22. Shri Kamal Nath
23. Shri Kamlesh Paswan
24. Shri K.R.P. Prabakaran
25. Shri T. Radhakrishnan
26. Shri Janak Ram
27. Shri Dipsinh Shankarsinh Rathod
28. Shri Charanjeet Singh Rori

[@] Resigned w.e.f. 22nd November, 2016.

29. Adv. Narendra Keshav Sawaikar
30. Shri Vinod Kumar Sonkar

[#]31. Shrimati Bijoya Chakraborty

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

[#] Resigned w.e.f. 20th October, 2016.

INTRODUCTION

I, the Chairman of the Department-Related Parliamentary Standing Committee on Commerce, having been authorised by the Committee, present this One Hundred and Thirtieth Report on Industrial Policy in the Changing Global Scenario.

2. The Committee took up the subject for detailed examination on 27th November, 2012 and the same was notified *vide* Parliamentary Bulletin Part-II dated 24th December, 2012. As part of examination of the subject, the Committee considered the subject in detail spanning over ten meetings wherein it heard the views of Secretaries of Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Ministry of Labour and Employment, Ministry of Power, Ministry of Environment and Forest, Ministry of Skill Development and Entrepreneurship and Ministry of Micro, Small and Medium Enterprises and Chairman, Railway Board and the representatives of Dedicated Freight Corridor Corporation of India Limited (DFCCIL), India Infrastructure Finance Company Limited (IIFCL), Consumer Unity and Trust Society (CUTS International), Society for Justice, Jagatikaran Virodhi Kruti Samiti (JVKS) and Indian Community Activist Network (ICAN). The Committee also undertook six study visits to Chennai, Bengaluru and Mumbai from 29th January to 5th February, 2013, Ahmedabad and Pune from 26th to 29th June, 2013, Patna and Bhubaneswar from 2nd to 9th October, 2013, Guwahati, Imphal and Kolkata from 27th January to 1st February, 2014, Amritsar, Mumbai and Bengaluru from 28th January to 2nd February, 2016 and Lucknow, Varanasi and Kolkata from 19th To 22nd October, 2016 and had interactions with various stakeholders and also the representatives of the State Governments. The Committee also benefited from various press clippings, business journals and books on business and economy.

3. A *Press Communiqué* was issued on 3rd January, 2013 in the media with a view to elicit views of individuals and organizations on the subject. A second *Press Communiqué* was issued on 12th February, 2016. In response, a total of thirty six memoranda were received **(Annexure).** The points raised therein have also been duly considered by the Committee.

4. The Committee considered the draft Report at its sitting held on 29th November, 2016 and adopted the same.

5. The Committee expresses its sincere gratitude to all the representatives of the various Departments/Ministries, organizations and individuals for placing before it their valuable suggestions, materials and information required in connection with the examination of the subject.

BHUPENDER YADAV
Chairman
Department-related Parliamentary
Standing Committee on Commerce
Rajya Sabha

NEW DELHI
29 November, 2016
Agrahayana, 8, 1938 (Saka)

ACRONYMS

ABC	:	Administrative Business Centre
ADB	:	Asian Development Bank
AIIB	:	Asian Infrastructure and Investment Bank
AKIC	:	Amritsar Kolkata Industrial Corridor
APDRP	:	Accelerated Power Development and Reforms Programme
ARCs	:	Asset Reconstruction Companies
ASEAN	:	Association of Southeast Asian Nations
BIBB	:	Bundesinstitut für Berufsbildung (Federal Institute for Vocational Education and Training)
BMEC	:	Bengaluru Mumbai Economic Corridor
CAGR	:	Compounded Average Growth Rate
CAMPA	:	Compensatory Afforestation Management and Planning Authority
CAP	:	Corrective Action Plan
CBI	:	Central Bureau of Investigation
CBIC	:	Chennai-Bengaluru Industrial Corridor
CCII	:	CRISIL Core Inflation Indicator
CDP	:	Conceptual Development Plan
CDR	:	Corporate Debt Restructuring
CEPI	:	Comprehensive Environmental Pollution Index
CETP	:	Common Effluent Treatment Plant
CFE	:	Consent for Establishment
CIBIL	:	Credit Information Bureau (India) Limited
CII	:	Confederation of Indian Industry
CNCP	:	Commission Nationale de la Certification Professionnelle
CRGO	:	Cold Rolled Grain Oriented
CVC	:	Central Vigilance Commission

DCCO	:	Date of Commencement of Commercial Operations
DFC	:	Dedicated Freight Corridor
DFCCIL	:	Dedicated Freight Corridor Corporation of India Limited
DFI	:	Development Financial Institution
DGFT	:	Directorate General of Foreign Trade
DGT	:	Directorate of Training
DIC	:	District Industries Centre
DISCOM	:	Distribution Company
DMIC	:	Delhi Mumbai Industrial Corridor
DMICDC	:	DMIC Development Corporation
DRT	:	Debt Recovery Tribunal
DTF	:	Distance-to-Frontier
DWT	:	Deadweight Tonnage
EC	:	Environmental Clearance
ECB	:	External Commercial Borrowings
EDFC	:	Eastern Dedicated Freight Corridor
EIA	:	Environmental Impact Assessment
EM	:	Entrepreneurs Memorandum
EMP	:	Environmental Management Plan
ESIC	:	Employees State Insurance Corporation
FCNR (B)	:	Foreign Currency Non Resident Deposits
FDI	:	Foreign Direct Investment
FEMA	:	Foreign Exchange Management Act
FIPB	:	Foreign Investment Promotion Board
GBS	:	Gross Budgetary Support
GDP	:	Gross Domestic Products
GII	:	Global Innovation Index
GST	:	Goods and Services Tax
GVA	:	Gross Value Added
HT/LT	:	High Tension/Low Tension

IBRD	:	International Bank for Reconstruction and Development
ICP	:	Integrated Check Post
ICs	:	Industrial Corridor
ICT	:	Information and Communications Technology
ID Act	:	Industrial Disputes Act
IDBI	:	Industrial Development Bank of India
IDFs	:	Infrastructure Debt Funds
IFC	:	International Finance Corporation
IFCI	:	Industrial Finance Corporation of India
IIFCL	:	India Infrastructure Finance Company Limited
IIP	:	Index of Industrial Production
IIT	:	Indian Institutes of Technology
ILO	:	International Labour Organisation
IMCs	:	Integrated Manufacturing Clusters
IPR	:	Intellectual Property Rights
IRDA	:	Insurance Regulatory and Development Authority
IT	:	Information Technology
ITES	:	Information Technology Enabled Services
IVR	:	Interactive Voice Response
IWAI	:	Inland Waterways Authority
IWT	:	Inland Water Transportation
JBIC	:	Japan Bank for International Corporation
JICA	:	Japan International Cooperation Agency
JLF	:	Joint Lenders' Forum
JNPT	:	Jawaharlal Nehru Port Trust
KDS	:	Kolkata Dock System
LARR	:	Land Acquisition and Rehabilitation & Resettlement
LLP	:	Limited Liability Partnerships
MoEF	:	Ministry of Environment and Forests
MoP	:	Ministry of Power

MoU	:	Memorandum of Understanding
MRTP	:	Monopolies and Restrictive Trade Practices Act
MSDE	:	Ministry of Skill Development and Entrepreneurship
MSE	:	Micro and Small Enterprise
MSEFCs	:	Micro and Small Enterprise Facilitation Councils
MSME	:	Micro, Small and Medium Enterprises
MSMED	:	Micro, Small and Medium Enterprises Development
MU	:	Million Units
MUDRA	:	Micro Units Development and Refinance Agency
MW	:	Megawatt
NDB	:	New Development Bank
NER	:	North Eastern Railway
NICDA	:	National Industrial Corridor Development Authority
NIMZs	:	National Investment and Manufacturing Zones
NMCC	:	National Manufacturing Competitiveness Council
NMP	:	National Manufacturing Policy
NOSs	:	National Occupational Standards
NPA	:	Non Performing Asset
NPV	:	Net Present Value
NRIs	:	Non Resident Indians
NSDA	:	National Skill Development Agency
NSDC	:	National Skill Development Corporation
NSIC	:	National Small Industries Corporation
NSQF	:	National Skill Qualification Framework
NTMs	:	Non Tariff Measures
NW	:	National Waterways
OCIs	:	Overseas Citizen of India (OCI)
OMCs	:	Oil Marketing Companies
PFC	:	Power Finance Corporation
PIO	:	Person of Indian Origin

PPP	:	Public Private Partnership
PSBs	:	Public Sector Banks
PSUs	:	Public Sector Undertakings
R&D	:	Research and Development
R-APDRP	:	Restructured Accelerated Power Development and Reforms Programme
RBI	:	Reserve Bank of India
RDEs	:	Rapidly Developing Economies
RIDF	:	Rural Infrastructure Development Fund
RoR	:	Rate of Return
RoW	:	Right of Way
RPP	:	Regional Perspective Plan
RVNL	:	Rail Vikas Nigam Limited
SARFAESI Act	:	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act
SBI	:	State Bank of India
SBRT	:	Single Brand Retail Trading
SCBs	:	Scheduled Commercial Banks
SEACs	:	State Level Expert Appraisal Committees
SEIAAs	:	State level Environment Impact Assessment Authorities
SERC	:	State Electricity Regulatory Commission
SHA	:	Shareholders' Agreement
SPS	:	Sanitary and Phyto-Sanitary
SPV	:	Special Purpose Vehicle
SSA	:	State Support Agreement
SSCs	:	Sector Skill Councils
SSDMs	:	State Skill Development Missions
STP	:	Sewage Treatment Plant
T&D	:	Transmission & Distribution
TADF	:	Technology Acquisition and Development Fund
TBT	:	Technical Barriers to Trade

TEUs	:	Twenty Foot Equivalent Units
UK	:	United Kingdom
UN	:	United Nation
UNCTAD	:	United Nations Conference on Trade and Development
UPSIDC	:	Uttar Pradesh State Construction and Infrastructure Development Corporation Limited
US	:	United States
USD	:	US Dollar
UTs	:	Union Territories
VAT	:	Value Added Tax
VCIC	:	Vizag Chennai Industrial Corridor
WDFC	:	Western Dedicated Freight Corridor
WPI	:	Wholesale Price Index
WTO	:	World Trade Organisation
WTP	:	Water Treatment Plant

REPORT

INTRODUCTION

1.1 India has become one of the fastest growing economies in the world over the last two decades, undoubtedly aided in this performance by economic reforms. The striking aspect of India's recent growth has been the dynamism of the service sector, while, in contrast, manufacturing has been much less robust, contrary to the experience in other emerging market countries, where manufacturing has grown much faster than GDP. The Committee took up this study because India has not been able to fully leverage the opportunities provided by the dynamics of globalisation that resulted in a dramatic shift of manufacturing to developing countries over the last decade. Moreover, the gap in both, the sectoral share of manufacturing and the competitiveness of the manufacturing sector in India, compared with other big economies has been increasing which is a matter of concern. Since this shift of manufacturing capacities from developed nations to rapidly developing economies (RDEs) is likely to continue, it is imperative that our Industrial Policy must be reoriented or effectively implemented to enable India capitalize on this opportunity by capturing a fair share of such a shift in global economic setting through an accelerated growth rate.

1.2 The Committee is of the view that employment in manufacturing sector means better income levels. In India, the ratio of non-agricultural to agricultural income is 82:18. This means that the average per capita income in non-agricultural occupations is more than four times what it is in agriculture. Thus, it becomes imperative that our Industrial Policy must be oriented towards transferring the most of the 47 per cent of India's labour force which is engaged in agricultural and allied activities to higher income industrial and service sector. Further, a relatively stagnant manufacturing sector contributing about 17 per cent to the GDP has its implications for generating additional employment. The Committee felt the urgency to look at the constraints affecting optimal growth of the industrial sector. In the opinion of the Committee, the absence of the desired boost to the manufacturing sector may further widen the gap in income levels. The country cannot afford to have a growth story without inclusive growth. The Committee undertook this study on the premise that the industrial policy can act as an accelerator in the economy to provide relief to the unemployed or underemployed population of the country.

1.3 Apart from a stagnant manufacturing sector, there exists an unbalanced industrial structure due to which India has not been able to attain self sufficiency in respect of industrial materials and defence equipment. India is still dependent on foreign imports for transport equipments, machineries (electrical and non-electrical), iron and steel, paper, chemicals and fertilisers, plastic material etc. The industrial growth is also marked with regional concentration. Most of the industries are concentrated in few selected areas while vast areas of the country remain devoid of industrial establishments.

1.4 Poor infrastructural facilities including the power crisis have a great bearing on the industrial development and production. Most of the State Electricity Boards are running in losses and are in deplorable condition due to non-recovery of dues. Rail transport is overburdened due to inadequate infrastructure while road transport is plagued with many problems. Even national highways are not in very good shape and the major road projects till recent past were getting cancelled due to the disputes between the owner of the project and the concessionaire causing further delay in infrastructure development. Even though Government is taking right measures in this direction, yet much more needs to be done. Several industrial locations were established without reference to cost-effective points. Each State clamours for the establishment of major industries in the public sector within its boundaries, and the location decisions are often guided by extraneous considerations than mere professional appraisal.

1.5 Industrial development is also not picking up due to acute shortage of capital. The Committee recognizes the fact that Government is making huge efforts in attracting FDI, yet the foreign investors desist from investing in industries involving large capital, long gestation period and slower recovery for the risk involved therein. Instead of depending on foreign capital in such areas we have to place more reliance on sources of capital with greater emphasis on the development of priority industries involving greater employment opportunities.

1.6 On the raw material front, the Indian Agriculture which is the major source of industrial raw material is still dependent on the monsoon. Natural calamities like drought, famine, flood etc. badly affect agricultural production as well the supply of industrial raw material. Failure of monsoon even affects the purchasing power of the people and also the demand for industrial products. Drought like situation even affects hydel generation, leading to energy crisis, more pressure on railways to transport coal and on thermal power sector for higher output. This leads to a chain of crises which have interlinking effect.

1.7 Another compelling reason to undertake this study was the fact that the country has seen its industrial production more in unorganised sector than in organised manufacturing. The main reason advanced for this pattern of industrial development is the rigidity in labour laws. The rigidity in labour laws have resulted in establishment of small units which sustain on easy availability of cheap labour. These small establishments acting as labour intensive industries though have provided employment but have faltered midway in adoption of technology or undertaking innovation. Many of these labour intensive industries are not typical factory manufacturing. Also, there have been arguments that the reservation of industries for small sector until 2015 which continued even in face of abolition of import licensing has dwarfed the manufacturing sector. Moreover, social security of the artisans, craftsmen, workers in such labour intensive industries have only been notional with nearly no upgradation in their skills as well as integration with new technology. Rather trading became more lucrative than production which continues to be marred with rigidity in labour laws, sub-optimal technology and subdued competitiveness.

GENESIS OF INDUSTRIAL POLICY IN INDIA

2.1 Industrial policy is the key to pattern of industrialization in the country. It manifests itself in the procedures, principles, rules, regulations, schemes and programmes that shape the industrial development in the country. Government of India has issued industrial policies, from time to time, with a view to facilitating growth of industry, enhancing productivity and competitiveness of Indian industry in the world market.

2.2 The Committee is of the view that industrial policy needs to be sensitive to the demands of the industry as well as promotion of inclusive growth of a society that has historically witnessed a large section of its constituents excluded from the story of industrial production and its growth.

Overview of Industrial Policies in India

2.3 Immediately after independence, the Industrial Policy Resolution, 1948 was announced which outlined the approach to industrial growth and development. It stressed on growth with distributive justice. The extent of State's responsibilities in industrialisation and the limits to private enterprise seized its attention. The Industrial Policy Resolution, 1956 comprehensively revised the approach of 1948 in the wake of adoption of the Constitution and the socio-economic goals entailed in the Constitution. It gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development. The task of raising economic infrastructure was entrusted to the public sector including those requiring very large investments and the longer gestation period.

2.4 To meet new challenges, from time to time, the industrial policy was modified through Policy Statements in 1973, 1977 and 1980. The Industrial Policy Statement of 1973, *inter-alia*, identified high-priority industries where investment from large industrial houses and foreign companies was permitted. The Industrial Policy Statement of 1977 laid emphasis on decentralisation and on the role of small-scale, tiny and cottage industries. The Industrial Policy Statement of 1980 focussed attention on the need for promoting competition in the domestic market, technological up-gradation and modernisation.

Industrial Policy, 1991 – a Paradigm Shift

2.5 The last Statement on Industrial Policy was made in 1991. The Policy Statement served as the cornerstone of the Government's policy framework reflecting liberalization and decontrol and reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated access to foreign technology and foreign direct investment. Industrial Policy focus since 1991 is on deregulation and allowing freedom and flexibility in responding to market forces by providing a policy regime that fosters growth of Indian industry.

2.6 The major development objectives of industrialisation in the 1990s were - sustained growth in productivity, a rapid growth in gainful employment, balanced regional growth and achievement of technological and managerial dynamism towards the attainment of international competitiveness. The liberalization and economic reforms programme aimed at rapid and substantial economic growth and integration with the global economy in a harmonized manner.

2.7 In order to achieve the objectives it was necessary to make a number of changes in the system of industrial approvals so as to encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges. Entrepreneurs were allowed to make investment decisions on the basis of their own commercial judgment.

2.8 The attainment of technological dynamism and international competitiveness required that enterprises must be able to swiftly respond to fast changing external conditions. Hence, policy and procedures were to be geared to assisting entrepreneurs in their efforts. This was facilitated by changing the role played by the Government from that of only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays.

2.9 The Government took a series of initiatives to attain the objectives of Industrial Policy 1991. Measures were taken in the following areas:

(a) Industrial Licensing

(b) Foreign Investment

(c) Foreign Technology agreements

(d) Public Sector Policy

(e) Monopolies and Restrictive Trade Practices (MRTP) Act, 1969

Industrial Licensing Policy

2.10 Industrial licensing was abolished for all industries irrespective of their level of investment except specified industries. These specified industries continue to be subject to compulsory licensing for reasons related to security and strategic concerns, social concerns, problems related to safety and environmental issues, manufacture of products of hazardous nature and articles of elitist consumption.

Foreign Investment

2.11 In order to invite foreign investment in high priority industries requiring large investments and advanced technology, it began with the decision to provide approval for direct foreign investment upto 51% foreign equity in 33 industries. The FDI policy is reviewed on an ongoing basis to make it more investor-friendly. In the recent past a number of FDI related reforms have been introduced to ensure that India remains an attractive investment destination. In order to achieve faster approvals on most proposals, the threshold limit for FDI approvals from the Foreign Investment Promotion Board (FIPB) has been further increased from ₹ 3000 crore to ₹ 5000 crore.

2.12 Further to provide simplicity to the FDI Policy and bring clarity on application of conditionalities and approval requirements across various sectors, different kinds of foreign investments have been made fungible under one composite cap. Partly paid shares and warrants are also allowed as capital instruments for the purpose of FDI policy.

2.13 Efforts have also been made towards easing conditionalities for foreign investments:

FDI policy on establishment and ownership or control of the Indian company in sectors/ activities with caps requiring Government approval has been reviewed. Now, approval of the Government will be required if the company concerned is operating in sectors/activities which are under Government approval route rather than capped sectors.

Government approval is dispensed with for (i) FDI in Indian company which does not have any downstream investments for undertaking activities which are listed under automatic route (ii) Investment in automatic route sectors by way of swap of shares.

FDI is now allowed in Limited Liability Partnerships (LLP) under the automatic route, in the sectors where 100% FDI is allowed under automatic route and there are no FDI-linked performance conditions. The terms 'ownership' and 'controls' with reference to LLPs have also been defined.

Under automatic route, the manufacturer is permitted to sell its products through wholesale and/or retail, including e-commerce.

For defence industry, the conditions of lock-in period of three years and mandating that Investee Company should be structured to be self sufficient in areas of product design and development, with full Indian management and control along with Chief Security Officer being resident Indian citizen have been done away with.

The norms for FDI in Construction Development Projects have been further liberalized. Each phase of project would be treated as separate project for the purpose of FDI policy. The conditions of area restriction of floor area of 20,000 sq. mtrs in construction development projects and minimum capitalization of US $5 million to be brought in within the period of six months of the commencement of business have been removed. Repatriation of funds and exit from projects have been further liberalized. 100% FDI (Automatic route) is permitted in completed projects for operation and management of townships, malls/shopping complexes and business centres.

FDI up to 100% (automatic route) is permitted both for green field and brown field projects for manufacturing of defined medical devices, without being subject to sectoral restrictions applicable for FDI in pharmaceuticals.

Investment made by NRIs, *Person of India Origin* (PIOs) and *Overseas Citizen of India* (OCIs) under Schedule 4 of FEMA Regulations on non-repatriation basis is now deemed to be domestic investment at par with investment made by residents.

Certain conditions of FDI policy on Agriculture and Animal Husbandry, and mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities have been simplified.

2.14 **The Committee welcomes the measures taken to promote FDI in the country. The Committee, however, feels that large industries/groups are the major beneficiaries of FDI reforms. It is of the view that FDI in SMEs will bring about radical improvement in the working of this sector. The Committee desires that the Government may explore ways and means to promote FDI in SME sector. Foreign investors may be encouraged to utilise more internal resources and inputs than bringing from abroad except the technology. Also, FDI in any industry may be permitted with a clause to change ownership to Indian Origin/Partner after a specific period say 15 – 20 years with technology transfer as part of initial approval. This would enable sustainable industrialization in the country.**

Foreign Technology Agreement

2.15 The transfer of foreign technology takes places by the means of foreign direct investments and foreign technology collaboration agreements. Foreign Technology Agreements in India permits transfer of technology by the means of Government approval or through the automatic route delegated by RBI. To inject the desired level of technological dynamism in Indian industry, Government allows for technology transfer agreement. Indian companies are free to negotiate the terms of technology transfer with their foreign counterparts according to their own commercial judgement.

2.16 Earlier the policy freely allowed payments and remittances up to a lump sum fee of $ 2 million and royalty payments of 5% on domestic sales and 8% on exports for technology transfer agreements. Payments above this required regulatory approval. Now any such restrictions on payments for royalty, lump sum fee for transfer of technology and payments for use of trademark/ brand name has been removed and has been put on the automatic route.

2.17 However, cases involving industrial licenses/small scale reserved items do not qualify for automatic approval and would require consideration and approval by the Government. Automatic route for technology collaboration would also not be available to those who have, or had any previous technology transfer/trade-mark agreement in the same or allied field in India.

2.18 The Committee notes that the Government's intention for the change in policy is to freely promote the transfer of state-of-art technology into the country. It has been submitted that though removal of Government approval process is a right step towards making the climate for technology transfer to India more conducive yet there has been concern about transfer pricing. The press note dispensing the requirement of Government approval states that all such payments would be subject to the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time. The revenue authorities could view these payouts as a means to repatriate the profits by Indian companies otherwise than as dividends to circumvent dividend distribution tax and also claim these payouts as a tax expense. Such payment may be treated as excessive or unreasonable having regard to the legitimate business needs. The withdrawal of the statutory limits which earlier was used as evidence to substantiate the arm's length nature of international transactions has made the situation tight.

2.19 **The Committee is of the view that whether the payout for technology transfer is reasonable or not is a subjective issue and this matter must be handled carefully. The Committee is of the considered opinion that a suitable post-reporting system for technology transfer/collaborations and use of trademarks or brand names must be worked out by the Government to bring in objectivity and fairness to the process. It's also important that evaluation studies about the manner in which the arm's length nature of the royalty or technical fees have been analyzed historically between group entities must be carried out to put in place a robust and transparent transfer pricing framework for such transactions.**

Public Sector Policy

2.20 Government decided to strengthen the public enterprises, which fall in reserved areas of operation or are in high priority areas or generating reasonable profit. Such enterprises were given a much greater degree of professional autonomy through the system of memoranda of understanding. Competition was induced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holding in equity share capital of these enterprises was to be disinvested in order to provide further market discipline to the performance of public enterprises.

2.21 The Committee notes that empowerment of Central PSUs has brought enhanced powers and autonomy and unleashed their entrepreneurial abilities and has enabled them to become globally more competitive. A PSU which has been granted the Maharatna status can make equity investment to establish financial joint ventures and wholly owned subsidiaries as well as undertake mergers and acquisitions in India or abroad to the tune of ₹ 5000 crore.

2.22 **The Committee is happy to note promotion of professional autonomy in Central PSUs. This will certainly bring in more business discipline and perform in a competitive manner. The Committee, nevertheless, is also of the opinion that the PSUs may also work towards becoming centre of excellence in R&D activities and facilitate technology development and its facilitation to MSME sector. The MSME sector in turn shall complement their business activities.**

Abolition of Monopolies and Restrictive Trade Practices Act (MRTP), 1969

2.23 Inspired by the philosophy that growth in size of enterprises leads to monopolies and should be regulated, the Monopolies Restrictive Trade Practices Act, 1969 (MRTPA) was enacted. That legislation required different enterprises to seek clearances at different milestones of growth. However, later it was realized that such an approach is not appropriate. The new approach focuses more on the behavior of enterprises and not on the structure. The enactment of the Competition Act, 2002, in India is a move in this direction. The Act does not discriminate between public and private enterprises as far as the competition law enforcement is concerned. The definition of 'enterprise' in section 2 (h) of the Act is wide enough to include both public and private enterprises.

2.24 MRTP Act was repealed and replaced by the Competition Act, 2002 with effect from September, 2009. The MRTP Commission continued to exercise jurisdiction and power in respect of any case or proceeding filed before September, 2009 for a period of two years.

2.25 The Competition Act provides for the establishment of a Competition Commission of India and enjoins upon the Commission to take up matters pertaining to (i) Prohibition of anti-competitive agreements; (ii) Prohibition of abuse of dominant position; (iii) Regulations of Combinations; and (iv) Competition advocacy.

Performance of Industrial Sector

2.26 The Committee notes that Index of Industrial Production (IIP) grew 6.4% in August, 2015, driven primarily by a robust 6.9% growth of manufacturing sector. This marks the highest growth in last 35 months for both. The improvement in growth of manufacturing in August is reflected in two-thirds of the 22 sub-groups, as well as in electricity and mining. Within use-based classification, double digit growth is witnessed in capital goods (21.8%) and consumer durables (17%) signifying slight pick-up in investment and consumption demand in August, 2015. The cumulative growth for Apr.-Aug. 2015 stands at 4.1%, which is higher than the 3% growth in the same period last year.

2.27 The Committee notes that IIP is still to revive to its former best health. The IIP contracted 0.7 per cent year on year basis in August, 2016. The fall in IIP is on account of contraction in capital goods output which continue to decline since November, 2015. The persistent contraction in capital goods output indicates toward dull investment demand. Until the investment demand revives especially the private sector investment, industrial growth is unlikely to return to a sustained positive growth path. **The Committee is of the considered opinion that the central PSUs may revive the investment mood by investing their surplus funds generating demands. This will also offset the problem of poor export orders.**

Monetary Measures to Support Industrial Activity

2.28 The Committee notes that Indian corporate eligible to raise external commercial borrowings (ECB) are now permitted to issue rupee-denominated bonds in overseas centres (minimum 5 years maturity within the current ceiling of foreign investment in corporate debt) with an appropriate regulatory framework. End-use of funds shall have no restrictions, except for a small negative list. Real Estate Investment Trusts and Infrastructure Investment Trusts are also eligible for the same.

2.29 **The Committee appreciates this development as borrowing in rupees will remove the hardships of hedging and largely insulate the exchange of cash flows from periodic gain or loss. The Committee is happy to note that foreign investors have been bullish on Indian papers and this is evident from the fact that in 2014-15, net inflows in debt were $ 27.3 billion. The Committee notes that availability of low cost funds in foreign market is mainly the result of significant easing of crude oil prices. However, this situation is not to be there forever. The Committee desires that the RBI and the Ministry of Finance take adequate steps expeditiously to develop an optimal bond market in India itself so that adequate capital is available to the industry at reasonable costs.**

2.30 **The Committee hopes that the lowering of the repo rate by 25 basis to 6.25% by RBI in October, 2016 shall have positive impact on credit to the productive sectors. The Committee feels that the accommodative monetary stance espoused by the RBI along with comfortable liquidity conditions will facilitate further policy cuts given subdued inflation rate. This may give the desired thrust to the industrial sector more so to the manufacturing sector.**

THREATS AND OPPORTUNITIES FOR THE INDUSTRY IN CURRENT ECONOMIC SCENARIO

Threats

(i) Inflation

3.1 Presently, inflationary trend is not crippling. The Wholesale Price Index (WPI) based inflation inched up marginally in September to –4.54% (prov.) from –4.95% (prov.) in August, 2015. The rate of inflation, however, still remains in negative zone indicating persistent deflationary trend in commodity prices since November, 2014. The month of September, 2015 saw rate of inflation in 'Manufactured Products' group witnessing a slight jump (from –1.92 to –1.73) negating the falling trend witnessed since July, 2014. This along with September numbers of CRISIL *(Credit Rating Information Services of India Ltd.)* Core Inflation Indicator (CCII) (marginally up from –0.66 to –0.78) signals slight decrease in the pricing disadvantage of manufacturing sector.

3.2 However, inflation is one area that has kept haunting the industrial performance of the country. The inflationary pressure especially in the raw material and machinery has kept pushing up the cost of production and therefore eroding manufacturing competitiveness. The inflation rate as per WPI for manufacturing sector showed an increase from 5.7% in 2006-07 to 7.3% in 2011-12.

3.3 Inflation chokes the input supply and hurts industrial growth. The increase in general inflation but more of food inflation leaves less money in hand to spend on consumer goods or other factory goods resulting in higher inventory and lesser production. Moreover, inflation also affects the monetary policy and tightens the interest rate regime that results in costly non food credit that not only curbs household demand of consumer goods but also business demand for capital goods. This causes a lull in investment in capital goods sector, thereby, adversely affecting the manufacture index of the IIP. Inflation within manageable limit is crucial for sustained industrial growth. **The Committee notes with satisfaction that Government is taking proactive steps in this direction such as constitution of Monetary Policy Committee and revision and updation of price index etc.**

3.4 Now the Goods and Services Tax (GST) is going to be rolled out from April, 2017. The Committee hopes that the roll out of GST does not create inflationary tendencies though, historically based on the GST experience of other countries, it has been noticed that there is a rise in inflation for a couple of years of its introduction. **The Committee desires that the GST Council firm up a GST rate that has minimal impact on inflation.**

(ii) Volatility in Exchange rate

3.5 The Rupee has depreciated continuously from ₹ 44 per USD in April, 2011, to ₹ 66.73 per USD in November 7, 2016. The increasing volatility in the exchange rate mainly on account of Euro Zone crisis and changing preferences of the dollar is transmitting uncertainty into domestic manufacturing exports. The recent depreciation of rupee against dollar is stimulating the twin deficit problem in the fuel import dependent Indian economy by raising its current account deficit and then pushing up the fiscal deficit by increasing subsidy load.

(iii) ***Duty structure & non-tariff measures, Quality Standards & Manufacturing Growth***

3.6 Conforming to the WTO rules, the tariff barriers for all products are being progressively decreased in India. This has opened the Indian market for imported goods. The increase in import to GDP ratio clearly indicates that the declining tariffs have considerably increased the import to India. The national treatment clause under WTO makes it compulsory for a country to give national treatment to the imported goods once it enters into its domestic territory. Further, the inverted duty structure and non-competitive manufacturing process makes the domestic goods expensive in comparison to the imported goods. This results in large-scale imports at the cost of local manufacture. Moreover, in the absence of the quality standards for the domestic products, it has almost been impossible to regulate the imports of the sub-standard products to India. Though there has been increasing complaints of the dumping of such products but the anti-dumping and safeguards measures can only play a limited role to arrest this trend.

3.7 The Committee notes that India is in the process of notifying the standards for the domestic manufacturing. This time lag between development and enforcement of the standards for the manufacturing will certainly give an edge to the developed countries to cut down the imports from

India and to dump their products irrespective of the quality standard. Also, the Non Tariff Measures (NTMs) including health, safety and environmental in the form of sanitary and phyto-sanitary (SPS) and technical barriers to trade (TBT) are being used by trading partners to prevent import in their countries. The committee appreciates the fact that the Government has tried to check dumping of products like steel, chemicals, etc. through measures like countervailing duty as well as anti-dumping duty. However, these measures have not been adequate to address the problem in full measure.

(iv) Conducive business environment

3.8 World Bank Report, 2012 on 'Doing Business in a more Transparent World' had ranked India at 132 out of 183 countries in 2012 as compared to 139 in 2011. Of late, things have improved but there is still a long way to go. According to the World Bank's Doing Business Report 2016 "Measuring Regulatory Quality and Efficiency", India is ranked 130 reflected by an improvement in its distance-to-frontier (DTF) points which improved to 54.7%. India was ranked 142 in the last year's report, which has been substantially revised to 134 owing adjustments due to data corrections in 3 parameters – starting a business, dealing with construction permits and registering property. The report covers the reforms undertaken by any country till 1st June every year and shows that 'Getting electricity' and 'Starting a business' have shown remarkable improvements in this year in India. The recently passed Insolvency and Bankruptcy code, 2016 will provide much needed boost to insolvency resolution and give boost to the ongoing reforms for ease of doing business in the country. The Code stipulates completion of insolvency resolution process within 180 days which is comparable to best practices world over.

3.9 The annually published Doing Business Reports ranks performance of countries (189 countries at present) on 10 parameters that enhance/constraint business activity for small & medium-sized firms operating in large business cities. This is based on a distance-to-frontier (DTF) score that captures the gap between an economy's performance and best practice. **The Committee finds that there is still a lot to do as we are still half-way to establish the best practices on 10 parameters that enhance business activity. Though the Department of Industrial Policy and Promotion has taken significant steps to improvise the ease of doing business framework in the country, the Committee still recommends the Department to not slacken and take all necessary actions to achieve the milestones of the best practices entailed in the Doing Business Report.**

(v) Multiplicity of laws

3.10 There are more than 35 laws and acts governing the industrial sector that not only severely impede the setting up of industries but also badly affect their growth and survival. Some of the laws require amendments and modifications to support the present industrial environment. A single window system for giving all the statutory clearances, including environmental clearance/forest/pollution/effluence clearance particularly in respect of small and medium industries is an imperative. The labour laws need urgent reform. The rigidity in labour laws and social security provisions need a revisit.

Opportunities

3.11 In terms of cost of production India continues to be a low cost economy. This can be great advantage to India to build its competitive edge over others in many areas including manufacturing and production.

3.12 India has a relatively higher proportion of a youth population than the developed economies such as Korea, Japan and Europe. According to UN by 2020, the average Indian will be only 28.1 years old, compared to 38.1 years in China and 37.3 years in US: and 48.2 years in Japan. The Table below gives the median age population. In India on the other hand, their counterparts would be at the peak of their productivity and earning potential supporting a smaller non-working population, and thereby saving enough to provide investments for further growth. The country can avail the demographic dividend by appropriate planned skill development for the productive use of its population.

Median Age Population

Country Name	2010	2015	2020	2025
India	25.1	26.6	28.1	29.7
China	34.5	36.2	38.1	40.1
Korea, Dem. Rep.	32.9	33.6	34.6	35.4
Japan	44.7	46.4	48.2	50.1
United Kingdom	39.8	40.3	40.4	40.8
United States	36.9	37.3	37.9	38.6

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat.

3.13 India is considered as the third most attractive location of FDI by UNCTAD. The Japan Bank for International Corporation (JBIC) on the basis of survey conducted amongst the Japanese investor has rated India as top investment destination with China being the Second. FDI inflow helps India not only to meet the gap in domestic savings but also facilitate benefits to India in terms of the managerial and technological skill that FDI brings along. India's global competitiveness ranking improved 16 positions to 55th position from 71st last year in the Global Competitiveness Report 2015-16. India ranks well in market size, institutions, business sophistication, innovation etc. and almost all considered parameters have shown improvement in the last one year.

3.14 Driving strength from knowledge diffusion, R and D, general infrastructure, and investment, India is ranked 81 on the Global Innovation Index (GII) 2015 retaining its top position in Central and Southern Asia region. The report also categorizes India as innovation outperformers. The decline in rank in the last four years, however, has been due to the structural changes in index. **The Committee, nevertheless, feels that even in the changed index scenario, the country must perform better.**

3.15 In a globalised system there are opportunities for promoting domestic manufacturing sector through increase in exports. This can be done not only by ensuring quality and standard but also through development of trade partnerships with other countries and diversifying export markets.

3.16 India is at present lagging behind in R and D and innovation as compared to major economies of the world. At this stage India can avail the opportunity in terms of innovation and modernization of its industrial sector.

3.17 India continues to have a dominating position in the IT sector. Its dominance at present is in software services. It can avail the opportunity of having dominance in hardware as well.

3.18 A noticeable economic reform of far reaching consequences in the form of the Goods and Services Tax (GST) has become a reality and it is set to be rolled out from April, 2017. A tax reform, GST will turn India into one common market for producers and consumers. It will result in bringing about greater ease of doing business and big savings in logistic costs for companies apart from the reduction in indirect taxes paid by most of the industry. These developments will help in introducing economy in production and endow better competitiveness to Indian products. It will also probably bring an end to the practice of cherry-picking by the industries which was enjoyed by them on account of area based exemptions offered by the State Governments and build up a uniform business environment across the country.

3.19 **The Committee has held extensive interactions with various stakeholders and has also undertaken study visit to examine in depth the challenges and opportunities that the country's industrial sector faces and the requisite reforms that are needed to make the best out of changing global dynamics. In view of the changing global dynamics, the Committee feels there is pertinent need to revisit the existing industrial policy given the opportunities and threats that it faces in the present circumstances. The structural reforms — regulatory and administrative need to be brought to the fore and there is an urgent need to speed up the implementation of the reforms. The Committee observes that transparency in allocation of natural resources leading to adoption of open, transparent and competitive mechanisms and greater disclosure of approval processes will have far-reaching consequences on the industrial policy. Formulation of industry-friendly land acquisition framework by the State Governments, a set of sound anti-corruption laws, reforms ensuring regulatory coherence, ensuring better inter-ministerial coordination, judicial, financial and efficient public procurement reforms would be a shot in the arm in strengthening the industrial policy of our country. The Committee strongly feels that the regulatory and administrative reforms should address the need for policy coherence. Little can be achieved until the bureaucracy is shaken out of inaction and motivated to become proactive which requires substantial administrative reforms.**

3.20 **The Committee is of the opinion that poor implementation is the single biggest threat and needs to be addressed by aligning stakeholders in the process of development and implementation of industrial policies. The main reason of the success of industrial powers like Germany, Japan and China lies in the creation of an industrial eco-system which is based on a strong partnership between the Government, industry, industry associations, labour unions, financial institutions and research centres. Successful implementation of the industrial policy in India calls for such strong partnership, which unfortunately is still missing. With the traditional global trade pattern of primary commodity exports from developing countries and manufactured exports from developed**

countries changing on account of increasing industrialization of developing countries, India's industrial policy needs a serious re-look. There is no denial that amidst current global shutdown, India is still a bright spot. It is still growing at a reasonable pace. The Committee is happy to note that though the year 2015-16 witnessed a tumultuous global economic environment with major economies showing signs of slowdown in growth, the Indian economy has emerged as the fastest growing economy with a high growth rate of over 7 per cent and the manufacturing sector has been a major contributor in sustaining this high growth rate. The revised estimates of national income show that the growth of Industrial sector broadly comprising mining, manufacturing, electricity and construction is 5.9 per cent during 2014-15, as against a growth of 5.0 per cent during 2013-14. The advance estimates of national income 2015-16 shows that the growth of industrial sector is estimated to be 7.3 per cent with manufacturing sector growing at 9.5 per cent. Further, the industrial sector registered a growth of 8.9 per cent in the third quarter (Q3) of 2015-16 as compared to 3.8 per cent during the corresponding period of 2014-15. The trends in the Index of Industrial Production (IIP) data at 2004-05 base shows that during April-December, 2015-16, growth rate was 3.1 per cent as compared to a growth of 2.6 per cent in the same period of 2014-15. The contribution of the manufacturing sector to Gross Value Added (GVA) has been hovering around 17 per cent for the last four years.

3.21 **The Committee observes that the Government is implementing various policy measures and initiatives like the National Manufacturing Policy, Make in India, Start Up India etc. to provide a boost to the manufacturing sector and aims to increase the share of manufacturing in GDP to 25% and create 100 million jobs by the end of this decade. The Committee feels the policy measures are taken in the right earnest and direction. However, there is still a lot of ground to be covered. In order to avail the benefits of the policy in an optimal manner, the manufacturing enterprises require a thriving physical infrastructure which means world quality transportation infrastructure, uninterrupted power and adequate land to build. Quality and efficient physical and administrative infrastructure is a basic requirement for productive manufacturing enterprises in which India lags behind. Infrastructural challenges, both physical and administrative and the business regulatory framework need to be addressed in order to ensure that the goals set out for the manufacturing sector are achieved.**

RESEARCH AND DEVELOPMENT FOR VALUE ADDITION

4.1 A manufacturing sector, no matter how large, that is composed mostly of low value addition assembly industries, cannot create new technological capabilities. It may compete on low costs on account of scale and low labour costs, but it can easily lose these advantages to other countries which have even lower labour costs. Similarly, merely having R and D capabilities, without the wherewithal around them to convert ideas into manufactured products will not enable the growth of manufacturing industries. Lack of depth in technology is one of the foremost issues affecting the growth of manufacturing sector in the country. The Committee is concerned with the lack of value addition in the manufacturing processes of our country which can be observed from the table below:

Manufacturing value addition and R and D:

Country	Manufacturing value addition in USD Billion	R and D professionals per million population	R and D expenditure as % of GDP
India	226	150	0.8
China	1923	4300	1.2
USA	1856	1160	2.6
Japan	1084	--	3.2
Source	12th plan document	National Manufacturing Competitiveness Council (NMCC)	CII

4.2 The Committee is perturbed to note that India's R and D spend is 0.8 per cent of GDP, whereas China, USA and Japan spend about 1.2 per cent, 2.6 per cent and 3.2 per cent, respectively. India needs to increase its R and D expenditure to improve innovation and value addition in manufacturing. The private sector finances 70 per cent of the total R and D spending in China, 65 per cent in United States and 75 per cent in Korea and Japan, while Indian private sector funds only 25 per cent of the total R and D spend. **The Committee is of the view that Indian corporate sector needs to be encouraged to increase its spending on industrial R and D as majority of private sector funding of other countries is towards industrial R and D. The Government should supplement the efforts of private funding of industrial R and D by providing an enabling environment for the private enterprises to invest in technology creation, technology absorption and achieve higher value addition and ensure availability of demand for products developed and/or manufactured indigenously. The R and D in industrial sector needs to be institutionalised and greater connect with universities/IITs needs to be explored by industries.**

4.3 **The Committee feels that the time is ripe to explore new areas of manufacturing with full vigour like defence offsets. It is of the considered opinion that adequate support should be provided to promote and strengthen employment intensive industries to ensure job creation with special attention to textiles and garments; leather and footwear; gems and jewellery; and food processing industries. It is of the view that the recently announced Defence Procurement Policy, 2016 is a step in the right direction. This needs to be expanded and accelerated across all industrial sectors which may be very positive for the manufacturing sector in the long run.**

4.4 **The Committee observes that the improving economic growth would necessitate a strong demand for capital goods. However, the capital goods industry, which is the mother industry for manufacturing sector has not grown at the desired pace. The reasons for the same may be found in the dull investment environment in the country. While efforts may be made to revive the investments in order to create demand for capital goods, special focus should be given to promote industries for machine tools; heavy electrical equipments; heavy transport, earth moving and mining equipments. The county is still largely dependent on import of these capital goods.**

4.5 **The Committee feels that time bound programmes should be initiated for building strong capacities with R and D facilities and encourage growth and development of these capacities in the private sector while strategically strengthening the public sector to complement the private initiatives where essential. A strategic requirement of the country would warrant the launch of programmes to build national capabilities to make India a major force in sectors like aerospace; shipping; IT hardware and electronics; telecommunication equipment; defence equipment; and solar energy. Mission mode projects should be conceptualized in each of these sectors. India's large domestic market coupled with a strong engineering base has created indigenous expertise and cost effective manufacturing in automobiles; pharmaceuticals; and medical equipment. The Committee recommends special programmes should be conceptualized and implemented to consolidate strong industry base to retain the global leadership position.**

INTELLECTUAL PROPERTY RIGHTS (IPR) FRAMEWORK

5.1 A vibrant R and D base must also be accompanied with a responsive and robust Intellectual Property Rights (IPR) framework. A strong IPR regime inspires innovation and facilitates its commercialization. Also, the effective protection offered under IPR framework instills confidence in a patent holder and enable him to invest. Rather, a strong IPR regime is the *sine qua non* for drawing foreign investments in industrial sector.

5.2 The Committee is of the considered opinion that the industrial policy must attach primacy to an eco-system that promotes creativity and help to develop the culture of respect for innovations and creativity. The Committee is pleased to note that India has a TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights) compliant, robust, equitable and dynamic IPR regime. It notes that in order to stimulate innovation across the sectors in the country and also to provide an assurance to the domestic as well as foreign investors of existence of a stable IPR regime in the country, the National Intellectual Property Rights (IPR) Policy has been recently approved by the Union Cabinet. The document released on 12th May, 2016 lays the roadmap for the future of IPRs in India. It is hoped that the National IPR Policy will unlock the full potential of Intellectual Property towards India's economic growth and socio-cultural development.

5.3 The Committee is of the view that our domestic innovation efforts have mostly been adaptive in nature. There have been very little path-breaking researches to allow vibrant patenting activity. Our poor R and D in industrial sector has been mainly for the reason that we have confined to low-technology labour intensive industry. It is noted that while patent filings increased by 10% in 2015-16 *vis-à-vis* 2014-15. **The Committee hopes that the new IPR policy will enable more R and D activities and innovations in knowledge and technology intensive sectors as there has been a positive thrust on these sectors through Make in India campaign and Start Up India programme. The Committee desires that the extant IPR framework as reflected in the national IPR policy must act as the catalyst for development of efficient scale of industries specializing in knowledge and technology intensive sectors. This will also help in facilitation of greater R and D and patent-intensive activity.**

5.4 The Committee, however, also notes with caution that the MNCs strategically use IP protection as a mechanism to protect the rent-generating potential of their technological capacities. **Such tendency of maintaining exclusivity for the purpose of profiteering must be checked**

since it does not help in bringing about real industrialization. The use of IP as an industrial policy by the frontier countries to sustain the competitiveness of their industries and to protect dynamic advantages in certain technological areas must not be allowed at the cost of our industrial development. The Committee strongly feels that our IPR regime must be fine-tuned to tackle such challenges. It is crucial that our IPR laws does not lose its teeth for ensuring appropriability and transferability of technologies.

5.5 **The Committee notes that there has been a tendency to bargain for Free Trade Agreement/Bilateral Agreement wherein TRIPS flexibilities are threatened by the elevation of minimum standards provided for the protection of Intellectual Property Rights. The Committee is convinced that our IPR framework while promoting and protecting IP rights must ensure that no higher IP standards of protection may be agreed to other than those included in TRIPS.**

NATIONAL MANUFACTURING POLICY

6.1 The National Manufacturing Policy (NMP) was notified through a Press Note dated 4th November, 2011 with the objective of enhancing the share of manufacturing in GDP to 25% and creating 100 million jobs by 2022. The policy is based on the principle of industrial growth in partnership with the States. The Central Government will create the enabling policy framework, provide incentives for infrastructure development on a Public Private Partnership (PPP) basis through appropriate financing instruments and State Governments are encouraged to adopt the instrumentalities provided in the policy.

6.2 The important instruments/features of the Policy are National Investment and Manufacturing Zones (NIMZs); rationalization and simplification of business regulations; simple and expeditious exit mechanism for manufacturing units; Incentives for SMEs; industrial training and skill upgradation measures; financial and institutional mechanisms for technology development, including green technologies; Government procurement and Special Focus Sectors.

6.3 NIMZs have been conceived as large integrated industrial townships with state-of-the-art infrastructure; land use on the basis of zoning; clean and energy efficient technology; necessary social infrastructure; skill development facilities, etc. to provide a conducive environment for manufacturing industries. To enable the NIMZ to function as a self-governing and autonomous body, it has to be declared by the State Government as a Industrial Township under Article 243 Q (1)(c) of the Constitution. These NIMZs are to be managed by a Special Purpose Vehicle (SPV) which would ensure master planning of the zone; pre-clearances for setting up the industrial units to be located within the zone and undertake such other functions as specified in the various sections of the policy.

6.4 The Committee notes that Eight Investment Regions along the Delhi Mumbai Industrial Corridor (DMIC) project have been approved as NIMZs and fourteen NIMZs outside the DMIC region have been given in-principle approval.

6.5 The Scheme of NIMZs aims to implement the National Manufacturing Policy approved by the Cabinet and notified by the Department *vide* Press Note dated 4th November, 2011. Setting up of National Investment and Manufacturing Zones (NIMZs) are an important instrumentality of the policy. The proposed fund under the scheme would be to meet the expenses including the cost of Master Planning of NIMZs and for Technology Acquisition and Development Fund (TADF) set up to provide the funding specific to acquisition and development of clean and green technologies.

6.6 The Committee notes that the Government has launched the Technology Acquisition and Development Fund (TADF) under National Manufacturing Policy Scheme under the NMP on 18th November, 2015 for funding specific acquisitions and development of clean and green technologies. The Green Manufacturing Committee, constituted under the NMP, considered and approved 11 projects in its meeting held on 22nd February, 2016. **The Committee finds this too little and too late and calls upon the Department to take all measures to give desired thrust to this component of NMP.**

6.7 The Committee further desires that Technology Acquisition and Development Fund (TADF) may be made more vibrant to enable smart manufacturing in the country. It is crucial that manufacturing process in the country must adapt to the global changes wherein optimization in production processes through digitisation and innovation and supply networks backed by an efficient market intelligence mechanism has become an imperative. **The Committee desires that the National Manufacturing Policy may be reoriented to promote smart manufacturing whereby zero emission, zero-incident, zero-defect manufacturing becomes the order of the day. The Committee recommends the Department to revisit the TADF framework to facilitate smooth induction of smarter industrial processes and sustainable practices in our manufacturing sector to make it smart and ready to enter the Fourth Industrial Revolution (Industry 4.0). The Committee desires that supportive policy regime to facilitate smooth transition by addressing the difficulties and hardships likely to arise on account of such transition alongwith simultaneous support for progressive adoption of digital technologies for transition to smart manufacturing may be worked out.**

6.8 The Committee also notes the National Manufacturing Policy scheme component 'Cost of Master Planning of NIMZ' was approved during the financial year 2014-15, however, only two NIMZs namely Prakasam in Andhra Pradesh and Medak in Telangana have been granted final approval on 6th October 2015 and 22nd January 2016 respectively and proposals for eight NIMZs have not yet been received. State Governments have been requested to initiate formation of Special Purpose Vehicle (SPV) in Prakasam in Andhra Pradesh and Medak in Telangana. The Department has further informed that one of the reasons for the delay in the formation of SPVs is the slow progress in acquisition of the entire land for these NIMZs.

6.9 **The Committee finds the progress in granting the approvals to Prakasam and Medak is quite tardy. However, it feels that the Government must intervene and engage the State Governments to send their proposals for the notified NIMZs in their respective jurisdictions. Timely establishment of NIMZs will help the country take advantage of its demographic dividend in an optimal manner. Further, it will also add to the momentum to create Industrial Corridors in the country.**

6.10 **The Committee is also of the view that web of Industrial Parks, Investment Parks, Special Economic Zones (SEZs), Mega Food Parks, National Investment and Manufacturing Zones (NIMZs), Industrial/Economic Corridors established/being established for dedicated**

promotion of industrial sector must function in close synergy for optimal growth of industries in the country and the various administrative Ministries/Departments and the State Governments acting as nodal agencies for development of these industrial parks and zones must work in close coordination for bringing about convergence of resources and creation of common pool of infrastructure under the supervision of a regulatory body. The Committee is of the considered opinion that creation of isolated infrastructure results in its sub-optimal utilisation and wastage of scarce resources. It is, therefore, important that a co-ordinated and syncretic framework may be developed for establishment of such regulatory or coordinating agency.

Make in India

6.11 The "Make in India" initiative was launched on 25th September, 2014 with aim to promote India as an important investment destination and a global hub for manufacturing, design and innovation in twenty-five focus sectors. The real objective of this strategy is to ease the investment caps and controls and to open up India's industrial sectors to global participation. **It is heartening to note that the 'Make in India' initiative does not target manufacturing sector alone, but also aims at promoting entrepreneurship in the country.**

Start-Up India

6.12 The 'Start-Up India' is a flagship initiative launched on 16th January, 2016 to build a strong eco-system for nurturing innovation and start ups in the country which will drive economic growth and generate large scale employment opportunities. The main aim of this initiative is to foster entrepreneurship and promoting innovation by creating an eco-system that is conducive for growth of Start ups.

6.13 **The Committee hopes that these schemes/programmes will create the necessary infrastructure for sustained industrial growth in the country. The Committee further hopes that the Make in India initiative does not turn out to be an import substitution programme in capital intensive sectors. The focus sectors must be promoted with economy of scale and innovation. It must act as the launch pad for global exports by infusing competitiveness and full support of IPR framework. The Committee hopes that the initiative will help India become part of global supply chain.**

MICRO, SMALL AND MEDIUM ENTERPRISES SECTOR

7.1 The Micro, Small and Medium Enterprises (MSME) sector has emerged as a vibrant and dynamic sector of the Indian economy over the last few decades. It is estimated that this sector contributes about 45 per cent of manufacturing output and 40 per cent of total exports of the country and employs about 69 million persons in over 29 million units throughout the country and is in a complementary relationship with large industries. There are over 6,000 products ranging from traditional to high-tech items manufactured by the MSMEs.

7.2 The Committee observes that the biggest challenge before the country is 'inclusive growth.' Inclusive growth can take place only if adequately-skilled jobs are created. The experience world-over has shown that at the present stage of development in our country, manufacturing sector is best placed to create these jobs. The jobs in the manufacturing sector can be created only if it grows at a healthy pace as it is the MSME sector which creates more jobs with less capital. The sector has huge potential for helping address structural problems like unemployment, regional imbalances, unequal distribution of national income and wealth across the country. Due to comparatively low capital costs and their forward-backward linkages with other sectors, MSMEs will play a crucial role in the success of the manufacturing sector. This shows how important the MSME sector is for achieving inclusive economic growth. However, the MSME Sector is riddled with many problems such as lack of access to finance and credit, technology, infrastructure, marketing and procurement, skill development, training and the institutional framework.

7.3 During the interaction with Banks, the Committee was informed that the major challenges faced by the MSME sector include high interest rates, the rising cost of raw materials, lack of proper marketing opportunities and non-availability of skilled labour, the demand compression and tough competition, both in domestic and foreign markets. In addition the shortage of working capital, quality of products, delay in payment by buyers are the other challenges being faced by the sector. Even though the Government has brought policy changes, the plight of MSMEs has not improved much.

7.4 There is no specific MSME policy in force as of now. However, Micro, Small and Medium Enterprises Development Act, 2006 is in operation that provides the policy as well as the promotional framework for MSMEs. The Act has also enabled setting up of National Board for MSMEs, Micro and Small Enterprise Facilitation Councils (MSEFCs) and enunciation of the Public Procurement Policy.

7.5 The Committee observes that one of the major challenges being faced by the MSME sector is inadequate access to finance. With the de-regulation of financial sector, the Banks and Financial Institutions have been shy in lending to MSME sector, as a result of which, there is dissatisfaction in this sector with regard to availability of finance from Banks/Financial Institutions and other sources. Therefore, MSME sector has to remain dependent on informal sources of funding at high cost which increases their cost of production and constrains their potential to increase productivity and employment. **The Committee expresses its anguish over the high-handedness of banks when it deals with the MSME Sector. The entrepreneurs are not given loan without a collateral despite RBI's guideline of collateral free loan of ₹ 10 lakh to MSME sector. Such a tendency is a big hindrance to optimal growth of industrial sector in the country.**

7.6 The Committee notes that flow of credit to the micro enterprises sector has increased in absolute terms, but the share of micro sector advances in MSE credit which was increasing steady for the three years 2007-08 onwards, declined to 44.6% in 2010-11 and further to 42.9% in 2011-12. The growth in credit to micro enterprises in 2011-12 particularly has been far from satisfactory.

7.7 Similarly, the micro enterprise accounts had shown a decline in growth in 2010-11, and registered a negative growth in 2011-12. The decline in the share of micro lending and also decline in micro enterprise accounts shows a shifting of focus from micro enterprise lending to relatively bigger enterprises within the MSE sector. **The Committee wish to underscore the fact that micro enterprises have special significance in view of the scope for wider dispersal of economic activities and large employment generation. They need to be given a greater thrust given their role in employment generation and inclusive growth.**

7.8 The Committee while examining the access of MSME sector to financial products found that the growth in MSE credit during 2011-12 in respect of Scheduled Commercial Banks (SCBs) has declined to 7.19% from 33.5% in the previous year. It notes that the RBI had advised the banks to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow, the allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages *viz.* 50% in the year 2010–11, 55% in the year 2011–12 and 60% in 2012–13 and achieve a 10 per cent annual growth in number of micro enterprise accounts.

7.9 It, however, finds that only 10 public sector banks (PSBs) out of 26 PSBs have achieved 20% growth in MSE advances in 2011-12 as per RBI guidelines. Also, only 6 PSBs have achieved the target of 55% share of micro sector with a majority of 20 banks falling short. The micro enterprise accounts have actually declined by 7.71% against the stipulated target of 10% growth with only 10 banks achieving the target.

7.10 On enquiring about the reasons behind banks/financial institutions' reluctance to extend financial assistance to MSMEs, the Department of Financial Services has informed that the major areas of concern of the banks/FIs are as follows:

Non-availability/non-submission of loan project related information on time by MSMEs to banks as per their requirements - this causes delay in credit sanctioning.

Many a times, balance-sheet are neither prepared nor audited.

Lack of financial literacy on the part of MSMEs.

Lack of transparency/good corporate governance among MSMEs.

Hesitation of MSMEs towards credit rating by external rating agencies.

7.11 **The Committee feels that credit is a crucial input for promoting growth of MSME Sector, particularly the MSE Sector, in view of its limited access to alternative sources of finance. Access to information, simplification of loan procedures and interest subvention for micro enterprises should be enabled for timely and affordable credit to MSMEs. To address the risk perception of banks, particularly for lending to MSEs, the Credit Guarantee Scheme needs to be strengthened, with enhanced budgetary support. There should be substantial increase in the number of MSEs covered under the Performance and Credit Rating Scheme which is a facilitating factor for easy access to credit with liberal terms. The Committee feels access to finance needs should be facilitated through alternative sources of capital such as private equity, venture capital and angel funds. Workshops should be conducted by Banks/FIs to address the lack of financial literacy amongst MSME Sector.**

7.12 **The Committee also recommends that the MSEs may be given financial assistance under MUDRA Yojana. The Committee feels that the MUDRA Yojana has not effectively served the MSME sector. Despite the provision of MUDRA card for MSME sector affiliated entrepreneurs whereby these affiliated entrepreneurs can get further credit of ₹ 20,000/- does not appear to have been issued in an optimal manner.**

7.13 The Committee during its study visit to Bhubaneswar was informed that as per the recommendation of report of the Task Force on MSME, 20% of the total advance should go to

MSME sectors out of which 60% should be for micro enterprises. The report also recommends that the banks should target 10% annual growth in number of accounts in Micro enterprises. But the target of 20% has not been achieved and the bankers are sanctioning finance for renewal cases. Very few new accounts are being financed as per the guideline. Commercial banks in general are not adhering to the letter and spirit of these guidelines. **The Committee is of considered opinion that suitable monitoring mechanism be devised and enforcement procedures be monitored by RBI on quarterly basis. RBI guidelines for MSME do not require collateral security for loans up to ₹10 lacs. The Committee feels that this limit may be increased to loans up to ₹25 lacs on the basis of track record and good financial status.**

7.14 The Banks have apprised the Committee about the rising incidence of NPA in MSME sector. The Committee is, however, aware of the fact that on account of sluggishness in exports due to slowdown of the global economy and constraint of cash flow, the realization of the bills by MSMEs are delayed and in this process the small industries become NPA on default of 90 days for payment of interest and principal. Hence even running units already suffering due to strained liquidity are further handicapped in the absence of finance by banks because of its NPA status. **The Committee recommends that whenever economic situation hardens, the existing criteria for NPA may be suspended and MSME units be declared NPA only on default of interest for a period of 180 days and default of principal for a period of 360 days. The present system of linking Credit Card default, with the existing commercial and industrial loan account at the Credit Information Bureau India Ltd. (CIBIL) level should also be relooked into. The Factoring Regulation Act, 2011 has not been able to optimally help the MSME sector in view of capital crunch arising on account of delayed payment to the MSME units. The Committee is of the considered opinion that credit insurance in the factoring business may be introduced and the loss arising due to submission of fake bills may be dealt on the lines of dishonor of cheque under Negotiable Instruments Act, 1981. Further, all banks should also offer factoring facility to MSME units.**

7.15 **There has been increasing demand for re-classification of enterprises. As per the current definition of MSMEs, any manufacturing enterprise having more than 10 crores investment in plant and machinery or any service enterprise having investment in equipment of more than 5 crores is classified as a large unit. Even though the new MSME Development Act was implemented in 2006, the old definition of MSMEs was retained. The Committee feels that this definition of enterprises is outdated in the current scenario and needs immediate revision. The definition prevents MSMEs from technological upgradation resulting in their inability to produce desired quality products, for fear of losing the MSME status. It is imperative to have a relook and possibly evolve a dynamic definition of MSME, which is indexed to the inflation and/or international best practices.**

7.16 The Committee is concerned over the fact that MSMEs at present face the burden of compliance cost of multiple labour and other related laws. Due to their limited material and human resources, hiring of services of different professionals by MSEs cost them dearer, thereby reducing their profit margins. **The Committee strongly feels that efforts need to be made to reduce the compliance burden on MSEs and rationalisation or simplification procedures in this kind of laws.** Further, visit of factory inspectors to the factory premises and to satisfy them for maintaining of statutory records/registers takes away a sizable portion of the owner's productive time. **The Committee is of the view that self certification could be a solution to this problem. It notes that Haryana Government has formulated 'Self Certification Scheme' for the factories, shops and commercial establishments in the State to liberalise the enforcement of labour laws. Even the Punjab Government has permitted self certification for returns filed in respect of some labour laws and the same has been appreciated by the entrepreneurs there. The Committee recommends the Government to engage other State Governments to adopt the self certification system.**

7.17 **Direct and indirect tax compliance is another gigantic exercise which every MSE has to come across each year. In addition to it, closure of any unviable business is another uphill task. Closure of any enterprise puts on him a burden of legal compliance under Company law, labour laws, direct taxes, excise and service tax, custom and DGFT related issues, VAT, Power and Utility related issues, Water Utility, Municipal matters, Creditors, Financial institutions etc. Exit policy or simplification of procedures must be formulated that could help the MSEs in easy exit.**

7.18 The procedure for registration of MSMEs at the District Industries Centre (DIC) is too complicated and time consuming. The MSME units have to wait for long period of time for getting Entrepreneurs Memorandum (EM)-I and EM-II numbers, without which they are unable to avail any of the government benefits. This cumbersome process has resulted into decline in the number of new MSMEs registrations. The registration procedure for the MSMEs therefore needs simplification.

7.19 **In the above backdrop, the Committee is of the considered opinion that following structural changes in existing Industrial Policy may be introduced especially to bring about optimal development of MSME sector:**

(a) ***Simplification of Procedure***

Currently, the system of registration as a SME unit to avail the benefits of the government schemes is cumbersome and time-consuming. The procedure of registration should therefore be simplified and made industry-friendly. To solve this problem, MSME Promotion Centres should be established in various States for facilitation of new startups, promotion of schemes, providing guidance etc. Such centres should be established at Chambers of Commerce, banks and other related institutions of every State.

(b) ***Rationalization of environmental norms***

(i) the provision of Environment Protection Act should be relaxed so as to make them reasonable.

(ii) the range of standard deviation which is used to determine environmental compliance should be increased.

(iii) Statistical compliance should qualify the environment protection without making norms unreasonably strict.

(iv) since January 2010, Ahmedabad, Ankleshwar and Vapi clusters have been declared as critically polluted areas. This has prevented the industries to go for

expansion or product change. The estates in these areas have incurred huge expenditure to the tune of ₹ 500 cores towards upgradation of their facilities and have been successful in significant reduction in pollution levels. However, due to the existing restriction the volume of exports in the bi-monthly period of April-May 2013 reduced by 11.78% *vis-à-vis* the corresponding bi-monthly period last year (2012). The environmental norms therefore need immediate revision so as to make them achievable. Similar problem is also evident in other traditional industrial towns and clusters and necessary steps may be immediately taken to address this problem.

(c) ***Patent Assistance***

Under the existing scheme, there is a limit of maximum 5 patents over a period of 5 years, and therefore the amount of ₹ 10 lakh is never utilized although the actual expenditure is more. The limit of number of patents should therefore be removed from the existing scheme.

(d) ***Market Development Support***

MSMEs should be financially supported for participating in domestic as well as international trade fairs.

(e) ***Implementation of existing sector-wise policies and introduction of new policies***

The manufacturing policy should not be restricted to focus on sub-sectors, but cover all industries engaged in production. The process should be expedited so that the policy can be implemented fully. Textile Policy could not be fully implemented due to non-issuance of certain notifications and procedural clarifications. Focused sector-wise policies are needed to be added in the Industrial Policy for the development of major sectors.

(f) ***Delayed payments to industries***

Small industries face a severe liquidity crunch due to delayed payments. Even reputed government departments flout the payment norms. The MSMEs cannot take action against such delayed payments as they risk losing future orders. At the same time, they cannot afford long litigation process. The financial proposals for MSMEs under any scheme should be sanctioned within 30 days of submission of application.

(g) ***Employment generation based incentives/schemes***

Incentive schemes promoting additional employment should be included in the Industrial Policy. Such scheme should provide some incentive/loan to companies.

(h) ***Skill development***

The new courses or revised ones for skill development should be jointly formulated in association with the regional industry association. The responsibility of management and operation of skill up-gradation centres should be vested with the regional industry association.

(i) ***Alignment of State and Central implementing Agencies***

There is a greater need for alignment and synchronization of various implementing agencies for the schemes for industrial sector. At large, industries have been making representations to Chambers for various issues which arise due to such non alignment.

(j) ***Cluster facilities for SMEs***

The cluster facilities are meant for SMEs which contribute towards the formation of these clusters as well as participate in the operation of the cluster. The Committee notes that SMEs today operate on very thin margins and as such capital expenditure required under such schemes is not forthcoming. Under such constraints more flexible approaches are required to be considered for raising industry contributions with a longer time-frame and even some built-in flexible mechanisms may be introduced for operation of the cluster. Industry's contribution for the clusters could be envisaged from appropriation of some usage charges being paid by the SMEs while using cluster facilities as this would gradually create the necessary industry corpus in the cluster as well as motivate the SME member to utilize the facility. Such type of flexible schemes could definitely be worked out. **The Committee feels that till the SMEs are in a position to make their share of contribution towards the clusters. Such clusters could be operated under the superintendence and control of the industry associations who act as intermediaries as well as have vast resources of knowledge, skills, experience through its diverse membership comprising large and small industrial enterprises. Such a role played by the industry associations would see effective and efficient operation of the clusters.**

On the capacity building of the MSME sector, schemes like "Lean Manufacturing Clusters" are really essential. In fact this is a very fundamental need of the sector and more and more SMEs need to be included in such schemes. However, sustainability of the techniques acquired by the units under these schemes is very important and to attain such sustainability, the duration and support for such schemes is required for an extended period. **The Committee is of the view that the Central Government's initiatives in this regard need to be supplemented and supported by the State Governments. Hence the Centre should ask the State Governments to promote such schemes.**

The Committee is of the view that though there are different schemes available for the capacity building of the SMEs, the experience in terms of utilization of such schemes has not been satisfactory. Awareness about such schemes is also poor because of clumsy documentation, procedural delays and inaction. It is suggested that the industrial policy should pay attention for making this documentation, approvals and implementation simpler and easier.

The Committee hopes that the initiatives like Make in India and Start Up India will help in the growth of MSME sector. There are 25 sectors identified under the Make in India initiative. MSME Sector is an important link in the supply chain and this strategy not only boosts the marketing of the products of MSME but also makes a quantum jump in quality and technology for MSMEs. The Committee welcomes the reservation of 'Make' projects upto ₹ 10 crore in defence procurements for MSMEs as mentioned in the recently announced Defence Procurement Procedure, 2016.

Similarly under Start Up India initiative, majority of Start-Ups are SMEs, which are deploying new technologies and introduce innovative products. The Committee is happy to note that MSMEs having innovative products with IPR licenses are encouraged with substantial financial support under Start-Up Scheme. Further, to stimulate the development of Start ups in India and provide the competitive platform, Start up initiatives are exempted from income-tax for a period of three years. The Committee hopes that these initiatives will give boost to the business environment for MSMEs.

(k) **The NIMZs/Industrial Corridor (ICs) must provide space/industrial estates for setting up of MSMEs along with the requisite infrastructure and provide opportunities for the healthy growth of ancillary industries associated with large industries. Commensurate with this, there is a need that the large industries in these NIMZs/ ICs need to undertake vendor development programmes to give a push to the growth of MSMEs that would cater to their needs.**

(l) The Committee notes that the Government of India has made it mandatory for all PSUs to procure 20% of their requirement from SMEs. Similarly, 30% requirement of FDI supported multi brand retail chains is to be procured from MSME Units. **The Committee feels that this provision should be extended to state PSUs as well as all non-MSME units as well as domestic multi brand retail chains. The minimum share of total purchases of central industries/departments/PSUs reserved for micro and small enterprises (MSEs) may be increased from 20% to 40% and a strong monitoring and compliance mechanism should be put in place. The Committee also recommends that procurement of 4% goods from SC/ST entrepreneurs in MSME sector must be scrupulously followed.**

(m) **The Committee is of the firm belief that without women participation, the industrial growth cannot be the platform of inclusive growth. The Committee notes that women entrepreneurs are quite few. It desires that women enterprise must be specially promoted. The Committee is happy to note that the Government has launched Stand Up India programme to promote entrepreneurship of SC/ST and women. The Committee recommends that proposed MSME policy must provide for an eco-system of incentives/assistance that gels with Stand Up India Scheme and women entrepreneurship is given a special focus.**

(n) The Committee also finds that there is no clear cut policy in place for according ancillary status to MSME units by Central PSUs. Number of units declared as ancillary is only handful. **The Government may look into this aspect and appropriate guidelines may be framed by Department of Public Enterprises in consultation with the Ministry of Micro, Medium and Small Enterprises to enable worthy MSME units to nurture as ancillary units of Central PSUs.**

(o) One of the reasons for this lopsided structure of MSME sector is that on one end of the MSME spectrum there exists highly innovative and high growth enterprises while on the other end more than 93% of MSMEs are unregistered with a large number established in the informal or unorganised sector. **The Committee strongly feels that this situation is not good for a healthy industrial growth. It is important that the unorganised sector**

is brought into the fold of formal business framework. The registration process may be made simple and MUDRA Yojana may be effectively utilised for bringing in such MSMEs into the fold of formal running of the establishment. This shift will ensure extension of social security benefits to the workers working in the unorganised sector. Further, these units also need to be initiated in new technology and taught the processes of value addition so that they can become competitive and earn better.

(p) During an interaction with the weavers, artisans and handicraftsmen at Varanasi, the Committee was informed about the fluctuation in price of raw material which eats away their competitiveness and profitability. **The Committee recommends the National Small Industries Corporation (NSIC) to facilitate availability of raw material to the craftsmen and weavers. The stable supply at genuine price will go a long way in saving the traditional craft which also is a big source of foreign exchange earnings through exports.**

The Committee finds that the traditional industries have been left out of the benign effect of technology. Further, the benefit of design and market inputs of global demand are not being extended to craftsmen. **The Committee desires that gaps must be bridged and necessary steps are taken by the Government in this regard.**

(q) **Since MSME units individually are not in a position to develop its own brand and promote, support may be extended to those MSME units which adhere to quantity and quality parameters laid down by the NSIC. This will help in marketing specially consumer product by MSMEs and also encourage the other MSME units to appreciate the value of quality and join the quality production process. NSIC should develop brands of different products to be exclusively procured from MSME units.**

(r) **The Committee feels that manufacturing companies, more so MSME, may be encouraged to engage into digital marketing. The Committee is of the view that with the large-scale spread of social media and Government's launching of Digital India, the industries must take the benefit of this media and such instrumentalities like AADHAAR, e-payment, IVR and text messages to reach large customer base. The Committee recommends the Department to promote digital marketing of products and put in place necessary framework to fully protect such transactions and also incentivise such transactions/marketing for its wider penetration.**

LABOUR AND INDUSTRIAL GROWTH

8.1 Global forces have impacted all aspects of the Indian economy ever since the economy was liberalised. Labour has been no exception. The situation is compounded by the global economic crisis that has affected world economy. The shrinking of global demand due to a variety of factors has increased the pressures on the economy, leading to attempts by the developed countries to meet competition from emerging economies using non-tariff barriers and demand for cost reduction from Indian industry to compete with less expensive producers. The Committee notes that increased unemployment especially among the young, decrease in quality of employment marked by increased involuntary part-time and temporary unemployment, increase in informal employment and widening of income inequalities as some of the results of the increased globalization of world economy.

8.2 There is an urgent need to focus attention on our demographic dividend, relook into the hire and fire policy, establishment of mechanisms for resolving employment disputes and job security policies and evolution of a special policy for female workers. **The Committee believes that a shift from austerity policies to sustainable growth through active employment policies, job stimulus and investment measures should be given a serious thought. Peaceful and harmonious labour relations have a significant role in the industrial growth. If there is industrial unrest and an atmosphere of distrust between labour and employers, it is certain that both production and productivity will suffer.**

Labour Laws and their impact on Industry

8.3 The labour laws of independent India derive their origin from the provisions of the Constitution of India and the International Conventions and Recommendations. Our labour laws have also been significantly influenced by the deliberations of the various Sessions of the Indian Labour Conference and the International Labour Conference. Labour legislations have also been shaped and influenced by the recommendations of the various National Commissions and Committees both of which are tripartite in nature. In addition to these, there have been a number of judicial pronouncements on labour laws which have shaped our Labour Policy.

8.4 The subject of 'Labour' figures in the Concurrent List incorporated in the Constitution. Thus, both the Centre and the States can legislate in this area leading to differing labour scenarios in different States. There are 44 labour related statutes enacted by the Central Government dealing with minimum wages, accidental and health benefits, social security, maternity benefits, conditions of employment, dismissal, disciplinary action, formation of trade unions, industrial relations, etc. These laws aim at harmonising the interests and welfare of workers with industrial peace and growth. The laws are implemented by State implementation machineries under their respective jurisdiction. *The labour laws have often been flagged as the major reason for jobless growth in the country.*

Laws related to Industrial Relations

8.5 There are three major Acts relating to industrial relations, safety and working conditions:

(i) Industrial Dispute Act, 1947 (threshold for compensation—50);

(ii) Trade Union Act, 1926 (threshold – 7); and

(iii) Factories Act, 1948 (threshold – 10)

8.6 The major laws related to payment of wages are:

(a) The Payment of Wages Act, 1936

(b) The Minimum Wages Act, 1948

(c) Payment of Bonus Act, 1965

(d) The Equal Remuneration Act, 1976

8.7 **The Committee observes that labour reforms are among the most significant pieces of unfinished business from India's first generation of reforms. A harmonious relationship**

between industry and labour is one of the critical factors for catalyzing productivity and economic growth. The Committee strongly feels labour reforms should be both in the interest of the labour and the industry. There is an urgent need for reduction and simplification of the plethora of laws existing in the labour sector. Fewer laws would mean better monitoring, easy compliance and benefit to both industries and workers.

8.8 The Committee feels the following facts should be considered while examining the impact of Indian labour laws on industry:-

(a) Of the Indian workforce 94% is in the informal sector. This means that our legislative framework is applicable only to 6% of our workers;

(b) All the labour legislations have threshold limits. The limit for retrenchment compensation procedure under I.D. Act, 1947 is 50 workers. Similarly, Factories Act is applicable to 10 or more workers. The ESIC Act is applicable to 10 or more workers. The Provident Fund Act is applicable to 20 or more workers. In effect, a large part of the MSME sector is beyond the ambit of labour legislation;

(c) Social protection measures in India do not compare favourably in an international context; and

(d) Labour issues are being used as protectionist measures by the developed countries.

8.9 **The Committee notes that globally efforts are being made to connect labour standards with trade and industry to negate the comparative advantage of low labour costs of developing countries including India. It is understood that India has so far has been resisting any attempt to link labour standards and trade. However, these trends should be watched cautiously and ensure that labour standards do not become impediments in trade. The Committee observes that in the changing economic scenario of global supply chains, labour market too is fast becoming a global entity. There is a need to carefully analyse the impact of global changes in the field of labour and their impact on our industry. Already all the proposed international free trade agreements are incorporating labour clauses in them. Lest these issues become non-tariff barriers, the Committee feels that there is a need to ensure that we provide decent work to our labour, provide them with formal jobs and basic minimum social protection floor and ratify ILO Conventions. For this it needs to be ensured that industry and labour are in partnership rather than working at cross purposes.**

8.10 **The Committee is also of the considered view that any labour reform can be successful if the component of retraining and rehabilitation of retrenched employees is strengthened inasmuch as to be effective and purposeful in letter and spirit. The Committee is aware that Ministry of Labour and Employment runs a number of schemes for skill development, under which retrenched workers of the closed and sick units may also get trained. However, the quality of these programmes leaves much to be desired. The Committee recommends for a revisit to the exisiting framework of retraining and rehabilitation and also desires that retraining and rehabilitation may be made an integral part of any rehabilitation package being approved under the Sick Industrial Companies (Special Provisions) Act, 1985.**

8.11 The Committee is further alive to the fact that without an efficacious social security eco-system, the industrial framework will not be able to deliver the optimal results. The extant laws extending social security net to the workers include the Employees' Provident Fund & Miscellaneous Provision Act, 1952, the Employees' State Insurance Act, 1948, the Employees' Compensation Act, 1923, the Payment of Gratuity Act, 1972 and the Maternity Benefit Act, 1961. The problem with the existing set of social security laws is that they are not able to significantly benefit the workers in unorganised sector which in fact has a share of 94 per cent of country's total workforce. The schemes under these laws suffer from lack of appropriate planning, inappropriate coverage, the number of employees and wage ceilings for their operation, type of establishment, etc. **The Committee is of the considered opinion that social security legislations may be amended and simplified to enable the employers become active stakeholders and subscribers of social security programmes for their workers. It is important that maternity benefits as available in Government sector are also made available to women workers in private sector. The Committee also strongly feels that initiatives taken by the Government in the form of Make in India programme, Start Up India Scheme, Stand Up India, setting up of Industrial Corridors & National Investment and Manufacturing Zones, ease of doing business will result not only in better employment opportunities but would also cause migration of workers from one industry to another for better career avenues. It is important that necessary reforms in gratuity benefits may also be carried out so that the workers can easily change their job as per their skill and their demands. Portability of gratuity benefits will also help in incentivising workers for continuous skilling and updation and ultimately help the country become the power house of skilled workforce resulting in setting up of more industries and flow of investments in the country.**

EMPLOYMENT AND SKILL DEVELOPMENT

9.1 In view of the various policy initiatives and economic reforms India is progressing as one of the fastest growing economies in the world. The country has given special focus on advancement of skills that are pertinent to the emerging economic environment.

9.2 Skill development is an integral part of all the economic growth strategies to spur employability and productivity. The various policy measures namely Industrial Corridors, Start Up India, Make in India, Universal Health Insurance, Universal Education System and focus on R&D as well as innovation has opened up scope for new skill sets for the success of these initiatives. Industry is an important stakeholder in the skilling space and has a crucial role in paving the way forward for creating ample skilled workforce.

9.3 The Committee notes that India finds itself well-equipped demographically where the young population is expected to increase over the next two decades while it will fall in industrialised countries as well as in China. Further, the advanced economies' share in global GDP is projected to shrink from 65 in 2011 to 51 per cent in 2025 and China's growth expected to slow down, India has the potential to become the third largest economy in the world in next two decades. The Committee feels to exploit this dividend and meet the growing aspirations of those entering the labour force. India's economy needs to create enough "good jobs"—jobs that are safe and pay well, and encourage firms and workers to improve skills and productivity. The demographic dividend would be able to contribute to the industrial growth if adequate and skills-specific training systems are in place particularly targeting the minimally educated workforce. Modernising labour regulations, improving skills availability and industrial relations should be prioritised.

9.4 However, India's challenge is immense. 54% of India's population is below 25 years of age and over 62% of the population is the working-age group. Over 109 million incremental human resources will be required in India alone, across 24 key sectors by the year 2022. Yet, only 4.69% of the Indian population has undergone formal skills training. The lack of coordinated action dedicated to addressing the above challenges, has left India far behind, jeopardizing India's advantage of demographic dividend into a demographic nightmare. India has significant skill gaps both in terms of quantity and quality. About 80% of the workforce in rural and urban areas does not possess any identifiable marketable skills.

9.5 The Committee notes that till November 2014, India's skilling ecosystem was highly fragmented. 21 Central Government Ministries and departments were implementing over 50 skill training programmes, operating in silos. Conflicting norms between schemes, poor monitoring mechanisms, varying assessment and certification systems and the absence of a coherent vision of success, limited the effectiveness of these initiatives.

9.6 Further, the Government vocational training ecosystem, led by the Director General of Training (DGT) under the Ministry of Labour was entirely divorced from the private skill training ecosystem created by the National Skill Development Corporation (NSDC). Entrepreneurship and vocational training were separated from each other. There is an urgent need for skill training and entrepreneurship and bring about coordination and coherence within this fractured ecosystem.

9.7 The Committee is happy to note that a new Ministry of Skill Development and Entrepreneurship (MSDE) has been established in November, 2016 to overcome these challenges. With the bulk of skill training and entrepreneurship efforts now firmly under its ambit, MSDE made four crucial policy interventions, focussed on articulating an overarching vision for skill development in India, and ensure coordination, coherence and consistency of all skill training efforts across the country. These are (i) National Policy for Skill Development and Entrepreneurship, 2015 created to rejuvenate India's skill ecosystem; (ii) National Skill Development Mission launched in July, 2015 to coordinate and scale up skilling efforts; (iii) Common Norms for skill development schemes across India notified to ensure standardization; and (iv) Operationalisation of National Skill Qualification Framework (NSQF) by December, 2016.

9.8 It is of prime importance that industry connect for skilling must be improved. The Committee is pleased to learn that in order to improve the industrial skill requirement the number of industry led Sector Skill Councils (SSCs) has increased from 29 to 40 during last two years. This initiative has ensured better quality of training and enhanced the employment potential of trainees. The industry led standards defined by SSCs were increased from 2054 National Occupational Standards (NOSs) in May 2014, to 4419 unique NOSs till date. The industry approved standards have been defined for a total of 1661 job roles to date, as compared to 663 as on May, 2014. Further, in order to enhance industry participation in skill development, MSDE organised the first National Industry Conclave on 12 January, 2016 in Mumbai. Over 350 leading corporate houses and public sector companies attended the event. Since the launch, various organisations have committed to setting up Corporate Skilling Centres in sectors as diverse as construction, concrete mixing industry, mining, steel, hydrocarbons, paints and coatings, electronics etc. in various parts of the countries.

9.9 To capitalize on this demographic advantage and to poise India as “the skilled manpower hub” for catering global markets, benchmarking of qualifications and recognition of certifications are some of the key enablers. The Committee notes that NSDA has initiated collaboration with various international agencies namely, India-EU Skills Development Project, ADB, CNCP in France, BIBB in Germany.

9.10 Though MSDE continues to work towards capacity creation, ensuring quality training, facilitating industry linkages and coordinating the functions of institutions under them, yet, at the same time there exists plethora of challenges which need to be addressed adequately.

9.11 One of the major challenges in the country today is public perception on skilling specifically on vocational education/training, which is viewed as the last option meant for those who have not been able to progress or have opted out of the formal academic system. Different States in India also face varied challenges in relation to demographics and skill development. There needs to be a shared sense of urgency to address the challenges of the changing demography. While State Skill Development Missions (SSDMs) have been launched in almost all States (23 States), there is an imminent need for capacity building and empowerment of SSDMs in many States in order to upscale quality skill development.

9.12 Other big challenge of skill development in our country is that 93% of the workforce is in informal/unorganized sector. Consequently it is difficult to map existing skills in the unorganized sector and gauge the skilling requirement in the sector. On the other hand, the rate of job growth in informal sector is estimated to be twice that of formal sector.

9.13 **The Committee is of the considered opinion that the above stated challenges needs to be overcome in an optimal manner. Also, since there is a huge magnitude of people who need to be skilled as a study by National Skill Development Council (NSDC) indicated that a net requirement of about 12 crore skilled manpower will arise in 24 key sectors by 2022. Accordingly, diverse nature of skill sets need to be disseminated across the geography of country depending on local industrial demand which further makes need to have location specific strategies for skilling. The Committee feels that the focus of vocational training offered in India is badly mismatched with the needs of workers and recommends proper alignment of skill development programme to the needs of the workforce**. **The Committee observes that the infrastructure in most skill training centres is of poor quality and not upgraded which has led to wide gap between what the industry desires and the skill training. The trainers who impart the skill training are not up-to-date with the skills required by the industry and hence the outcome of training is not as per desired quality. As such, students who complete these courses also do not find ready employment in the Industry.**

9.14 **The Committee wish to emphasise that skilling is not mere academic certificates/ diplomas/ degrees pertaining to some vocation. It is creation of an asset in a human being. Its a value that makes him capable to become and remain productive in his life. The Committee desires that the Government undertakes its skilling programme with this motto.**

To ensure that a person becomes and remains productive, skilling must be a continuous process. Mere awarding of a Certificate of Skill in a trade will not serve the purpose. It's important that the workforce is continually skilled in the ever changing technological environment and demands of the industry. The Committee understands that as many Ministries and Departments are involved in skill training and enhancement, it is imperative to take coordinated efforts in order to make India the Skill Capital of World.

INDUSTRIAL INFRASTRUCTURE

10.1 A significant part of the supportive framework to enable manufacturing to expand rapidly in line with both domestic and overseas demand is the rolling out of adequate physical infrastructure support including electric power, railways, roads and ports.

Industrial Corridors

10.2 Industrial/Economic Corridors have been envisaged to create a strong economic base with globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance foreign investments and attain sustainable development.

10.3 Industrial corridors will be beneficial for every sector of the economy and ensure regional development and check migration of people to urban centers since industrial townships/smart cities with world-class infrastructure will come up within the industrial corridors. The opening of industrial corridors would directly enlarge scope of road sector in country. It will also enhance opportunities for steel, cement sectors directly and job opportunities in ancillary industries and lending by banks to these sectors. The corridors will provide easy access for raw material and faster delivery of finished goods to the desired destinations across the country.

10.4 The Committee notes that at present the Government of India has identified five industrial corridors in the country. These are:

(i) Delhi-Mumbai Industrial Corridor

(ii) Amritsar-Kolkata Industrial Corridor

(iii) Visakhapatnam-Chennai Industrial Corridor

(iv) Bengaluru-Mumbai Economic Corridor

(v) Chennai-Bengaluru Industrial Corridor

(i) Delhi-Mumbai Industrial Corridor

10.4.1 Delhi Mumbai Industrial Corridor (DMIC) project is a flagship programme of Government of India with the aim to create futuristic industrial cities by leveraging the high speed, high capacity backbone rail connectivity provided by the Western Dedicated Freight Corridor (WDFC) to reduce logistic costs in an enabling policy framework.

10.4.2 The DMIC project was launched in pursuance of an MoU signed between the Government of India and the Government of Japan in December, 2006. DMIC Development Corporation (DMICDC) incorporated in 2008, is the implementing agency for the project. DMICDC has been registered as a company with 49% equity of Government of India, 26% equity of the JBIC and the remaining held by Government financial institutions. The Government of India approved the financial and institutional structure and financial assistance for the development of industrial cities in DMIC in September, 2011. The financial assistance will be in the form of grant of ₹ 17,500 crore over five years for the development of industrial cities @ ₹ 2500 crore per city on an average subject to a ceiling of ₹ 3000 crore per city. The Japanese Government had also announced financial support for DMIC project to an extent of US$ 4.5 billion in the first phase for the projects with Japanese participation involving cutting edge technology. These cities which will come up in the six States of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra, seek to create a strong economic base with a globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance investments and attain sustainable development. Apart from physical master planning, detailed digital master planning is being undertaken to dovetail the physical master plan with the Information and Communication Technology (ICT) master plans. The whole objective is to monitor and control the entire city from one command and control centre.

10.4.3 The development of world class industrial cities will be implemented by a Special Purpose Vehicle (SPV) to be set up as a joint venture (50-50) company between the Central Government and the respective State Governments. The State Government will be contributing the land as their equity to the project/ node level SPV while the contribution of Government of India will be in the form of funding for developing trunk infrastructure. The powers of planning and development will be delegated by the State Government to the node/city level SPV to ring fence the SPVs from various risks.

10.4.4 Initially 8 nodes/cities in the six DMIC States have been taken up for development. These nodes/cities/Investment Regions along the Delhi-Mumbai Industrial Corridor (DMIC) project have been announced as NIMZs. These are:

(a) Ahmedabad-Dholera Investment Region, Gujarat

(b) Shendra-Bidkin Industrial Park city near Aurangabad, Maharashtra

(c) Manesar-Bawal Investment Region, Haryana

(d) Khushkhera-Bhiwadi-Neemrana Investment Region, Rajasthan

(e) Pithampur-Dhar-Mhow Investment Region, Madhya Pradesh

(f) Dadri-Noida-Ghaziabad Investment Region, Uttar Pradesh

(g) Dighi Port Industrial Area, Maharashtra ; and

(h) Jodhpur-Pali-Marwar Region in Rajasthan.

10.4.5 The development of industrial cities with world class infrastructure would involve/attract an estimated investment of around US$ 90-100 billion. It is envisaged that the developments under the project will offer employment opportunities for three million people with over 67% in the manufacturing/processing industry besides upgrading and developing their skills thus making them partners in the growth process.

10.4.6 As per the institutional and financial structure approved by the GoI for DMIC Project, the development of world class industrial cities will be implemented by a Special Purpose Vehicle (SPV) to be set up as a joint venture (50-50 or 49-51) company between the Central Government and the respective State Governments. The State Government will be contributing the land as their equity to the project/ node level SPV while the contribution of GoI will be in the form of funding for developing trunk infrastructure.

10.4.7 The Committee notes that Shareholders' Agreement (SHA) has been executed with the State Government of Madhya Pradesh, Uttar Pradesh, Maharashtra and Gujarat. Accordingly, SPVs for the Integrated Industrial Township Project at Greater Noida, Uttar Pradesh; Ahmedabad-Dholera Special Investment Region in Gujarat, Vikram Udyogpuri near Ujjain in Madhya Pradesh and Phase-I of Shendra-Bidkin Industrial Park in Maharashtra have been incorporated. Land has been transferred to the SPVs by the concerned State Governments and matching equity has been released by DMIC Trust to the SPVs. Master Planning, Environment Clearance and legal framework, authorizing power to SPVs have been completed. Digital master planning/ Information and Communication Technology Master Planning work is completed for almost all the projects. Work on Trunk Infrastructure packages which includes Common Effluent Treatment Plant (CETP), Administrative Business Centre (ABC), Water Treatment Plant (WTP), Sewage Treatment Plant (STP) and Roads and Services is being awarded.

10.4.8 In order to meet the requirements of the industries there would be need of skilled people in these areas in line with the industries that may come up. The likely focus industries in these regions are Heavy Engineering, Auto & Ancillaries, General manufacturing, Pharma & Bio-tech, Electronics Industries, IT & ITES, Agro, Food processing, Computer, electronic & optical products, Aerospace, Rubbers & Plastic, Fabricated metal products, R&D, ICT, IT & ITES, Electronics Industries, Fabrications (semiconductors), Nanotechnology & Optoelectronics etc. **The Committee is happy to note that as part of detailed assessment undertaken, the total project will provide employment to approximately 1,64,000 persons directly generated from industrial and ancillary activities at Shendra and Bidkin. The Committee recommends that the Department engages the Ministry of Skill Development and Entrepreneurship to ensure that adequate skilled workforce is ready to cater to the job opportunities likely to arise in these areas.**

10.4.9 The Committee finds that land will start getting allotted from September, 2016 in the Shendra node of Shendra-Bidkin Industrial Park. The Committee notes that 49 per cent of total land is available for industries in Shendra node while an area of 43.1 per cent has been earmarked for industries in Bidkin node. The Committee learns that master planning of Shendra-Bidkin industrial node has been completed and the SPV for this node has put up the information on its website regarding the various types of plots available for anchor investors and other investors including the information about the various clearances available for these land plots. **The Committee is of the view that the land plots in the node may be earmarked industry-wise so that there remain no possibility of a mismatch of industries with the land requirement and the desired progress of the industrial node may be attained optimally. The Committee also hopes that the proposed International Convention Centre at Shendra will also be completed on priority since there is no exhibition hall worth name in the State of Maharashtra.**

10.4.10 The Committee was informed that Shendra-Bidkin industrial area and Dighi Port Industrial area were planned to be developed simultaneously in DMIC. However, Dighi Port Industrial Area has fallen behind only because of non-acquisition of land in this area due to interplay of factors like heavy concentration of farmers in this area, vested interests acting against land acquisition and reluctance of private parties to give up the Government land which was given to them earlier for various activities. **The Committee notes that this problem could have been overcome had land zoning been in place. It is of the considered opinion that land zoning for various development purposes and digitization of Government land records must be undertaken on priority as it will help to ease out lot of issues in infrastructure development. The Committee further feels that the regional development plan may be revised in view of the infrastructural priorities and initiatives of the State and Central Government.**

10.4.11 The Committee notes that Dighi is a part of DMIC which is being built on the back of Western Dedicated Freight Corridor (WDFC) but the WDFC stops at Panvel while Dighi is at Roha. **The Committee is of the view that the DFC may be extended up to Roha. In case it is not possible, then, double railway line connecting Panvel to Roha may be built. This would help in creating effective logistic infra for cargo distribution in Maharashtra apart from smooth evacuation from the port.**

10.4.12 The Committee notes that only where the land was made available by the State Government, the projects could move forward after completion of Master Planning, Preliminary Engineering and other project development activities. The Committee also notes that there are challenges in land acquisition/pooling/procurement as State level processes/rules have not yet been finalised under Land Acquisition Rehabilitation and Resettlement (LARR) (Amendment) Act, 2013; lack of adequate financial resources with the State Governments. Further hurdles have been noticed in the process of grant of approval on Institutional Structure like enactment of Special Investment Act in each of the States and also execution of Shareholder's Agreement and State Support Agreement. The experience in this regard has been that the State Governments are quite slow in bringing about the necessary institutional structure to facilitate the establishment of the Industrial corridors. **The Committee is of the considered opinion that the State Governments may be engaged on this issue with desired urgency.**

(ii) Amritsar-Kolkata Industrial Corridor

10.4.13 The Committee notes that the Perspective Plan for the Amritsar-Kolkata Industrial Corridor (AKIC) is being prepared. Once the industrial nodes/Integrated Manufacturing Clusters (IMC) on the AKIC are identified, Master Plan for these nodes would be prepared. The influence area of the AKIC will fall in seven States. It is being developed roughly in an area of 50 km of either side of the EDFC. One IMC is proposed in every State to begin with which will increase in course of time.

10.4.14 The Committee is of the view that Amritsar-Kolkata Industrial Corridor (AKIC) would prove to be the engine of growth for the region. This corridor will help Punjab emerge as the gateway to not only Pakistan but also the Central Asian market. The industrial corridor and the dedicated freight corridor would give boost to new age industry like food processing and floriculture unlike traditional industries where the growth potential is quite limited. The industrial corridor would also bring in financial investments in MSMEs and other industries. The coming in of anchor investors or mega anchor project would help in development of ancillary industries. **In the interactions held with Business Chambers and Industry Association during the**

Committee's study visit in Punjab, requests were made to work out the dedicated freight corridors in such a fashion that the Punjab region gets a smooth access to Western Coast ports. The Committee recommends the Government to look into this aspect with all seriousness.

10.4.15 The Committee hopes that the industrial corridor would give boost to industrial activity in Amritsar, which being a border town and the sufferer of militancy in the past has not seen much industrial activity. The employment potential entailed in the industrial corridor would help in mitigating substance abuse and militancy among youth in this border town. The infrastructural boost on account of the industrial corridor and the dedicated freight corridor would attract the NRIs from Punjab who already have a special connect with this holy city to invest here. This would give further spurt to tourism in Amritsar.

10.4.16 The industrial corridors need an effective logistics ecosystem for smooth transportation of raw materials and other inputs to and within the corridor as well as timely evacuation of manufactures/services of the units. The Committee notes that Delhi-Mumbai Industrial Corridor Development Corporation has identified two locations for establishment of Multi Modal Logistic Park on Delhi-Mumbai Industrial Corridor. One was at Rewari in Haryana over an area of 1200 acres and the other at Dadri in Uttar Pradesh. However, Rewari has now been denotified while the State Government has acquired 50 per cent of the land for the setting up of the Multi Modal Logistic Park. It was also informed Sanand in Gujarat has also been identified for setting up a Multi Modal Logistic Park which would help in easy evacuation of goods and services. The Committee learnt that the cost of land and the provision of trunk infrastructure for setting up Multi Modal Logistic Parks are being shared on 50-50 per cent basis between the State Governments and the Delhi - Mumbai Industrial Corridor Development Corporation.

10.4.17 Enquiring about the preparedness as regards related infrastructural capacity like logistic hubs for smooth evacuation of manufactured goods of the industrial units to be set up in the Punjab State of Amritsar-Kolkata Industrial Corridor, the Committee was informed that there was no capacity constraint in the logistic sector. The Committee, however, noticed that the existing Multi Modal Logistic Hubs at Ludhiana were operating at 50 per cent of the capacity. The main reason behind sub-optimal operation was ascribed to stagnant cargo output at Ludhiana which has been generating a cargo of 20,000 TEUs per month during the last five years. Another reason for sub-optimal capacity utilization is higher railways freight rates in comparison to road transport. **The Committee hopes that once the Amritsar-Kolkata Industrial Corridor becomes operational the problem of sub-optimal capacity utilization of the Multi Modal Logistic Hubs at Ludhiana will be addressed. The Committee is also of the considered view that the present capacity of logistic hubs will not be adequate to the demands likely to arise after the opeartionalisation of the Industrial Corridor in the State. It, therefore, recommends that the Department engage the Dedicated Freight Corridor Corporation of India Limited (DFCCIL) and Ministry of Railways to ensure that adequate capacity for Multi Modal Logistic Hub is created to cater to the needs of the industry.**

10.4.18 The Committee is concerned over the rise in rail freight which has increased by 29 per cent during last five years. The Committee notes that the increase in freight rates has correspondingly resulted in decrease by 14 per cent in rail transportation, particularly in case of short distance volumes. The rail transportation also suffers from poor speed and there is usually a delay in travel time especially during winter due to foggy conditions. **The Committee is of the considered opinion that the rail freight rates need to be made rational. Private train container operators need to be given incentives/concessions for its robust growth. Further, the DFCCIL may allow the private train container operators to operate trains on the dedicated freight corridors for optimal utilisation of the dedicated corridors.**

10.4.19 **The Committee notes that the pace of widening of the National Highways and State Highways have not kept pace with the cargo movement on the roads. It is of the opinion that the National Highways and State Highways may be optimally widened, especially, in the sections where frequent traffic congestion is evident.**

10.4.20 As regards a query on the effectiveness of the External Commercial Borrowing (ECB) norms in facilitating funds for infrastructure purposes, it was informed that the ECB norms were meant for infra equipments funding. These norms were not adequate to help arrangement of funds for infrastructure projects likely to come up on PPP basis in industrial corridors. The Committee was also informed that Dedicated Freight Corridor Corporation India Limited (DFCCIL) has not shared the alignments of Dedicated Freight Corridors with logistic players which have prevented them to plan out the finance and other logistics for setting up Multi Modal Logistic Hubs. **The Committee recommends that information regarding rail alignments may be shared with the logistic companies so that optimal logistic infrastructure may be created in time.**

10.4.21 The Committee is convinced that AKIC will give boost to Indo-Pak trade in the region through Integrated Check Post (ICP) at Attari. However, the present discrimination in terms of items eligible for trade from Attari (Wagah) land border has become a major concern. The Committee notes that with Pakistan's switching over to a negative list regime for trade with India, over 6800 items have been opened for import from India and 1209 items have been put in the negative list. However, despite a large number of items in negative list only 137 products can be traded through Attari land border crossing. **The Committee recommends the Department to engage Ministry of External Affairs and Department of Commerce to ensure that this restriction of exporting 137 products through Attari land border may be lifted and all the items open for export to Pakistan may be allowed through this point too. The Committee is also of the considered opinion that in order to take full benefit of Indo-Pak trade, the Eastern Dedicated Freight Corridor which at per the present plan terminates at Ludhiana may be extended up to Amritsar and then further up to Attari border. It is convinced that the demands of traffic will increase with the commissioning of the AKIC and extension of the negative list to Attari border for cross border trade would result in manifold increase in the traffic volume. The Committee is of the view that long term infrastructure decision must take into account the local aspirations and demands. Instead of waiting for the optimal demand to arise in future and then take up extension of the Dedicated Freight Corridor to Amritsar, it would be prudent that the freight corridor may be extended till Amritsar. More so, the fact that Amritsar area (Majha area) had been affected with militancy, the Government should give more attention towards economic development of such areas. The Committee observes that border points at Hussainiwala in Firozpur and Sadqi in Fazilka may also be opened to give boost to Indo-Pak trade.**

10.4.22 The Committee notes that the Eastern Dedicated Freight Corridor (EDFC) and the Western Dedicated Freight Corridor (WDFC) is meeting at Khurja in Uttar Pradesh. A common line is running from Khurja to Ludhiana which would help the Punjab industry connect to Mumbai and other ports connected to Delhi-Mumbai Industrial Corridor. The Committee also finds that a railway link from Makhu to Patti running through western Punjab and Rajasthan for a distance of 25 km which would help shorten the distance to ports like Mumbai and Kandla on Western Coast by a distance of 240 km, thereby, helping in quicker evacuation and delivery of goods manufactured/ produced in Punjab. **The Committee strongly feels that the rail link between Makhu and Patti must also be constructed to provide optimal transportation solution to the industries in the State. The Committee hopes for an early execution of this rail line since the survey of the line has already been completed. The Committee is further of the view that the AKIC will not only open opportunities to access the markets of Pakistan and Central Asia but also to the markets of East Asia and ASEAN countries. It recommends the Department to engage all the stakeholders towards this goal and furnish a blue-print to the Committee in this regard within three months of the presentation of this Report to the Parliament.**

10.4.23 The industrial corridor is conceived on a very large parcel of land. The Committee notes that land in Punjab is scarce and expensive and people at large are not willing to part with their lands. The Committee is happy to note that in the backdrop of this problem, the Delhi-Mumbai Industrial Development Corporation (DMICDC) has decided to reduce the area from 50 sq. km. required for setting up Industrial Manufacturing Cluster to 10 sq. km. for the State of Punjab. The Committee learnt that the State Government of Punjab has identified Rajpura near Patiala for establishment of the Industrial Manufacturing Cluster on the AKIC. The State Government has acquired 200 acres of land through purchase for the purpose. The State Government also highlighted the conflict between the acquiring land at prohibitive cost and making them available to industry at affordable rates in order to make the setting up the industries economically viable. It has been submitted that there is a need to acquire land on a large scale for the proposed industrial corridor but there is a limit to the funds available with the State Government for land acquisition. It was suggested that funding from the Government of India / multilateral agencies may be extended to the State Government as grants or low-interest loan so that it does not face difficulty in land acquisition. **The Committee feels that an institutional mechanism for long term funding to the States for land acquisition for industrial corridors may be explored. The Committee also feels that surplus land available with Public Sector Undertakings (PSUs) may also be released for the purpose of industrial corridor. This will serve twin purpose- one it will make more land available for both public and private projects and also result in price rationalisation of land market, and, secondly, monetisation of surplus land of PSUs through auction will make those PSUs richer with more funds that may be used by them in furtherance of their business interest. The Committee desires that the Department engage Department of Public Enterprises on the matter.**

10.4.24 During its study visit, the Committee was informed that UPSIDC has identified Bhaupur as one of the Integrated Manufacturing Clusters (IMCs) in Uttar Pradesh and West Bengal has identified Raghunathpur as an IMC in AKIC. The Master Plans for IMCs in West Bengal, Uttarakhand and Punjab is to be taken up shortly**. The Committee desires that the Master Plans for the identified IMCs along the Amritsar-Kolkata Industrial Corridor may be adopted and**

implemented on a fast pace so that benefits from the Corridor start disseminating to the industries and population in the region.

(iii) Visakhapatnam-Chennai Industrial Corridor

10.4.25 Vizag-Chennai Industrial Corridor (VCIC) is part of the East Coast Economic Corridor linking Kolkata -Chennai-Tuticorin. VCIC has been taken up in first phase. The Committee notes that the Asian Development Bank (ADB), consultant to VCIC has since submitted the final report on Conceptual Development Plan (CDP) and Regional Perspective Plan (RPP) of VCIC. Out of four nodes, namely, Vishakhapatnam, Kakinada, Gannavaram and Kankipadu and Srikalahasti-Yerpedu of Andhra Pradesh identified by ADB in their CDP-VCIC region, ADB has prioritized two nodes namely Vishakhapatnam and Srikalahasti-Yerpedu for which master planning has been initiated by ADB in the last quarter of 2015. The Department of Economic Affairs has accorded approval of ADB project loan of US $500 million and ADB programme loan of US $125 million to the Government of Andhra Pradesh for VCIC Project.

(iv) Bengaluru-Mumbai Economic Corridor

10.4.26 The Committee notes that the final Perspective Plan for Bengaluru-Mumbai Economic Corridor (BMEC) Region has been approved by the State Government of Karnataka. The consultants informed that they had identified four nodes in the State of Maharashtra and six nodes in the State of Karnataka, of which they are required to prepare the master plan in respect of one node shortlisted by the State Governments. State Government of Karnataka has identified 'Dharwad' as the first industrial node in Karnataka under the BMEC. The Committee notes that Maharashtra is yet to identify an industrial node on the proposed Bengaluru-Mumbai Economic Corridor (BMEC). On enquiry about the reasons for the same, it has been informed by the Government of Maharashtra that there has been no commitment on the part of the Central Government to provide a matching equity contribution for development of industrial nodes in BMEC like in the case of DMIC. It was informed that the State Government has written about this concern to the Central Government several times and the reply of the Central Government is still awaited. The State Government has, nonetheless, identified the area in Satara and Sangli districts for the industrial nodes on BMEC and the work will begin in right earnest once the Central Government decides the issue favourably. **The Committee recommends the Department to look into the request of the Government of Maharashtra in all earnest and settle the matter amicably at an early stage.**

(v) Chennai-Bengaluru Industrial Corridor

10.4.27 The Chennai-Bengaluru Industrial Corridor (CBIC) would have an Influence Area spread across the 3 States of Karnataka, Andhra Pradesh and Tamil Nadu. The strategy to develop CBIC is part of the plan to achieve accelerated development, regional industry agglomeration in the States of Tamil Nadu, Karnataka and Andhra Pradesh and to facilitate development of a well-planned and efficient industrial base by providing smooth access to the industrial production units, decreased transportation logistics costs along with an improved delivery time and reduction in inventory cost and ensure increased private investments in manufacturing and industrial activity in the three States.

10.4.28 The project has been conceptualized and is to be developed with Japan International Cooperation Agency (JICA) assistance. The funding support to the extent of the USD 5.5 billion is posed to the Government of Japan on the same lines as per the funding support committed to the extent of USD 4.5 Billion in respect of DMIC Project. The Committee learns that following three nodes were taken up for Master Planning under JICA assistance:-

(1) Tumkur (Karnataka)

(2) Ponneri (Tamil Nadu)

(3) Krishnapatnam (Andhra Pradesh)

10.4.29 As regards the current status of progress on CBIC, the Committee notes that Shareholder' Agreement (SHA) & State Support Agreement (SSA) is being discussed with the respective State Governments and approval on the same is being sought. For Krishnapatnam node, the consultants for detailed master planning and preliminary engineering has been selected. Letter of Award will be issued shortly. For Tumkuru Node, the Committee notes that tender documents for selection of consultants for detailed master planning and preliminary engineering has been issued and the bids are under evaluation. As regards the Ponneri Node, the tender documents for selection of consultants for detailed master planning and preliminary engineering has been re-issued and the last date for submission was fixed for 31st October, 2016.

10.4.30 **The Committee is concerned over the pace of progress of the Industrial Corridors in the country. It notes that Delhi - Mumbai Industrial Corridor Project was started in 2007 and many people started orienting their businesses and industries in hope that the project will be completed in all earnest by 2012. Unfortunately, this corridor has failed to see the light of the day. Similarly, the Amritsar Kolkata Industrial Corridor which was approved by the Cabinet in January, 2014 is still in the stage of perspective planning of various Industrial Manufacturing Clusters (IMCs) planned in this Corridor. Many States through which the AKIC is passing are still to identify the IMC in their States. The Committee is of the considered opinion that a time-frame for completion of the Industrial Corridor project must be fixed so that industry can plan accordingly to set up their industry in and around the industrial corridor.**

10.4.31 The Committee has been informed that after the approval of institutional and financial framework of the Delhi-Mumbai Industrial Corridor in 2012, it was targeted to complete the first phase by 2019 but considering the constraints in land availability there may be further delay. However, where the State Government has been able to procure lands, the work will be completed in time. The committee was apprised that out of 7 nodes identified for development in first phase, work in four nodes has already begun and these are likely to be completed before December, 2019**. The Committee expresses its displeasure over the fact that it took five long years to get the approval of institutional and financial framework of the Delhi-Mumbai Industrial Corridor since its announcement in 2007. Though the four nodes where the work has begun are expected to be completed by December, 2019, the Committee, however, finds that constraint in land availability may cause delay in full-fledged commissioning of the Corridor. The Committee recommends the Department to look into this problem. If the desired size of land parcel is difficult to obtain, the DMICDC may consider establishing IMCs of smaller size. Further, if there is problem regarding land acquisition, then the projects related to Industrial Corridor may be designated as special projects to facilitate faster acquisition of land.**

10.4.32 The Committee notes that the GoI has envisaged establishment of National Industrial Corridor Development Authority (NICDA) to facilitate integrated development of Industrial Corridors across India. NICDA will channelize central as well as institutional funds while ensuring that the various corridors are properly planned and implemented keeping in view the broad national perspectives regarding industrial and city development. NICDA will carry out project development activities, appraise and sanction projects, implement and coordinate all central efforts for the development of industrial corridor projects. It will also monitor the implementation of the sanctioned projects. However, NICDA has not been constituted yet. **The Committee desires that NICDA may be constituted at the earliest.**

10.4.33 **The Committee is of the considered view that the network of proposed Industrial/ Economic Corridors must be effectively used to catalyse economic development and increase prosperity in the region. The Committee finds it imperative to link the North East region to other industrial economic corridors in India and to Southeast Asia, which would result in enhanced connectivity and development in Northeast India. The Committee learns that Japan International Cooperation Authority (JICA) have shortlisted 10 road projects of which 2 road projects *i.e.* NH-54, Aizwal-Tuipang Section and NH-51, Tura-Dalu Section have been proposed for construction in the first phase. The Committee welcomes construction of roads in these crucial missing links. It hopes that these crucial connectivity projects will ignite the much needed economic and industrial activity.**

10.4.34 It has also been suggested that since the North Eastern Region have not witnessed optimal development despite having abundance of natural resources, a separate corridor linking West to East will give new heights to Indian economy in this sector. **The Committee recommends the Department to look into the possibility of creating such a corridor.**

Railways

10.5 Indian Railways have got one of the largest networks in the world with approximately 64600 kms. Considering the vast network, IR has played a key role in India's social and economic development leading to industrial growth. Railways play a vital role in the growth of the industry and economy of the country being a crucial means of transport for the industry especially for bulk goods and heavy industries. As a carrier of bulk commodities *i.e.* coal, iron-ore, cement, mineral, oils, foodgrain, fertilizer and containerized cargo etc., the importance of Indian Railways for movement of bulk commodities is well recognized.

10.6 A good railway network to bring logistic support to the doorstep of every entrepreneur and provide them connectivity to Dedicated Freight Corridors to ensure smooth supply of inputs and equally smooth evacuation of products to the market. Though the transport infrastructure is dominated by roadways, the Committee feels that railways have a greater role to play. However, the Railways have effectively complemented the road sector for providing convenient mode of transportation to Industry as per their needs. The Committee, nevertheless, finds that the freight rate of railways is quite high and this needs to be rationalized. A rational freight structure will help the industry gain competitiveness resulting in more investments in industrial sector.

10.7 The Committee notes that capital and time intensive infrastructure projects like New Line and Gauge conversion have long gestation period and the public demand always outstrips the ability to fulfill such aspirations. Accordingly a large number of projects have been approved over the years, creating a huge forward liability. Projects mainly new line, gauge conversion, and doubling are executed from funds provided by Ministry of Finance as Gross Budgetary Support (GBS). In view of the overall requirement being too large and the paucity of budgetary support, resources have remained thinly spread leading to time and cost overrun. Railways have also been making efforts to generate funds through extra budgetary sources such as sharing of cost of project with State Government /beneficiaries, execution of work through Rail Vikas Nigam Ltd. (RVNL) with private participation etc. To this end, Railways have been successful to certain extent, as now some of the States have agreed to provide land free of cost and / or share the cost of the projects. Ten State Governments have already come forward for taking up projects on cost sharing and at present 37 projects covering a length of more than 5586 km have been taken up on cost sharing basis with State Governments. Bankable projects are being executed through RVNL by way of formation of Project specific SPVs to mobilize funds for projects. The zonal Railways have informed that for last two years, they are having sufficient funds to execute these capital and time intensive infrastructure work. The Committee desires that the infrastructure projects may be completed within the timeline fixed for them.

10.8 **The Committee recommends the Ministry of Railways to undertake an exercise of prioritization of work so that focus attention can be paid to important and urgent projects which are either in last leg of their completion or are concerned with capacity enhancement or need debottlenecking and providing alternate route.**

10.9 The Committee notes that besides constraints of fund, various reasons like for long gestation period of infra projects. Problems in land acquisition, difficulty in forestry, environmental and archeological clearances, increasing cost of land in various States, various hindrances such as naxal/terrorist and insurgent activities in various States, and non-availability of suitable equipment and construction material locally have been responsible.

10.10 The Committee is happy to note that to avoid delay in land acquisition, regular meetings/ correspondences are being held with State Governments. In order to carry out speedy land acquisition, it is also now being taken up under Indian Railways Act thereby reducing dependence on State Governments for this critical activity. Some Railway projects have been declared as Special Railway Projects. For such projects, each zonal railway nominates an officer specially to deal with land acquisition. To avoid delay in forestry and other clearances regular meetings/ correspondences are being held with State Governments at appropriate level and Railway case is adequately represented for each forest clearances.

10.11 It is observed that even though a law & order is a State subject yet wherever environment is not conducive for execution of projects, State Governments/Ministry of Home Affairs are requested to provide adequate security at project sites. In some of the projects such as Lumding-Silchar gauge conversion, dedicated battalions of territorial army have been created chargeable to project for ensuring adequate security at work site. It is also noted that that to overcome the problem of astronomical increase of cost of land, State Government are being requested to give land free.

10.12 Committee has noted with relief that the Railways have been constantly examining the impediments in project execution and steps are being taken to eliminate/minimize the same for improving deliverance of the projects. Empowerment of field units has been taken up for effective decision making at appropriate level. Further, with enhanced powers, Railways have been able to plan and execute works through bigger value contracts attracting bigger and more professional firms. The Committee welcomes the decision to delegate more powers to Railway Zones to decide about the importance of a Railway Project and award the projects without coming to the Railway Board. This will help save time and prevent cost over-run.

10.13 **The Committee observes that many railway projects in economically backward areas are not able to take off due to lack of funds as the projects which have a higher rate of return absorb the investments. The Committee desires that a non-lapsable socially-desirable fund for railway projects where the Rate of Return (RoR) is less than desirable may be set up to ensure finances for the completion of railway projects initiated in economically backward areas thus leading to industrial growth in those areas. Private participation in the railway projects should be encouraged.**

10.14 **The Committee during its study visit to Varanasi found that the North Eastern Railway (NER) is unable to take up construction of bridges, doubling and gauge conversion projects as large part of NER land has been notified as reserved forest by Forest Department of Uttar Pradesh Government. It was learnt that the Forest Department has also declared the land along railway track as protected forest land though the land is in possession of Railways. The Forest Department is asking to deposit Net Present Value (NPV) and for compensatory afforestation before the Railways undertake the crucial infrastructure projects. The Committee finds such situation unwarranted in the first place. This incident is a reminder that there are still gaps left in dialogue between Government agencies. The Committee is certain that an amicable resolution of the disputes will be found as the matter is *sub-judice* for now.**

Dedicated Freight Corridors

10.15 Considering the requirement of bulk traffic, Indian Railways embarked upon an ambitious project of constructing dedicated freight corridor (DFC) on western and eastern routes. The two of the longest Industrial Corridor, namely, Delhi-Mumbai Industrial Corridor (DMIC) and the Amritsar-Kolkata Industrial Corridor (AKIC) have been proposed to be established on the back of the Western Dedicated Freight Corridor and Eastern Dedicated Freight Corridor respectively. The Dedicated Freight Corridors are being built by Dedicated Freight Corridor Corporation of India Limited under Ministry of Railways. The two Industrial Corridors have been proposed on an area of 50-150 km of both the sides of the DFCs. Thus, the success of DMIC and AKIC is quite dependent on the commissioning of the two DFCs.

10.16 The Eastern Dedicated Freight Corridor from Ludhiana to Dankuni (1839 kms) is estimated to cost ₹41,301 crores. World Bank is providing funding to the tune of ₹13, 625 crores for eastern DFC. Western DFC from JNPT to Tughlakabad and Dadri (1499 kms) is estimated to cost ₹46, 700 crores. JICA is providing funding of ₹38722 crores for western DFC. Total DFC is estimated to cost ₹73,392 crores. The complete project is likely to be commissioned by 2018-19. This infrastructure will segregate movement of passenger and freight traffic on Indian Railways leading to enhanced average speeds for bulk traffic.

10.17 The Committee during its study visits tried to assess the status of progress of the Western Dedicated Freight Corridor and Eastern Dedicated Freight Corridor. The Committee learnt that the timeline for completion of the Western DFC has been fixed for December, 2019 and majority of the land acquisition has been done. Though the land requirement left for Western DFC is only five per cent but these tracts are very crucial to the completion of the project in view of the fact that these are the areas where the corridor is taking a detour and without their successful completion, the DFC will not be a success. **The Committee recommends that the problem of land acquisition in these crucial stretches may be addressed in consultation with the State Government.**

10.18 The progress of land acquisition for the DFCs up to April, 2016 is tabulated below:

Section	Total Scope (Ha)	Notification u/s 20A (Ha)	Award u/s 20F (Ha)
Eastern Corridor (Excluding Sonnagar-Dankuni)	4495	4495 (100%)	3736 (83.1%)
Western Corridor	6000	6000 (100%)	5723 (95.4%)
TOTAL	10495	10495 (100%)	9459 (90.1%)
Sonnagar- Dankuni section (To be taken up under PPP after 80% land acquisition)	1178	1172 (99.4%)	502 (43%)

Source: DFCCIL

10.19 The Committee notes that against the total length of 2822 Kms (excluding 538 Kms under PPP), the status of contracts is as follows:

Contracts:

Overall Financial Progress	-	26.7%
Overall Physical Progress	-	28 %
Civil Contract Awarded	-	76%
Electrical Contract Awarded	-	63%
Signal Contract Awarded	-	48%

10.20 It was informed that the commissioning of the freight corridor will be done in phases and the completion of the corridor with connectivity to JNPT is likely by December, 2019. The first phase of the Western DFC will be commissioned from Rewari to Iqbalgarh which is likely to be completed in June, 2018 and the second phase by December, 2018. The Committee notes that a stretch of 7 km in Ajmer area is yet to be acquired by DFCCIL on Western DFC. The Committee finds that unless this stretch of land is sorted out by DFCCIL, the proposed commissioning of Rewari to Iqbalgarh Section of DFC in June, 2018 will be adversely affected. **The Committee**

recommends DFCCIL to actively engage the State Government to ensure early acquisition of the stretch of land in Ajmer so that the timeline for commissioning of the DFC is not disturbed. It was informed that there are some issues of land acquisition in the 528 km parcel from Son Nagar to Kolkata of the Eastern Dedicated Freight Corridor which is to be developed in PPP mode. It was also stated that all the State Governments have been requested to prepare their industrial plans in alignment with the upcoming industrial corridors and the alignments of the Dedicated Freight Corridors so that there is no wastage of resources in terms of connectivity. The Committee is concerned over the fact that no interest has been shown in the PPP portion of Eastern DFC which runs from Son Nagar to Kolkata. The reasons behind this indifference is largely on account of poor progress of land acquisition in this section. The Committee notes that only 43% of the land has been notified. During the study visit to Kolkata, the Committee found that the tardy progress is not only on account of reluctance of land owners to part with the land but also shortage of manpower working on ground for the purpose. The Committee found that the Railways Zonal officers are completely ignorant and indifferent to the working of DFCCIL which has been constituted for the construction of the DFCs. **The Committee is unhappy over the lack of coordination and cooperation between DFCCIL and Indian Railways. The Committee feels that monitoring of progress from one designated desk in Railway Board will not serve the purpose. The Committee strongly recommends that all the concerned officers in the Railway zones must be sensitized to extend all cooperation to DFCCIL so that it can discharge its mandate effectively.**

10.21 The Committee learns that the speed of the goods train in the freight corridor would be 75 km per hour with an upward target of 100 km per hour by running heavy haul trains. This would result in reduction of transit time. The freight corridors will give elbow to the Railways to cater non-conventional cargo like perishable goods where delivery on time is crucial. The strategy is also to introduce new type of wagons to cater to the demands of the industry within the ambit of safety parameter. The introduction of new wagons and reduction in cost of operation due to nearly nil congestion would also bring down the cost of per unit of transportation. It was further submitted that though the Western DFC does not have a PPP module yet the DFCCIL has engaged various industries like automobiles, steel, petroleum, etc. and also the State Governments that the areas not covered by Railways may be developed in PPP to define and devise their logistic strategy.

10.22 The environmental benefits likely to accrue due to the construction of the freight corridors were also shared. It was informed that as per a study, in its 30 years of operation of both the dedicated freight corridors, the savings on carbon-di-oxide emission will be 370 million tonnes. This will bring in immense environmental and social benefits. **The Committee welcomes this effort towards lowering of carbon foot prints.**

10.23 **The Committee notes that exim traffic generated out of Eastern DFC (EDFC) will primarily be routed through Kolkata Dock System (KDS). Keeping in this mind, the Committee is of the view that a dedicated line connecting EDFC at Dankuni to KDS is required to be developed simultaneously with the commissioning of EDFC.**

Ports

10.24 Ports are crucial infrastructure to facilitate a robust industrial ecosystem. In order to meet the challenges emanating from intense global competition, ports in India are required to gear-up by modernizing the port infrastructure, enhancing the quality of service and increasing the productivity level at par with the international standards.

10.25 The Committee notes that most of the ports have undertaken refurbishing of their existing infrastructure as well as taken steps for creation of new infrastructure to meet the needs by use of latest technologies. Both Major as well as Non-Major Ports are striving to enhance their efficiency parameters to match the international shipping standards. However, the Major ports established during 1960's and before have inherent limitations like lower drafts in channels & berths, rigid layout of breakwater & turning circle and design limitations of berths to handle state of the art cape size vessels of 1,80,000 DWT size in the existing harbour. The shipping and cargo handling technologies are changing rapidly. The Ship size is getting bigger and in turn the harbours need to be deepened and this superstructure modernized. Due to non-existence of higher draft berths and associated modern infrastructure in the Major Ports for handling of cape size vessels, there is every possibility of loss of trade.

10.26 **In order to enable the ports augment the capacity and undertake modernization, the Committee feels that appropriate measures may be taken to implement the following suggestions on taxation/fiscal incentives for the port sector:**

- **(i) Major ports may be given exemption from mentioning the exact details of application of the proceeds of the debt issue under 'Objects of Issue' in the prospectus;**
- **(ii) Major ports may be permitted to show its fixed and current assets and as well future receivables as security to issue debt funds;**
- **(iii) Major ports may be permitted to issue bonds in multiple tranches within a period of one year from registration of prospectus;**
- **(iv) Major ports may be permitted to invest their surplus with other major and minor ports requiring funds to invest in their projects; and**
- **(v) Major ports may be notified under section 10(23C) (iv) of Income Tax Act so as to claim exemption from the surplus earned by them subject to fulfillment of conditions stipulated therein.**

10.27 The Committee learns that due to the delays in obtaining environment and forest clearance from MoEF, the projects are becoming commercially unviable due to time over-run, cost over-run and loss of market opportunities. The process of obtaining Environmental Clearance from MoEF and obtaining Consent for Establishment (CFE) subsequently from State Pollution Control Board is creating scope for inclusion of additional/unrelated clauses contradictory to Government approvals delaying the project formulation further. The land policy guideline of 2010 which is presently applicable to all the major ports, has limited the scope of allotment of land for the purpose of handling cargo and has affected the growth of individual ports. Further, with Growth in the urban areas and port based industries in the vicinity of port, capacity of existing road and rail linkage are getting saturated, which may not suffice to the requirements of the new terminals coming up in the Port and hence adversely impact their operation. The Committee hopes that Ministry of Environment, Forest and Climate Change shall take necessary action to address the problem being faced.

10.28 **To tackle the undue delay at ports, the Committee feels that all exim related agencies may be brought under single community platform in PPP mode whereby the delays may be cut by at least three days. Conditions on service standards may also be included in the contract to make service providers accountable. The rail yard at the Ports must be connected with the dedicated freight corridor.**

10.29 The Government of India has conceptualized Sagar Mala programme to enable port led economic development. **To make Industrial Corridors a fruitful plan of port led economic development, the Committee is of the view that it is important to look for an integrated development perspective. There is a need to firm up an end to end plan where a service provider is linked to his customer which in port perspective meant that the ports are linked to hinterland in seamless manner with road and rail connectivity.**

Shipping

10.30 The Indian Shipping Industry plays a crucial role in the Indian economy as the shipping industry supports transportation of national and international cargo. With globalization and breaking down of trade barriers, the demand on the shipping sector has increased which desires rapid infrastructure development. The creation of world class industrial eco-system needs an effective and optimal shipping sector for smooth transport of raw materials and evacuation of finished goods. Moreover, shipping as a mode of transport is environment-friendly, fuel efficient and cost-effective. These features are essential for bringing about competitiveness and economy in cost of production. The vast coastline of India provides a unique natural advantage and shipping sector may be given due emphasis in order to help improve the logistics index of the country.

10.31 **The Committee is of the considered view that coastal shipping has not been optimally exploited to solve India's logistic problem. It is of the view that coastal shipping must be promoted. It is not only cost effective but also reduces carbon foot-prints. The Committee finds that Indian shipping *per se* has a higher cost of operation when compared to other competing modes of transport due to various policies. Indian shipping companies need a level playing field *vis-à-vis* their foreign competitors in terms of the fiscal regime and there is a need for appropriate funding at moderate lending rates. The Committee feels that the shipping policy needs to be tweaked in such a manner that it may become as competitive as rail and road transport. The duty on fuel oil on ship's bunker is quite high resulting in 33 per cent of the total cost of operation. Combined proactive initiative by the industry and the Government will go a long way in ensuring the long term competitiveness of Indian shipping industry. The Committee feels that it is important that 'Core Shipping Fleet' may be raised to improve the country's international trade competitiveness which would have a moderating effect on the country's freight bills and shall also contribute to India's energy security. There is also a need to review the Merchant Shipping Act in line with global shipping practices.**

10.32 **The Committee further recommends that there is an urgent need to bring about rationalization of the tax structure for shipping sector, strict implementation and strengthening of cabotage provisions without dilution/relaxation, cargo reservation, soft funding for procurement of ships and conferment of infrastructure status to Indian shipping industry.**

10.33 **The Committee is also of the view that the India-Bangladesh Treaty signed recently has opened the opportunity of shipping cargo through Bangladesh to the hinterlands of the North-East region. The Committee desires that this opportunity may be fully grabbed to promote coastal shipping. It also strongly feels that the development of freight corridors may be dovetailed with coastal shipping since waterways has become integral part of transport internationally.**

Inland Waterways

10.34 Roads and Railways have dominated the transportation system in the country. In India, in the last 15 years, the compounded average growth rate (CAGR) in passenger and freight traffic by roads and railways has been much higher than by Inland Waterways. Increase in road and rail congestion, high cost of construction, safety and pollution issues necessitate development of Inland Water Transportation (IWT) sector as a supplementary mode to offload the burden on the dominant sectors.

10.35 The Committee notes that among the five industrial and economic corridors conceptualized by Government which are at different stages of implementation, the Amritsar-Kolkata Industrial Corridor which runs on the Eastern Dedicated Freight Corridor will leverage National Waterway 1 which extends from Allahabad to Haldia. In this context, Inland Waterways Authority of India (IWAI) has signed a Memorandum of Understanding (MoU) with Dedicated Freight Corridor Corporation of India Limited (DFCCIL) on 19th March, 2015 for jointly developing a multi-modal logistics hub at Varanasi along with possible connectivity with Eastern Dedicated Freight Corridor.

10.36 Dedicated Freight Corridor is expected to be commissioned in 2019.The multi-modal terminal at Varanasi along with the connectivity is also expected to be completed by 2018 to derive the benefits of the development of Dedicated Freight Corridor. This will boost connectivity along NW-1. The Committee is happy to note that a pilot run for moving Maruti Suzuki Cars from Varanasi to Kolkata was successfully conducted on this stretch. As a result, other manufacturers (Hyundai, Honda, Mahindra etc.) have shown interest in moving their vehicles on this stretch.

10.37 **The Committee is of the considered opinion that inland waterways must be given the desired thrust to make it an effective source of transportation of men and material. It is of the view that possibility of utilizing inland waterways may be explored in all the proposed industrial corridors. A feasibility study may be immediately taken up to explore the extent of connectivity along NW-4 on the Visakhapatnam-Chennai Industrial Corridor (VCIC).**

10.38 The Committee notes that in the existing five National Waterways, three Waterways are substantially operational. IWT sector received a major thrust after the enactment of The National Waterways Act, 2016 wherein 106 new National Waterways were declared along with existing 5 National Waterways to fully utilize the IWT potential in India. In NW-1, for the capacity augmentation on the Allahabad-Haldia Stretch of Ganga-Bhagirathy-Hoogly River System a World Bank assisted project “Jal Marg Vikas Project” is being implemented at a cost of ₹ 4,200 crores. This will include developing multi modal terminals at Varanasi, Sahibganj and Haldia. Development of NW4 & NW5 has also started. New 106 waterways will be developed in 3 categories.

10.39 **The Committee is of the opinion that in view of benefits like easing of congestion on road and rail networks; reduced logistics cost; reduced CO2 emissions, efficient energy**

& fuel consumption; and generation of direct and indirect employment opportunities, the IWT must be given all support. It recommends the Ministry of Shipping that funds should not act as a hindrance towards the development of IWT. Funding mechanism entailing various options such as Road Cess Fund, Multi-Lateral Institutional funding, Public Private Partnerships, Joint Venture, SPVs apart from Government Budgetary Support and Extra Budgetary Support may be explored.

Roads

10.40 The Indian road network of 4.7 million km is the second largest in the world. More than 60% per cent of goods are transported through this large road network. Indian roads also carry 65 per cent of the country's freight. It is evident that a robust road transport is pertinent for the flourishing of the Indian industry.

10.41 The Committee notes that the road transport sector in the country is plagued with lethargic freight movement and tardy technological development, which have direct bearing on the competitiveness of Indian industry.

10.42 **The Committee feels that urgent measures need to be taken to improve the efficiency of road transport. The Committee feels that modernisation of the road transport sector needs immediate attention. Improvement in road technology would bring in a marked positive change in freight movement and increase the competitiveness of Indian goods. The establishment of electronic toll booths and truck terminals need to be speeded up. Last mile connectivity of good quality roads is important as it helps in the development of remote regions by opening them to trade and investment and integrating with the mainstream economy. Poor maintenance of roads is another grey area of the road sector which has led to deterioration of roads and high transport costs for the industry. Road capacity should be enhanced to reduce congestion and improve the productivity of freight trucks.**

Power

10.43 Poor infrastructure, especially power, is a major constraint on competitiveness especially of SMEs who cannot afford to build their own infrastructure.

10.44 **The Committee recognizes that power is a very critical input for rapid industrialization. In order to improve the competitiveness of Indian industry, it is essential that the availability of reliable and good quality power is assured. It is disconcerting to note that all attempts to increase power generation gets undermined by the inefficiencies and wastages of production, transmission and distribution of power. The practices of cross subsidizing domestic and agricultural consumers by charging higher tariffs on commercial and industrial customers has also adversely affected industrial production in India.**

10.45 The official website of Central Electricity Authority mentions that to improve the power supply position in the country necessary steps have been taken to plug the inefficiencies and wastage. During April, 2014 to March, 2015, the peak demand of the country was 1,53,366 MW against peak demand met of 1,48,463 MW. Thus, there was a peak shortage of 4,903 MW which works out to 3.2% of the peak demand. During the corresponding period with previous year (April, 2013 to March, 2014), the peak demand of the country was 1,35,918 MW against peak demand met of 1,29,815 MW reflecting peak shortage of 4.5% (6,103MW). There has been growth in peak demand and peak demand met in the year 2014-15.

10.46 During April, 2014 to March, 2015, total energy requirement of the country was 11,14,408 MU against availability of 10,90,851 MU. Thus, there was a shortage of 23,557 MU which works out to 2.1%. During the corresponding period of previous year (April, 2013 to March, 2014), energy requirement of the country was 10,02,257 MU against availability of 9,59,829 MU reflecting shortage of 4.2% (42,428 MU). It can, thus, be inferred that energy requirement has grown by 11.8% only, whereas energy availability has grown by 13.65%.

10.47 The capacity addition done in the central sector improved the power availability in many States by way of allocating power to the various States. It is the prerogative of the respective State Governments to prioritize the power supply to various sectors like industrial and agricultural sector. The Committee is happy to note that during the month, January, 2016 there were no notified cuts/ restrictions to industries in any State of Western, Eastern and Southern Region. In the Northern Region, energy cuts to the tune of 0.549 MU and demand cut to the tune of 140 MW was imposed on HT/LT industries only in the State of Uttarakhand during January, 2016.

10.48 The Committee note that the T&D losses in the country are of the order of 23.04% (2012-13) and 21.46% (P) (2013-14) which are considerably high. Any reduction in losses would result in realization of additional revenue by the Discoms thus improving their financial condition.

10.49 The Committee was informed that the Ministry of Power has taken several initiatives to assist the States for bringing down the losses. In order to reduce the losses, Government of India launched Accelerated Power Development and Reforms Programme (APDRP) for Tenth Plan and Restructured Accelerated Power Development and Reforms Programme (R-APDRP) for Eleventh Plan. In the Eleventh Plan, the scheme has been restructured with emphasis on actual demonstrable performance in terms of sustained loss reduction. The programme is of the size of ₹ 51,577 crore.

10.50 The Committee is concerned about the T &D losses and feels there is a scope for further reduction of the losses. Proper investment along with technical and managerial expertise would be needed to find a solution. The Committee notes that State Electricity Boards (SEBs)/ State Discoms could not undertake necessary reforms on account of their prior financial health. As on March, 2015, the DISCOMS in the country have accumulated losses of approximately ₹ 3.8 lakh crore and outstanding debt of approximately ₹ 4.3 lakh crore. The Committee hopes that Ujwal DISCOM Assurance Yojana (UDAY) Scheme recently launched by the Government will help the ailing SEBs to come out of their financial difficulties. The Committee welcomes the Scheme as it aims for permanent resolution of past liabilities of State DISCOMS whereby the States shall take over 75% of DISCOM debts as on 30 September, 2015 over two years and issues bonds in the market or directly to the respective banks/ financial Institutions holding the DISCOM debt to the appropriate extent. These bonds will turn the loans into assets for the bank and also bring in reduction in the interest cost of DISCOMS from high 14-15% to around 8-9%. **The Committee appreciates the scheme for being a landmark of co-operative federalism and it hopes that all the State Governments will come up and design MoUs with the Centre under UDAY to enable the State DISCOMS come out of the vicious cycle of debt they have fallen into.**

10.51 **The Committee observes that unreliable and inadequate power supply continues to be a serious impediment in India in spite of the considerable efforts made to enhance power generation capacity in the country. Improving the supply and quality of both transport infrastructure and power are essential requirements for attaining the targeted growth rates. The Committee feels that the cost of supply to the consumer, especially the industrial consumer is on the higher side to compete with the production cost of the developed countries. The industry is continuously facing scheduled power cuts and shortage of power for development. The energy starved industry faces stiff competition in the global market which hinders the expansion of the Indian industry. The Committee feels that cross subsidies should be rationalized. The Committee opines that scant attention has been directed towards distribution channels. The distribution sector is the most vital but weakest link in the entire value chain of the power sector. If the distribution sector doesn't become financially viable, the transmission and generation would be seriously affected. It is, therefore, necessary that all-out efforts should be made to strengthen and to ensure the financial viability of the distribution sector.**

10.52 **The Committee appreciates that the Government is taking concerted steps such as Ujjwal DISCOM Assurance Yojana and Deen Dayal Upadhyaya Gram Jyoti Yojana. The Committee notes that Ujjwal DISCOM Assurance Yojana envisages to make DISCOMS financially and operationally healthy to ensure adequate power supply at affordable rates and aid in the Government's effort for 100% rural electrification and Deen Dayal Upadhyaya Gram Jyoti Yojana envisions total rural electrification and continuous power supply to rural India. The Committee feels that these Schemes will give a boost to the industry in the rural areas especially the MSME sector.**

10.53 **The Committee notes that Cold Rolled Grain Oriented Electrical Steel (CRGO), a critical raw material used in manufacturing of power and distribution transformers is not produced in India. Thus the country is dependent on foreign manufacturers resulting in outgo of foreign exchange in acquiring the CRGO. Efforts need to be made to set up manufacturing facilities in the country.**

INFRASTRUCTURE FINANCE

11.1 Creation of an optimal infrastructure ecosystem is an imperative to harness the industrial potential of a country to its maximum. Estimates suggest that India's infrastructure deficit pulls down its GDP growth by 1% - 2% a year. However, the creation of desired infrastructure in terms of road, rail, ports, power, etc. requires a robust system of infrastructure finance. This becomes more crucial in the face of the fact that financing is the biggest challenge for development of industrial corridors in India as they require huge capital outlay. The expected funds requirement for the development of DMIC alone is US$ 100 billion (₹ 6.5 lakh crore).

11.2 The infrastructure finance in India has substantially changed over-time with increased project size and scale, greater specialization and complexity of projects. The number of sectors classified under the infrastructure domain has increased, resulting in manifold increase in requirement for financing. Therefore, in order to cater to the increased financing requirements of the sector and to play a meaningful role, existing institutions may need to assume a larger role.

11.3 There have been several estimate of investment requirement for the infrastructure sector in the country. The 12th Five Year Plan pegs the demand at ₹ 55 lakh crore (US$ 1 trillion) while the Confederation of Indian Industry (CII) in its report 'Investment Requirements in India 2014-15 to 2018-19' finds the requirement to be in the tune of ₹ 64.3 lakh crore (US$ 1.07 trillion) for the period 2015-19. Of this, if 50% is expected to come as private investment, and assuming a 70:30 debt-equity ratio, the total debt requirement works out to be around ₹ 20 lakh crore.

11.4 Coming down to the capacity of our financial institutions to fund the requirement of infra finance, the Committee notes that the country has witnessed the successful narrative of infrastructure growth in the country during the period 2006 to 2010 and a key role was played by the public sector banks in infra financing during the period. Today, the situation is not similarly encouraging with rising stressed assets of banks on account of infra financing. The banks are found wanting on many issues for the loans turned bad but the responsibility of other stakeholders is equal for this situation, it not more so.

11.5 On enquiry as to the reasons behind the failure, the Committee found that the assumption on which the banks went ahead to extend loans for infra projects did not prove to be right in many ways. The timeline of the completion of the projects did not work as desired and these were often extended for reasons like lack of timely approvals, problem in land acquisition and environmental clearances, failure of promoters in bringing equity in time due to non-conducive capital markets which otherwise was conducive when the original proposal was mooted. The failure to bring in equity was also due to general decline in the GDP which affected the surplus of these companies. **The Committee feels that the above reasons for failure is a good guide to carry out necessary corrections for the infra projects coming up in the country as well as the projects desired in the Industrial Corridors so that banks can come up to facilitate infra finance in an effective manner. It is of the view that for a bank to finance infra project, it is necessary that all approvals be available in advance and the land availability is in place for the infra projects. Further, timely payments to banks must be ensured to enable banks play a robust role in infra finance. The Committee recommends that a mechanism to resolve the payment disputes within a limited time frame must be set up. This would help in creating an enabling environment for infrastructure growth. The Committee is also of the view that implementation of the infra projects must be targeted for completion before time rather than beyond time. Grant of incentives in form of certain concession in the interest rate or something similar may be explored for promoting completion of infra projects before the scheduled time. This would help the loan amount remain within bounds for repayment.**

11.6 The Committee notes that long term lending is crucial for infra projects. The loan repayment period of commercial banks usually is not more than 10 years. Such loan tenure results in stressed infra projects which otherwise is not desirable in view of the long concession period available with the concessionaire of the infra projects. **The Committee is of the view that the financial institutions should tie up for long term money to give loan for longer period of time and it may also tie up with multilateral agencies to support the infrastructure sector with long term money. Recent RBI's measure in terms of grant of permission to banks to raise 15 year money in the form of infrastructure bonds may also be effectively utilized by the banks for infra financing purpose.**

11.7 **The Committee is of considered opinion that the financial institutions must also find**

sources like pension and insurance funds which will take over these long-term risks once the construction risks are over. However, for these funds to take over the projects with lower risks with lower return, there must be an optimally developed corporate bond markets, especially infra bond markets. However, the pension/insurance funds do not get attracted to any project which is not AAA or AA rated by credit rating agencies. Since a newly constructed infra project does not enjoy such ratings hence the pension funds/ insurance funds are not attracted to them. To overcome this difficulty, it is important that the SPVs of newly created infra projects must undertake credit enhancement which is done by many credit rating agencies for a payment/fee. These credit rating agencies will get a first loss insurance cover for the projects and take other steps to improve the credit ratings.

11.8 Presently, insurance companies are allowed to take exposure up to 25% of the investee company's Equity + Reserves + Bonds and Debentures and also 20% of project cost to the SPV subject to a guarantee of parent company having a rating of at least AA. This allows for very less amount which an insurance company can invest in a project. **The Committee strongly feels that IRDA may clarify that Bonds and Debentures also include the prospective bonds issuance for retiring the existing debt. This will help deepening the corporate bond markets. Further, in many cases, the parent company rating may not be AA. Moreover, since infra funding is a non-recourse financing and promoters capability to bring in funds is already captured in the SPV's rating, parent company guarantee may not be insisted upon.** There should be no separate limit mandating investment by pension funds into the infrastructure sector. Pension funds are allowed to invest up to 40% *inter alia* in any or mix of instruments like Corporate Bonds, Term deposits, IDFs and Debt Mutual Funds, Rupee Bonds issued by IBRD, IFC, ADB, etc. **The Committee recommends that a separate limit may be carved out for direct investment of pension funds in infrastructure sector.**

11.9 **The Committee is also of the opinion that the problem in getting quick resolution of disputes has also checked the development of bond markets as investors get a bit way about the security of their investment. A vibrant dispute redressal mechanism should be in play.** The Committee learns that in spite of SARFAESI, Debt Recovery Tribunal (DRT) and courts around, the dispute resolution takes an average of 6-7 years. It is worrisome that the DRT which was supposed to settle disputes in six months instead gives an adjournment for nine months. **The Committee expresses its discomfiture on the prevalent situation. Though there is no dearth of good laws but the system is found lacking in execution of these laws. The Committee recommends that the implementation of these laws may be made effective by setting time-limits for judicial orders by amending DRT Act; Arbitration Law and other relevant Acts. The Committee hopes that the enactment of recently passed Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, 2016 will help banks and financial institutions recover loans more effectively, encourage more asset reconstruction companies (ARCs) to set up business in India and revamp debt recovery tribunals (DRTs). Along with the recently passed Insolvency and Bankruptcy Code, 2016, these amendments will place an effective framework to decisively deal with the problem of non-recovery of loans and consequent NPAs in the banking system. The passage of Insolvency and Bankruptcy Code, 2016 also**

provides the much needed boost towards the creation of a robust and effective bankruptcy regime for the development of the corporate bond market. Apart from placing in a quick dispute resolution mechanism there is also a need for putting up a framework to ensure an effective qualitative disclosure of risks to investors as a part of good corporate governance. This will attract the investors towards infra projects. Easy exit policy for the business and industry must be expedited by amending labour laws. Next generation labour reforms are the crying need of the hour.

11.10 The Committee shares the view that infrastructure development to facilitate optimal industrial growth is not possible without a strong private participation. However, inherent flaws like aggressive bidding, delay in fulfilling primary conditions, delays in construction, local pressures, non-availability of Right of Way *(*ROW), delayed environmental clearances, arbitration and litigation and change in scope resulting in delays in date of commencement of commercial operations (DCCO) have had adverse impact on our PPP projects. Another difficulty is that PPP projects are treated as non-negotiable. If any stalled project needs to be revived and the cost of project has been increased then additional funding is made subject to CBI/CVC probes. Further, the Committee has been informed that the concessionaires in PPP Projects have been changed without any consideration of the huge investments made by the various stake-holders. This has led to negativity in the perception of such projects.

11.11 The Committee notes that the lenders (Banks) have resorted to invocation of the provisions under Corporate Debt Restructuring (CDR) mechanism, Strategic Debt Restructuring (SDR), 5/25 scheme, formation of Joint Lenders' Forum (JLF) and adoption of Corrective Action Plan (CAP), which were itself introduced by the regulator in order to protect asset quality. The Committee is of the view that if these schemes had not been availed then all accounts would have become NPAs with disastrous consequences to the economy. The Committee notes that unfortunately the same lenders are now being held guilty of using these schemes. This situation has resulted in presence of very few lenders in the infrastructure space because smaller banks have been severely affected by strict norms enforced by the regulators regarding NPAs and delays in projects well beyond the control of promoters. **The Committee expresses its concern over the atmosphere of fear of CBI/CVC probe and extreme regulation imposed on the banks. The Committee rather feels that a centralized dispute resolution agency may be set up to settle such disputes. If any stalled project needs to be revived, additional funding may not be made subject to CBI/CVC probes unless there is a *prima facie* case warrants such probe. Rather, appraising banks must be the final arbiters of justifying increase, if any, in the cost of project. All upfront approvals including 100 per cent ROW (Right of Way) must be ensured before issuing works for the industrial corridor.**

11.12 **The Committee is also of the considered opinion that the following steps may be taken so as to ensure that future PPP projects are put on the right track:**

A full-scale re-evaluation of PPP Projects be undertaken every two years to take care of the changes in the macro and micro environment.

Such re-evaluation must not be treated as restructuring by the regulator.

In case of *force-majeure* situations, the delay in commencement of commercial production may need to be suitably revised, without affecting asset quality.

In case of additional funding, the top five banks must take up the funding which in fact is a logical extension as the RBI has already indicated five banks to assess projects above a certain cut-off.

11.13 Though the banks will have to play a significant role in financing of the industrial as well as infrastructure projects in the industrial corridors in the country yet the Committee is also alive to the fact that since infrastructure funding requires long term funds, it may be difficult for a commercial bank to extend the loan for a very long term. The deposits which these banks get are of short term nature, spanning for two years or so, and it is difficult to sustain a long term loan of 15-25 years for infra funding. **The Committee is of the considered opinion that specialized agency for extending finance/loan for infra projects is the need of hour. India needs a Development Financial Institution (DFI) structure back in place. In most developed countries, DFIs are the leaders in infrastructure financing. In India, IDBI, IFCI etc. have slowly withdrawn from discharging their erstwhile role of DFI. It is time such specialized institutions are brought back, with appropriate appraisal skills of evaluating long-gestation projects**. **These institutions must enjoy the mandate to raise long term low cost funds from both the domestic and overseas markets. However, since the infrastructure needs of our country are immediate and setting up of such specialized institutions may require some time, some of the existing institutions like IIFCL, IDBI, etc. may be transformed to assume such role. Further, since each infrastructure sector requires highly specialized skills, several such institutions specializing in a particular sector (like road, port, airport, urban infrastructure, etc.) may also be considered.**

11.14 The Committee notes that many institutions are capable of raising long term funds from overseas markets including from Multilateral/Bilateral Institutions. Since such long term resources are raised in foreign currency and are deployed in INR in infrastructure projects, it requires hedging to mitigate the forex risk. Presently, long term hedging instruments are not available and short term hedging cost increases the overall cost of such funds. **The Committee is of the considered opinion that in line with the facility extended to OMCs and Banks (for attracting FCNR B deposits), RBI may extend concessional hedging facility to such financial institutions which are raising long term foreign currency resources for deployment exclusively into infrastructure sector. This may not only benefit the infrastructure sector by making available reasonable cost of long term foreign funds, but may also help in the creation of a long term hedging market in the long run.**

11.15 **The Committee is further of the view that a Market-Making mechanism which may provide a daily buy-sell quote for private sector bonds may be developed to provide liquidity for bonds of infrastructure companies and attract more investments in this sector. In this regard, an institution may be specially created which can provide two way quotes for bonds of infrastructure companies. Alternatively, an existing institution may be given this responsibility.**

11.16 The Committee also notes that banks usually fall short of meeting their priority sector lending target of 40 per cent and they are required to deposit the unused capital in Rural Infrastructure Development Fund (RIDF) with a low return of 5 per cent. **The Committee feels that if infra advances are put in priority sector then the banks will have an incentive to**

tide over many considerations and extend loans for infra projects. The Committee desires that the Department of Financial Services may make a provision in this regard.

11.17 Innovative financial products catering to the specific needs of the respective projects are also the need of the hour. This would bring down the cost of funds and tap new sources of funding. The Committee is happy to learn that partial credit-guarantee being offered by banks under their Credit Enhancement Scheme helps developers to raise cheaper funds from the bond market and repay their existing loans. This helps in reduction of interest burden of the developer, frees up banks' loan book to take new projects and help in the development of the corporate bond market in the country. **The Committee also strongly feels that new types of Bonds for funding infrastructure may be introduced with restoration of tax breaks on the principal. Further, there has to be more emphasis on bilateral assistance (like JICA loan) or multilateral assistance from World Bank/Asian Development Bank, New Development Bank (NDB) and the upcoming Asian Infrastructure and Investment Bank (AIIB).**

INDUSTRIAL GROWTH *VIS-À-VIS* ENVIRONMENT

12.1 In order to ensure that the industrial development is sustainable it is imperative that this is done in an environmentally sustainable manner. The Government of India, with due attention to protection of the environment, had enacted the Environment (Protection) Act 1986, and also brought out the Environmental Impact Assessment (EIA) Notification 1994, which was amended as on 14.09.2006, whereby all the major developmental sectors including Coal Sector require prior environmental clearance (EC), which is mandatory and legally binding on the project proponents. The Ministry of Environment and Forests (MOEF) has accorded high priority to Coal Sector for expediting the process of grant of environmental clearance. The Environmental Impact Assessment Notification (EIA) 2006 came into effect on 14.09.2006 whereby 39 categories of developmental projects/activities listed in the Schedule to the Notification 2006, require prior environmental clearance (EC). The Committee notes that these categories of projects have a potential to degrade the various environmental components such as air, water, land including forests, loss of biodiversity, etc. Many of these impacts could be long-term and irreversible. The projects can also impact the socio-economic status of the region where they are established through displacement of communities, loss of livelihoods and loss of natural resources such as water, arable land, loss of soil fertility, loss of forests including the use of non-timber resources on which the local communities are dependent upon. Of the 39 categories listed in the Schedule, 22 categories pertain to Industry Sector.

12.2 The environmental clearance process prescribed under the EIA Notification 2006 has introduced a 3-stage process of (1) Scoping and grant of Terms of Reference (TOR) for preparation of Environmental Impact Assessment (EIA) Study - Environmental Management Plan (EMP) thereon, (2) conduct of Public Hearing and (3) preparation of an Environmental Impact Assessment (EIA) Report - Environmental Management Plan (EMP) for the project. The Ministry of Environment and Forests (MOEF) is the Impact Assessment Authority in the Central Government for grant of environmental clearances for Category 'A' Projects. The powers of the Central Government have been delegated to State level Environment Impact Assessment Authorities (SEIAAs) and State Level Expert Appraisal Committees (SEACs) there-under constituted by the MOEF for grant of environmental clearance to projects below a certain capacity, which are categorized as Category B Projects. Category 'B' projects have been further categorized as 'B1' and 'B2', on the basis of their potential impacts on environment. The B1 categories would require preparation of an EIA-EMP report and to undergo public consultation process (as applicable), whereas B2 projects will be appraised based on application in Form-1 accompanied by pre-feasibility report and any other supporting documents.

12.3 The debate on industrial growth versus environment is quite old but it keeps reverberating in context of India's industrial policy. The dilemma has been as to how to build up a successful sustainable growth story without impinging on the environment. If the country follows the environmental standards of developed economies then it hurts our capital accumulation prowess which is still in infant stage. The fact remains that 90 per cent of the country's coal and 80 per cent of other mineral reserves are in mostly forest areas. Without optimal exploitation of the natural resources, the country cannot be put on the path of sustainable industrial and economic progress. At the same time, exploitation of the forest areas has its own cost in terms of environmental and ecological degradation apart from displacement of tribal who are the most vulnerable sections of our society. The Committee notes that 'no go' forest area for mining have reduced in recent times. This has been done to get stalled projects moving so that investment could be revived. The rules have been modified to reduce the scope of public hearings which were required before projects got cleared and the environmental clearance of projects have been further decentralized and the State Governments have been given more say in the process.

12.4 **The Committee firmly believes that the country cannot afford to live with a degraded environment. The cost of a degraded environment is most heavily felt by the poor. Though it is imperative that the industries must grow yet, the Committee strongly feels that the demands of industry must be carefully examined and it must be confined to meet the need and not to meet the greed. The Committee is of the view that mining regulations must oblige the mining companies to return the land after its utilization in its pristine original condition within a specified time frame. The Committee also notes that many a time land acquisition is much larger than the need of the projects. Such tendency must be put in check and projects must be located on smaller parcels of land. The Committee feels that proper scrutiny of land requirement of a project must be done before granting it the necessary approval.**

12.5 **The Committee believes that the solution to the challenges of environmental and ecological degradations on account of economic and industrial activities lies in the scientific management of the consequences of such economic and industrial activities. The existing regulation and monitoring framework of the Government needs a revisit to make it effective. The Pollution Control Boards must be strengthened and made accountable. There is a need for better monitoring of industrial pollution, effective implementation of Compensatory Forestation Management & Planning Authority (CAMPA), switching to cleaner forms of energy, reducing carbon intensity per unit of GDP and larger adoption of green technologies in our industrial production process.**

12.6 **The Committee feels that there is a need for judicious mix of policy, laws and management to bring harmony between industrialization and environmental protection. Though the country cannot blindly follow the environment standards of developed**

economies, at the same time it cannot be seen as a laggard in its environmental protection framework. The global climate change negotiations call for a low-carbon growth strategy. In this context, clean energy programme in terms of augmenting the solar power capacity of the country to 1,00,000 MW by 2022 is a move in the right direction. The Committee recommends the Government to devise strategies to save power generated from conventional source of energy.

12.7 The Committee further notes that to control industrial pollution, standards have been developed for majority of polluting categories of industries for liquid effluents and gaseous emissions and the standards are enforced through the State Pollution Control Boards and Pollution Control Committees. As on March, 2014, seventeen categories of highly polluting industries have been identified whose number is 3251. Out of this, 2309 units have provided requisite pollution control facilities to comply with the prescribed norms, 355 units are closed and 587 units are non-complying. The State Boards have taken action against the non-complying units.

12.8 In order to prevent and control pollution of rivers/ lakes, 840 industrial units discharging effluents and waste into the water bodies have been identified, of which 563 units have provided effluent treatment facilities, 145 units are closed and 126 units are not complying. The State Board has taken action against the non-complying industries. Based on the Comprehensive Environmental Pollution Index (CEPI), 88 polluted clusters have been identified and 43 industrial clusters have been identified as critically polluted. Action plans have been prepared for these clusters to bring down the CEPI score.

12.9 **The Committee is happy to learn that Industry-specific/ sector-specific pollution prevention and control programmes have been evolved which includes adoption of cleaner process technologies, siting criteria and pollution prevention technologies. The Committee desires that the State Pollution Control Boards may be equipped with latest technology to map the delinquent industries and enforce compliance. It is of the considered view that sufficient number of common effluent treatment plants may be installed in the polluting industries/industrial clusters.**

CONCLUSION

13.1 A policy is a dynamic document. It continuously reflects the new challenges and priorities that has arisen in a society and addresses them adequately. It entails continuity with change. The country's industrial sector have been guided by a series of Industrial Policy Statement, the last being the Industrial Policy Statement of 1991. It has served the country well. However, this policy has been there for last twenty five years. **The Committee feels that in view of the fast moving changes in the global economy and the rising aspirations of people, there is an urgent need to revisit the existing policy. The Industrial Policy must reflect the aspirations of the people and also the instrumentalities devised to co-opt these aspirations and turn them in reality through development of an optimal industrial eco-system in the country. It must bring about continuous improvement in the country's GDP accompanied by substantial growth in employment and significant improvement in per capita income.**

13.2 The Committee is happy to note that the Government has made significant interventions in the form of National Manufacturing Policy, 2011, Make in India initiative, Start Up India, National

Investment and Manufacturing Zones, Industrial/ Economic Corridors, Ease of Doing Business reforms, FDI reforms, renewed emphasis on skilling and quality control aimed at zero defect in production to push the industrial growth. This push for industrial growth has also been attempted through measures taken to bring about discernible change in the fiscal and monetary ecosystem and infrastructural capacity of the country. **The Committee is of the considered opinion that the guiding principles and ethos of all such interventions must become part of the policy itself. Also, emphasis on cooperative federalism must form part of the policy itself.**

13.3 The Committee is happy to note about the intense competition among States in respect of taking reform measures for easing the business environment in their respective States. The States must also be encouraged to facilitate land availability for industrial and related infrastructural projects through the policy framework. The Committee is of the view that in the backdrop of implementation of GST there is an increased need for active cooperation between the Centre and the States. The Committee also feels that the emergence of one market, once GST is implemented, but presence of various centres of production competing for this one uniform domestic market opens new challenges to our pattern of industrialization. **The Committee desires that the Industrial Policy document must put forward optimal solutions to the challenges of having one uniform domestic market and existence of various centres of production and also give due emphasis on cooperative federalism in the policy itself so that the Central and the State Governments work more vigorously in tandem.**

13.4 **The Committee is also of the firm belief that the Industrial Policy must entail policy guidance for implementation of the policy itself. The recent initiative in the form of the launch of PRAGATI (Pro-Active Governance and Timely Implementation) platform must find a reflection in the Industrial Policy itself. On the lines of this platform which aims at addressing common man's grievances and simultaneously monitoring and reviewing important programmes and projects of the Government of India as well as projects flagged by State Governments, the Department of Industrial Policy and Promotion must also ingrain monitoring and reviewing framework of all the schemes/ programmes affecting the entire eco-system of industries and industrial growth and its linkage with PRAGATI platform in the policy document itself.**

13.5 **The Committee also wish to emphasize on incorporating guidelines for a robust grievance redressal mechanism for entrepreneurs who has to suffer on account of undue delay in issue of production licences on one account or other. Further, the inter-ministerial consultations for grant of licences must be made transparent and reasons for denial of licences must be put down in specifics.**

13.6 **The Committee further feels that the Industrial Policy must also spell out an emphatic thrust on adoption of green technologies, improvement in production and productivity, promotion of R&D and its vibrant linkage with IPR framework. The desired judicial reforms and the legal framework to facilitate industry, promote social security, protection to legitimate rights of workers must also find substantive mention in the policy document itself.**

RECOMMENDATIONS/OBSERVATIONS — AT A GLANCE

The Committee welcomes the measures taken to promote FDI in the country. The Committee, however, feels that large industries/ groups are the major beneficiaries of FDI reforms. It is of the view that FDI in SMEs will bring about radical improvement in the working of this sector. The Committee desires that the Government may explore ways and means to promote FDI in SME sector. Foreign investors may be encouraged to utilise more internal resources and inputs than bringing from abroad except the technology. Also, FDI in any industry may be permitted with a clause to change ownership to Indian Origin / Partner after a specific period say 15–20 years with technology transfer as part of initial approval. This would enable sustainable industrialization in the country. (Para 2.14)

The Committee is of the view that whether the payout for technology transfer is reasonable or not is a subjective issue and this matter must be handled carefully. The Committee is of the considered opinion that a suitable post-reporting system for technology transfer/collaborations and use of trademarks or brand names must be worked out by the Government to bring in objectivity and fairness to the process. It's also important that evaluation studies about the manner in which the arm's length nature of the royalty or technical fees have been analyzed historically between group entities must be carried out to put in place a robust and transparent transfer pricing framework for such transactions. (Para 2.19)

The Committee is happy to note promotion of professional autonomy in Central PSUs. This will certainly bring in more business discipline and perform in a competitive manner. The Committee, nevertheless, is also of the opinion that the PSUs may also work towards becoming centre of excellence in R&D activities and facilitate technology development and its facilitation to MSME sector. The MSME sector in turn shall complement their business activities. (Para 2.22)

The Committee is of the considered opinion that the central PSUs may revive the investment mood by investing their surplus funds generating demands. This will also offset the problem of poor export orders. (Para 2.27)

The Committee appreciates this development as borrowing in rupees will remove the hardships of hedging and largely insulate the exchange of cash flows from periodic gain or loss. The Committee is happy to note that foreign investors have been bullish on Indian papers and this is evident from the fact that in 2014-15, net inflows in debt were $ 27.3 billion. The Committee notes that availability of low cost funds in foreign market is mainly the result of significant easing of crude oil prices. However, this situation is not to be there forever. The Committee desires that the RBI and the Ministry of Finance take adequate steps expeditiously to develop an optimal bond market in India itself so that adequate capital is available to the industry at reasonable costs. (Para 2.29)

The Committee hopes that the lowering of the repo rate by 25 basis to 6.25% by RBI in October, 2016 shall have positive impact on credit to the productive sectors. The Committee feels that the accommodative monetary stance espoused by the RBI along with comfortable liquidity conditions will facilitate further policy cuts given subdued inflation rate. This may give the desired thrust to the industrial sector more so to the manufacturing sector. (Para 2.30)

THREATS AND OPPORTUNITIES FOR THE INDUSTRY IN CURRENT ECONOMIC SCENARIO

The Committee notes with satisfaction that Government is taking proactive steps in this direction such as constitution of Monetary Policy Committee and revision and updation of price index etc. (Para 3.3)

The Committee desires that the GST Council firm up a GST rate that has minimal impact on inflation. (Para 3.4)

The Committee finds that there is still a lot to do as we are still half-way to establish the best practices on 10 parameters that enhance business activity. Though the Department of Industrial policy and Promotion has taken significant steps to improvise the ease of doing business framework in the country, the Committee still recommends the Department to not slacken and take all necessary actions to achieve the milestones of the best practices entailed in the Doing Business Report. (Para 3.9)

The Committee, nevertheless, feels that even in the changed index scenario, the country must perform better. (Para 3.14)

The Committee has held extensive interactions with various stakeholders and has also undertaken study visit to examine in depth the challenges and opportunities that the country's industrial sector faces and the requisite reforms that are needed to make the best out of changing global dynamics. In view of the changing global dynamics, the Committee feels there is pertinent need to revisit the existing industrial policy given the opportunities and threats that it faces in the present circumstances. The structural reforms-regulatory and administrative need to be brought to the fore and there is an urgent need to speed up the implementation of the reforms. The Committee observes that transparency in allocation of natural resources leading to adoption of open, transparent and competitive mechanisms and greater disclosure of approval processes will have far-reaching consequences on the industrial policy. Formulation of industry-friendly land acquisition framework by the State Governments, a set of sound anti-corruption laws, reforms ensuring regulatory coherence, ensuring better inter-ministerial coordination, judicial, financial and efficient public procurement reforms would be a shot in the arm in strengthening the industrial policy of our country. The Committee strongly feels that the regulatory and administrative reforms should address the need for policy coherence. Little can be achieved until the bureaucracy is shaken out of inaction and motivated to become proactive which requires substantial administrative reforms. (Para 3.19)

The Committee is of the opinion that poor implementation is the single biggest threat and needs to be addressed by aligning stakeholders in the process of development

and implementation of industrial policies. The main reason of the success of industrial powers like Germany, Japan and China lies in the creation of an industrial ecosystem which is based on a strong partnership between the Government, industry, industry associations, labour unions, financial institutions and research centres. Successful implementation of the industrial policy in India calls for such strong partnership, which unfortunately is still missing. With the traditional global trade pattern of primary commodity exports from developing countries and manufactured exports from developed countries changing on account of increasing industrialization of developing countries, India's industrial policy needs a serious re-look. (Para 3.20)

The Committee observes that the Government is implementing various policy measures and initiatives like the National Manufacturing Policy, Make in India, Start Up India etc. to provide a boost to the manufacturing sector and aims to increase the share of manufacturing in GDP to 25% and create 100 million jobs by the end of this decade. The Committee feels the policy measures are taken in the right earnest and direction. However, there is still a lot of ground to be covered. In order to avail the benefits of the policy in an optimal manner, the manufacturing enterprises require a thriving physical infrastructure which means world quality transportation infrastructure, uninterrupted power and adequate land to build. Quality and efficient physical and administrative infrastructure is a basic requirement for productive manufacturing enterprises in which India lags behind. Infrastructural challenges, both physical and administrative and the business regulatory framework need to be addressed in order to ensure that the goals set out for the manufacturing sector are achieved. (Para 3.21)

RESEARCH AND DEVELOPMENT FOR VALUE ADDITION

The Committee is of the view that Indian corporate sector needs to be encouraged to increase its spending on industrial R&D as majority of private sector funding of other countries is towards industrial R&D. The Government should supplement the efforts of private funding of industrial R&D by providing an enabling environment for the private enterprises to invest in technology creation, technology absorption and achieve higher value addition and ensure availability of demand for products developed and/or manufactured indigenously. The R&D in industrial sector needs to be institutionalised and greater connect with universities/IITs needs to be explored by industries. (Para 4.2)

The Committee feels that the time is ripe to explore new areas of manufacturing with full vigour like defence offsets. It is of the considered opinion that adequate support should be provided to promote and strengthen employment intensive industries to ensure job creation with special attention to textiles and garments; leather and footwear; gems and jewellery; and food processing industries. It is of the view that the recently announced Defence Procurement Policy, 2016 is a step in the right direction. This needs to be expanded and accelerated across all industrial sectors which may be very positive for the manufacturing sector in the long run. (Para 4.3)

The Committee observes that the improving economic growth would necessitate a strong demand for capital goods. However, the capital goods industry, which is the mother industry for manufacturing sector has not grown at the desired pace. The reasons for the

same may be found in the dull investment environment in the country. While efforts may be made to revive the investments in order to create demand for capital goods, special focus should be given to promote industries for machine tools; heavy electrical equipments; heavy transport, earth moving and mining equipments. The county is still largely dependent on import of these capital goods. (Para 4.4)

The Committee feels that time bound programmes should be initiated for building strong capacities with R&D facilities and encourage growth and development of these capacities in the private sector while strategically strengthening the public sector to complement the private initiatives where essential. A strategic requirement of the country would warrant the launch of programmes to build national capabilities to make India a major force in sectors like aerospace; shipping; IT hardware and electronics; telecommunication equipment; defence equipment; and solar energy. Mission mode projects should be conceptualized in each of these sectors. India's large domestic market coupled with a strong engineering base has created indigenous expertise and cost effective manufacturing in automobiles; pharmaceuticals; and medical equipment. The Committee recommends special programmes should be conceptualized and implemented to consolidate strong industry base to retain the global leadership position. (Para 4.5)

INTELLECTUAL PROPERTY RIGHTS (IPR) FRAMEWORK

The Committee hopes that the new IPR policy will enable more R&D activities and innovations in knowledge and technology intensive sectors as there has been a positive thrust on these sectors through Make in India campaign and Start Up India programme. The Committee desires that the extant IPR framework as reflected in the national IPR policy must act as the catalyst for development of efficient scale of industries specializing in knowledge and technology intensive sectors. This will also help in facilitation of greater R&D and patent-intensive activity. (Para 5.3)

Such tendency of maintaining exclusivity for the purpose of profiteering must be checked since it does not help in bringing about real industrialization. The use of IP as an industrial policy by the frontier countries to sustain the competitiveness of their industries and to protect dynamic advantages in certain technological areas must not be allowed at the cost of our industrial development. The Committee strongly feels that our IPR regime must be fine-tuned to tackle such challenges. It is crucial that our IPR laws does not lose its teeth for ensuring appropriability and transferability of technologies. (Para 5.4)

The Committee notes that there has been a tendency to bargain for Free Trade Agreement/ Bilateral Agreement wherein TRIPS flexibilities are threatened by the elevation of minimum standards provided for the protection of Intellectual Property Rights. The Committee is convinced that our IPR framework while promoting and protecting IP rights must ensure that no higher IP standards of protection may be agreed to other than those included in TRIPS. (Para 5.5)

NATIONAL MANUFACTURING POLICY

The Committee finds this too little and too late and calls upon the Department to take all measures to give desired thrust to this component of NMP. (Para 6.6)

The Committee desires that the National Manufacturing Policy may be reoriented to promote smart manufacturing whereby zero emission, zero-incident, zero-defect manufacturing becomes the order of the day. The Committee recommends the Department to revisit the TADF framework to facilitate smooth induction of smarter industrial processes and sustainable practices in our manufacturing sector to make it smart and ready to enter the Fourth Industrial Revolution (Industry 4.0). The Committee desires that supportive policy regime to facilitate smooth transition by addressing the difficulties and hardships likely to arise on account of such transition along with simultaneous support for progressive adoption of digital technologies for transition to smart manufacturing may be worked out. (Para 6.7)

The Committee finds the progress in granting the approvals to Prakasam and Medak is quite tardy. However, it feels that the Government must intervene and engage the State Governments to send their proposals for the notified NIMZs in their respective jurisdictions. Timely establishment of NIMZs will help the country take advantage of its demographic dividend in an optimal manner. Further, it will also add to the momentum to create Industrial Corridors in the country. (Para 6.9)

The Committee is also of the view that web of Industrial Parks, Investment Parks, Special Economic Zones (SEZs), Mega Food Parks, National Investment and Manufacturing Zones (NIMZs), Industrial/Economic Corridors established/being established for dedicated promotion of industrial sector must function in close synergy for optimal growth of industries in the country and the various administrative Ministries/Departments and the State Governments acting as nodal agencies for development of these industrial parks and zones must work in close coordination for bringing about convergence of resources and creation of common pool of infrastructure under the supervision of a regulatory body. The Committee is of the considered opinion that creation of isolated infrastructure results in its sub-optimal utilisation and wastage of scarce resources. It is, therefore, important that a co-ordinated and syncretic framework may be developed for establishment of such regulatory or coordinating agency. (Para 6.10)

It is heartening to note that the 'Make in India' initiative does not target manufacturing sector alone, but also aims at promoting entrepreneurship in the country. (Para 6.11)

The Committee hopes that these schemes/ programmes will create the necessary infrastructure for sustained industrial growth in the country. The Committee further hopes that the Make in India initiative does not turn out to be an import substitution programme in capital intensive sectors. The focus sectors must be promoted with economy of scale and innovation. It must act as the launch pad for global exports by infusing competitiveness and full support of IPR framework. The Committee hopes that the initiative will help India become part of global supply chain. (Para 6.13)

MICRO SMALL AND MEDIUM ENTERPRISES SECTOR

The Committee expresses its anguish over the high-handedness of banks when it deals with the MSME Sector. The entrepreneurs are not given loan without a collateral

despite RBI's guideline of collateral free loan of ₹ 10 lakh to MSME sector. Such a tendency is a big hindrance to optimal growth of industrial sector in the country.
(Para 7.5)

The Committee wish to underscore the fact that micro enterprises have special significance in view of the scope for wider dispersal of economic activities and large employment generation. They need to be given a greater thrust given their role in employment generation and inclusive growth. (Para 7.7)

The Committee feels that credit is a crucial input for promoting growth of MSME Sector, particularly the MSE Sector, in view of its limited access to alternative sources of finance. Access to information, simplification of loan procedures and interest subvention for micro enterprises should be enabled for timely and affordable credit to MSMEs. To address the risk perception of banks, particularly for lending to MSEs, the Credit Guarantee Scheme needs to be strengthened, with enhanced budgetary support. There should be substantial increase in the number of MSEs covered under the Performance and Credit Rating Scheme which is a facilitating factor for easy access to credit with liberal terms. The Committee feels access to finance needs should be facilitated through alternative sources of capital such as private equity, venture capital and angel funds. Workshops should be conducted by Banks/FIs to address the lack of financial literacy amongst MSME Sector.
(Para 7.11)

The Committee also recommends that the MSEs may be given financial assistance under MUDRA Yojana. The Committee feels that the MUDRA Yojana has not effectively served the MSME sector. Despite the provision of MUDRA card for MSME sector affiliated entrepreneurs whereby these affiliated entrepreneurs can get further credit of ₹ 20,000/- does not appear to have been issued in an optimal manner. (Para 7.12)

The Committee is of considered opinion that suitable monitoring mechanism be devised and enforcement procedures be monitored by RBI on quarterly basis. RBI guidelines for MSME do not require collateral security for loans up to ₹ 10 lacs. The Committee feels that this limit may be increased to loans up to ₹ 25 lacs on the basis of track record and good financial status. (Para 7.13)

The Committee recommends that whenever economic situation hardens, the existing criteria for NPA may be suspended and MSME units be declared NPA only on default of interest for a period of 180 days and default of principal for a period of 360 days. The present system of linking Credit card default, with the existing commercial and industrial loan account at the Credit Information Bureau India Ltd. (CIBIL) level should also be relooked into. The Factoring Regulation Act, 2011 has not been able to optimally help the MSME sector in view of capital crunch arising on account of delayed payment to the MSME units. The Committee is of the considered opinion that credit insurance in the factoring business may be introduced and the loss arising due to submission of fake bills may be dealt on the lines of dishonor of cheque under Negotiable Instruments Act, 1981. Further, all banks should also offer factoring facility to MSME units. (Para 7.14)

There has been increasing demand for re-classification of enterprises. As per the current definition of MSMEs, any manufacturing enterprise having more than 10 crores

investment in plant and machinery or any service enterprise having investment in equipment of more than 5 crores is classified as a large unit. Even though the new MSME Development Act was implemented in 2006, the old definition of MSMEs was retained. The Committee feels that this definition of enterprises is outdated in the current scenario and needs immediate revision. The definition prevents MSMEs from technological upgradation resulting in their inability to produce desired quality products, for fear of losing the MSME status. It is imperative to have a relook and possibly evolve a dynamic definition of MSME, which is indexed to the inflation and/or international best practices. (Para 7.15)

The Committee strongly feels that efforts need to be made to reduce the compliance burden on MSEs and rationalisation or simplification procedures in this kind of laws. The Committee is of the view that self certification could be a solution to this problem. It notes that Haryana Government has formulated 'Self Certification Scheme' for the factories, shops and commercial establishments in the State to liberalise the enforcement of labour laws. Even the Punjab Government has permitted self certification for returns filed in respect of some labour laws and the same has been appreciated by the entrepreneurs there. The Committee recommends the Government to engage other State Governments to adopt the self certification system. (Para 7.16)

Direct and indirect tax compliance is another gigantic exercise which every MSE has to come across each year. In addition to it, closure of any unviable business is another uphill task. Closure of any enterprise puts on him a burden of legal compliance under Company law, labour laws, direct taxes, excise and service tax, custom and DGFT related issues, VAT, Power and Utility related issues, Water Utility, Municipal matters, Creditors, Financial institutions etc. Exit policy or simplification of procedures must be formulated that could help the MSEs in easy exit. (Para 7.17)

In the above backdrop, the Committee is of the considered opinion that following structural changes in existing Industrial Policy may be introduced especially to bring about optimal development of MSME sector:

(a) ***Simplification of Procedure***

Currently, the system of registration as a SME unit to avail the benefits of the Government schemes is cumbersome and time-consuming. The procedure of registration should therefore be simplified and made industry-friendly. To solve this problem, MSME Promotion Centres should be established in various States for facilitation of new startups, promotion of schemes, providing guidance etc. Such centres should be established at Chambers of Commerce, banks and other related institutions of every State.

(b) ***Rationalization of environmental norms***

(i) the provision of Environment Protection Act should be relaxed so as to make them reasonable.

(ii) the range of standard deviation which is used to determine environmental compliance should be increased.

(iii) Statistical compliance should qualify the environment protection without making norms unreasonably strict.

(iv) since January 2010, Ahmedabad, Ankleshwar and Vapi clusters have been declared as critically polluted areas. This has prevented the industries to go for expansion or product change. The estates in these areas have incurred huge expenditure to the tune of ₹ 500 cores towards upgradation of their facilities and have been successful in significant reduction in pollution levels. However, due to the existing restriction the volume of exports in the bi-monthly period of April-May 2013 reduced by 11.78% *vis-à-vis* the corresponding bi-monthly period last year (2012). The environmental norms therefore need immediate revision so as to make them achievable. Similar problem is also evident in other traditional industrial towns and clusters and necessary steps may be immediately taken to address this problem.

(c) ***Patent Assistance***

Under the existing scheme, there is a limit of maximum 5 patents over a period of 5 years, and therefore the amount of ₹ 10 lakh is never utilized although the actual expenditure is more. The limit of number of patents should therefore be removed from the existing scheme.

(d) ***Market Development Support***

MSMEs should be financially supported for participating in domestic as well as international trade fairs.

(e) ***Implementation of existing sector-wise policies and introduction of new policies***

The manufacturing policy should not be restricted to focus on sub-sectors, but cover all industries engaged in production. The process should be expedited so that the policy can be implemented fully. Textile Policy could not be fully implemented due to non-issuance of certain notifications and procedural clarifications. Focused sector-wise policies are needed to be added in the Industrial Policy for the development of major sectors.

(f) ***Delayed payments to industries***

Small industries face a severe liquidity crunch due to delayed payments. Even reputed government departments flout the payment norms. The MSMEs cannot take action against such delayed payments as they risk losing future orders. At the same time, they cannot afford long litigation process. The financial proposals for MSMEs under any scheme should be sanctioned within 30 days of submission of application.

(g) ***Employment generation based incentives/schemes***

Incentive schemes promoting additional employment should be included in the Industrial Policy. Such scheme should provide some incentive/loan to companies.

(h) *Skill development*

The new courses or revised ones for skill development should be jointly formulated in association with the regional industry association. The responsibility of management and operation of skill up-gradation centres should be vested with the regional industry association.

(i) *Alignment of State and Central implementing Agencies*

There is a greater need for alignment and synchronization of various implementing agencies for the schemes for industrial sector. At large, industries have been making representations to Chambers for various issues which arise due to such non alignment.

(j) *Cluster Facilities for SMEs*

The Committee feels that till the SMEs are in a position to make their share of contribution towards the clusters. Such clusters could be operated under the superintendence and control of the industry associations who act as intermediaries as well as have vast resources of knowledge, skills, experience through its diverse membership comprising large and small industrial enterprises. Such a role played by the Industry associations would see effective and efficient operation of the clusters.

The Committee is of the view that the Central Government's initiatives in this regard need to be supplemented and supported by the State Governments. Hence the Centre should ask the State Governments to promote such schemes.

The Committee is of the view that though there are different schemes available for the capacity building of the SMEs, the experience in terms of utilization of such schemes has not been satisfactory. Awareness about of such schemes is also poor because of clumsy documentation, procedural delays and inaction. It is suggested that the industrial policy should pay attention for making this documentation, approvals and implementation simpler and easier.

(k) **The NIMZs/ Industrial Corridor (ICs) must provide space/industrial estates for setting up of MSMEs along with the requisite infrastructure and provide opportunities for the healthy growth of ancillary industries associated with large industries. Commensurate with this, there is a need that the large industries in these NIMZs/ICs need to undertake vendor development programmes to give a push to the growth of MSMEs that would cater to their needs.**

(l) **The Committee feels that this provision should be extended to State PSUs as well as all non-MSME units as well as domestic multi brand retail chains. The minimum share of total purchases of central industries/ departments/ PSUs reserved for micro and small enterprises (MSEs) may be increased from 20% to 40% and a strong monitoring and compliance mechanism should be put in place. The Committee also recommends that procurement of 4% goods from SC/ST entrepreneurs in MSME sector must be scrupulously followed.**

(m) **The Committee is of the firm belief that without women participation, the industrial growth cannot be the platform of inclusive growth. The Committee notes that women entrepreneurs are quite few. It desires that women enterprise must be specially promoted. The Committee is happy to note that the Government has launched Stand Up India programme to promote entrepreneurship of SC/ST and women. The Committee recommends that proposed MSME policy must provide for an ecosystem of incentives/assistance that gels with Stand Up India Scheme and women entrepreneurship is given a special focus.**

(n) **The Government may look into this aspect and appropriate guidelines may be framed by Department of Public Enterprises in consultation with the Ministry of Micro, Medium and Small Enterprises to enable worthy MSME units to nurture as ancillary units of Central PSUs.**

(o) **The Committee strongly feels that this situation is not good for a healthy industrial growth. It is important that the unorganised sector is brought into the fold of formal business framework. The registration process may be made simple and MUDRA Yojana may be effectively utilised for bringing in such MSMEs into the fold of formal running of the establishment. This shift will ensure extension of social security benefits to the workers working in the unorganised sector. Further, these units also need to be initiated in new technology and taught the processes of value addition so that they can become competitive and earn better.**

(p) **The Committee recommends the National Small Industries Corporation (NSIC) to facilitate availability of raw material to the craftsmen and weavers. The stable supply at genuine price will go a long way in saving the traditional craft which also is a big source of foreign exchange earnings through exports.**

The Committee desires that gaps must be bridged and necessary steps are taken by the Government in this regard.

(q) **Since MSME units individually are not in a position to develop its own brand and promote, support may be extended to those MSME units which adhere to quantity and quality parameters laid down by the NSIC. This will help in marketing specially consumer product by MSMEs and also encourage the other MSME units to appreciate the value of quality and join the quality production process. NSIC should develop brands of different products to be exclusively procured from MSME units.**

(r) **The Committee feels that manufacturing companies, more so MSME, may be encouraged to engage into digital marketing. The Committee is of the view that with the large-scale spread of social media and Government's launching of Digital India, the industries must take the benefit of this media and such instrumentalities like AADHAR, e-payment, IVR and text messages to reach large customer base. The Committee recommends the Department to promote digital marketing of products and put in place necessary framework to fully protect such transactions and also incentivise such transactions/marketing for its wider penetration.** (Para 7.19)

LABOUR AND INDUSTRIAL GROWTH

The Committee believes that a shift from austerity policies to sustainable growth through active employment policies, job stimulus and investment measures should be given a serious thought. Peaceful and harmonious labour relations have a significant role in the Industrial Growth. If there is industrial unrest and an atmosphere of distrust between labour and employers, it is certain that both production and productivity will suffer.

(Para 8.2)

The Committee observes that labour reforms are among the most significant pieces of unfinished business from India's first generation of reforms. A harmonious relationship between industry and labour is one of the critical factors for catalyzing productivity and economic growth. The Committee strongly feels labour reforms should be both in the interest of the labour and the industry. There is an urgent need for reduction and simplification of the plethora of laws existing in the labour sector. Fewer laws would mean better monitoring, easy compliance and benefit to both industries and workers.

(Para 8.7)

The Committee notes that globally efforts are being made to connect labour standards with trade and industry to negate the comparative advantage of low labour costs of developing countries including India. It is understood that India has so far has been resisting any attempt to link labour standards and trade. However, these trends should be watched cautiously and ensure that labour standards do not become impediments in trade. The Committee observes that in the changing economic scenario of global supply chains, labour market too is fast becoming a global entity. There is a need to carefully analyse the impact of global changes in the field of labour and their impact on our industry. Already all the proposed international free trade agreements are incorporating labour clauses in them. Lest these issues become non-tariff barriers, the Committee feels that there is a need to ensure that we provide decent work to our labour, provide them with formal jobs and basic minimum social protection floor and ratify ILO Conventions. For this it needs to be ensured that industry and labour are in partnership rather than working at cross purposes. (Para 8.9)

The Committee is also of the considered view that any labour reform can be successful if the component of retraining and rehabilitation of retrenched employees is strengthened inasmuch as to be effective and purposeful in letter and spirit. The Committee is aware that Ministry of Labour & Employment runs a number of schemes for skill development, under which retrenched workers of the closed and sick units may also get trained. However, the quality of these programmes leaves much to be desired. The Committee recommends for a revisit to the existing framework of retraining and rehabilitation and also desires that retraining and rehabilitation may be made an integral part of any rehabilitation package being approved under the Sick Industrial Companies (Special Provisions) Act 1985. (Para 8.10)

The Committee is of the considered opinion that social security legislations may be amended and simplified to enable the employers become active stakeholders and subscribers of social security programmes for their workers. It is important that maternity benefits as

available in Government sector are also made available to women workers in private sector. The Committee also strongly feels that initiatives taken by the Government in the form of Make in India programme, Start Up India Scheme, Stand Up India, setting up of Industrial Corridors and National Investment and Manufacturing Zones, ease of doing business will result not only in better employment opportunities but would also cause migration of workers from one industry to another for better career avenues. It is important that necessary reforms in gratuity benefits may also be carried out so that the workers can easily change their job as per their skill and their demands. Portability of gratuity benefits will also help in incentivising workers for continuous skilling and updation and ultimately help the country become the power house of skilled workforce resulting in setting up of more industries and flow of investments in the country. (Para 8.11)

EMPLOYMENT AND SKILL DEVELOPMENT

The Committee is of the considered opinion that the above stated challenges needs to be overcome in an optimal manner. Also, since there is a huge magnitude of people who need to be skilled as a study by National Skill Development Council (NSDC) indicated that a net requirement of about 12 crore skilled manpower will arise in 24 key sectors by 2022. Accordingly, diverse nature of skill sets need to be disseminated across the geography of country depending on local industrial demand which further makes need to have location specific strategies for skilling. The Committee feels that the focus of vocational training offered in India is badly mismatched with the needs of workers and recommends proper alignment of skill development programme to the needs of the workforce. The Committee observes that the infrastructure in most skill training centres is of poor quality and not upgraded which has led to wide gap between what the industry desires and the skill training. The trainers who impart the skill training are not up-to-date with the skills required by the industry and hence the outcome of training is not as per desired quality. As such, students who complete these courses also do not find ready employment in the Industry. (Para 9.13)

The Committee wish to emphasise that skilling is not mere academic certificates/ diplomas/degrees pertaining to some vocation. It is creation of an asset in a human being. Its a value that makes him capable to become and remain productive in his life. The Committee desires that the Government undertakes its skilling programme with this motto. To ensure that a person becomes and remains productive, skilling must be a continuous process. Mere awarding of a Certificate of Skill in a trade will not serve the purpose. It's important that the workforce is continually skilled in the ever changing technological environment and demands of the industry. The Committee understands that as many Ministries and Departments are involved in skill training and enhancement, it is imperative to take coordinated efforts in order to make India the Skill Capital of World. (Para 9.14)

INDUSTRIAL INFRASTRUCTURE

The Committee is happy to note that as part of detailed assessment undertaken, the total project will provide employment to approximately 1,64,000 persons directly generated from industrial and ancillary activities at Shendra and Bidkin. The Committee recommends

that the Department engages the Ministry of Skill Development and Entrepreneurship to ensure that adequate skilled workforce is ready to cater to the job opportunities likely to arise in these areas. (Para 10.4.8)

The Committee is of the view that the land plots in the node may be earmarked industry-wise so that there remain no possibility of a mismatch of industries with the land requirement and the desired progress of the industrial node may be attained optimally. The Committee also hopes that the proposed International Convention Centre at Shendra will also be completed on priority since there is no exhibition hall worth name in the state of Maharashtra. (Para 10.4.9)

The Committee notes that this problem could have been overcome had land zoning been in place. It is of the considered opinion that land zoning for various development purposes and digitization of Government land records must be undertaken on priority as it will help to ease out lot of issues in infrastructure development. The Committee further feels that the regional development plan may be revised in view of the infrastructural priorities and initiatives of the State and Central Government. (Para 10.4.10)

The Committee is of the view that the DFC may be extended up to Roha. In case it is not possible, then, double railway line connecting Panvel to Roha may be built. This would help in creating effective logistic infra for cargo distribution in Maharashtra apart from smooth evacuation from the port. (Para 10.4.11)

The Committee is of the considered opinion that the State Governments may be engaged on this issue with desired urgency. (Para 10.4.12)

In the interactions held with Business Chambers and Industry Association during the Committee's study visit in Punjab, requests were made to work out the dedicated freight corridors in such a fashion that the Punjab region gets a smooth access to Western Coast ports. The Committee recommends the Government to look into this aspect with all seriousness. (Para 10.4.14)

The Committee hopes that once the Amritsar-Kolkata Industrial Corridor becomes operational the problem of sub-optimal capacity utilization of the Multi Modal Logistic Hubs at Ludhiana will be addressed. The Committee is also of the considered view that the present capacity of logistic hubs will not be adequate to the demands likely to arise after the operationalisation of the Industrial Corridor in the State. It, therefore, recommends that the Department engage the Dedicated Freight Corridor Corporation of India Limited (DFCCIL) and Ministry of Railways to ensure that adequate capacity for Multi Modal Logistic Hub is created to cater to the needs of the industry. (Para 10.4.17)

The Committee is of the considered opinion that the rail freight rates need to be made rational. Private train container operators need to be given incentives/concessions for its robust growth. Further, the DFCCIL may allow the private train container operators to operate trains on the dedicated freight corridors for optimal utilisation of the dedicated corridors. (Para 10.4.18)

The Committee notes that the pace of widening of the National Highways and State Highways have not kept pace with the cargo movement on the roads. It is of the opinion

that the National Highways and State Highways may be optimally widened, especially, in the sections where frequent traffic congestion is evident. (Para 10.4.19)

The Committee recommends that information regarding rail alignments may be shared with the logistic companies so that optimal logistic infrastructure may be created in time. (Para 10.4.20)

The Committee recommends the Department to engage Ministry of External Affairs and Department of Commerce to ensure that this restriction of exporting 137 products through Attari land border may be lifted and all the items open for export to Pakistan may be allowed through this point too. The Committee is also of the considered opinion that in order to take full benefit of Indo-Pak trade, the Eastern Dedicated Freight Corridor which at per the present plan terminates at Ludhiana may be extended up to Amritsar and then further up to Attari border. It is convinced that the demands of traffic will increase with the commissioning of the AKIC and extension of the negative list to Attari border for cross border trade would result in manifold increase in the traffic volume. The Committee is of the view that long term infrastructure decision must take into account the local aspirations and demands. Instead of waiting for the optimal demand to arise in future and then take up extension of the Dedicated Freight Corridor to Amritsar, it would be prudent that the freight corridor may be extended till Amritsar. More so, the fact that Amritsar area (Majha area) had been affected with militancy, the Government should give more attention towards economic development of such areas. The Committee observes that border points at Hussainiwala in Firozpur and Sadqi in Fazilka may also be opened to give boost to Indo-Pak trade.

(Para 10.4.21)

The Committee strongly feels that the rail link between Makhu and Patti must also be constructed to provide optimal transportation solution to the industries in the State. The Committee hopes for an early execution of this rail line since the survey of the line has already been completed. The Committee is further of the view that the AKIC will not only open opportunities to access the markets of Pakistan and Central Asia but also to the markets of East Asia and ASEAN countries. It recommends the Department to engage all the stakeholders towards this goal and furnish a blue-print to the Committee in this regard within three months of the presentation of this Report to the Parliament. (Para 10.4.22)

The Committee feels that an institutional mechanism for long term funding to the States for land acquisition for industrial corridors may be explored. The Committee also feels that surplus land available with Public Sector Undertakings (PSUs) may also be released for the purpose of industrial corridor. This will serve twin purpose-one it will make more land available for both public and private projects and also result in price rationalisation of land market and secondly, monetisation of surplus land of PSUs through auction will make those PSUs richer with more funds that may be used by them in furtherance of their business interest. The Committee desires that the Department engage Department of Public Enterprises on the matter. (Para 10.4.23)

The Committee desires that the Master Plans for the identified IMCs along the Amritsar-Kolkata Industrial Corridor may be adopted and implemented on a fast pace so that benefits from the Corridor start disseminating to the industries and population in the region. (Para 10.4.24)

The Committee recommends the Department to look into the request of the Government of Maharashtra in all earnest and settle the matter amicably at an early stage. (Para 10.4.26)

The Committee is concerned over the pace of progress of the Industrial Corridors in the country. It notes that Delhi-Mumbai Industrial Corridor Project was started in 2007 and many people started orienting their businesses and industries in hope that the project will be completed in all earnest by 2012. Unfortunately, this corridor has failed to see the light of the day. Similarly, the Amritsar-Kolkata Industrial Corridor which was approved by the Cabinet in January, 2014 is still in the stage of perspective planning of various Industrial Manufacturing Clusters (IMCs) planned in this Corridor. Many States through which the AKIC is passing are still to identify the IMC in their States. The Committee is of the considered opinion that a time frame for completion of the Industrial Corridor project must be fixed so that industry can plan accordingly to set up their industry in and around the industrial corridor. (Para 10.4.30)

The Committee expresses its displeasure over the fact that it took five long years to get the approval of institutional and financial framework of the Delhi-Mumbai Industrial Corridor since its announcement in 2007. Though the four nodes where the work has begun are expected to be completed by December, 2019, the Committee, however, finds that constraint in land availability may cause delay in full-fledged commissioning of the Corridor. The Committee recommends the Department to look into this problem. If the desired size of land parcel is difficult to obtain, the DMICDC may consider establishing IMCs of smaller size. Further, if there is problem regarding land acquisition, then the projects related to Industrial Corridor may be designated as special projects to facilitate faster acquisition of land. (Para 10.4.31)

The Committee desires that NICDA may be constituted at the earliest. (Para 10.4.32)

The Committee is of the considered view that the network of proposed Industrial/ Economic Corridors must be effectively used to catalyse economic development and increase prosperity in the region. The Committee finds it imperative to link the North East region to other industrial economic corridors in India and to Southeast Asia, which would result in enhanced connectivity and development in Northeast India. The Committee learns that Japan International Cooperation Authority (JICA) have shortlisted 10 road projects of which 2 road projects *i.e.* NH-54, Aizwal-Tuipang Section and NH-51, Tura-Dalu Section have been proposed for construction in the first phase. The Committee welcomes construction of roads in these crucial missing links. It hopes that these crucial connectivity projects will ignite the much needed economic and industrial activity. (Para 10.4.33)

The Committee recommends the Department to look into the possibility of creating such a corridor. (Para 10.4.34)

The Committee recommends the Ministry of Railways to undertake an exercise of prioritization of work so that focus attention can be paid to important and urgent projects which are either in last leg of their completion or are concerned with capacity enhancement or need debottlenecking and providing alternate route. (Para 10.8)

The Committee observes that many railway projects in economically backward areas are not able to take off due to lack of funds as the projects which have a higher rate of return absorb the investments. The Committee desires that a non-lapsable socially-desirable fund for railway projects where the Rate of Return (RoR) is less than desirable may be set up to ensure finances for the completion of railway projects initiated in economically backward areas thus leading to industrial growth in those areas. Private participation in the railway projects should be encouraged. (Para 10.13)

The Committee during its study visit to Varanasi found that the North Eastern Railway (NER) is unable to take up construction of bridges, doubling and gauge conversion projects as large part of NER land has been notified as reserved forest by Forest Department of Uttar Pradesh Government. It was learnt that the Forest Department has also declared the land along railway track as protected forest land though the land is in possession of Railways. The Forest Department is asking to deposit Net Present Value (NPV) and for compensatory afforestation before the Railways undertake the crucial infrastructure projects. The Committee finds such situation unwarranted in the first place. This incident is a reminder that there are still gaps left in dialogue between Government agencies. The Committee is certain that an amicable resolution of the disputes will be found as the matter is sub-judice for now. (Para 10.14)

The Committee recommends that the problem of land acquisition in these crucial stretches may be addressed in consultation with the State Government. (Para 10.17)

The Committee recommends DFCCIL to actively engage the State Government to ensure early acquisition of the stretch of land in Ajmer so that the timeline for commissioning of the DFC is not disturbed. The Committee is unhappy over the lack of coordination and cooperation between DFCCIL and Indian Railways. The Committee feels that monitoring of progress from one designated desk in Railway Board will not serve the purpose. The Committee strongly recommends that all the concerned officers in the Railway zones must be sensitized to extend all cooperation to DFCCIL so that it can discharge its mandate effectively. (Para 10.20)

The Committee welcomes this effort towards lowering of carbon footprints.

(Para 10.22)

The Committee notes that exim traffic generated out of Eastern DFC (EDFC) will primarily be routed through Kolkata Dock System (KDS). Keeping in this mind, the Committee is of the view that a dedicated line connecting EDFC at Dankuni to KDS is required to be developed simultaneously with the commissioning of EDFC. (Para 10.23)

In order to enable the ports augment the capacity and undertake modernization, the Committee feels that appropriate measures may be taken to implement the following suggestions on taxation/fiscal incentives for the port sector:

(i) Major ports may be given exemption from mentioning the exact details of application of the proceeds of the debt issue under 'Objects of Issue' in the prospectus;

(ii) **Major ports may be permitted to show its fixed and current assets and as well future receivables as security to issue debt funds;**

(iii) **Major ports may be permitted to issue bonds in multiple tranches within a period of one year from registration of prospectus;**

(iv) **Major ports may be permitted to invest their surplus with other major and minor ports requiring funds to invest in their projects; and**

(v) **Major ports may be notified under section 10(23C) (iv) of Income Tax Act so as to claim exemption from the surplus earned by them subject to fulfillment of conditions stipulated therein.** (Para 10.26)

To tackle the undue delay at ports, the Committee feels that all exim related agencies may be brought under single community platform in PPP mode whereby the delays may be cut by at least three days. Conditions on service standards may also be included in the contract to make service providers accountable. The rail yard at the Ports must be connected with the dedicated freight corridor. (Para 10.28)

To make Industrial Corridors a fruitful plan of port led economic development, the Committee is of the view that it is important to look for an integrated development perspective. There is a need to firm up an end to end plan where a service provider is linked to his customer which in port perspective meant that the ports are linked to hinterland in seamless manner with road and rail connectivity. (Para 10.29)

The Committee is of the considered view that coastal shipping has not been optimally exploited to solve India's logistic problem. It is of the view that coastal shipping must be promoted. It is not only cost effective but also reduces carbon foot-prints. The Committee finds that Indian shipping *per se* has a higher cost of operation when compared to other competing modes of transport due to various policies. Indian shipping companies need a level playing field *vis-à-vis* their foreign competitors in terms of the fiscal regime and there is a need for appropriate funding at moderate lending rates. The Committee feels that the shipping policy needs to be tweaked in such a manner that it may become as competitive as rail and road transport. The duty on fuel oil on ship's bunker is quite high resulting in 33 per cent of the total cost of operation. Combined proactive initiative by the industry and the Government will go a long way in ensuring the long term competitiveness of Indian shipping industry. The Committee feels that it is important that 'Core Shipping Fleet' may be raised to improve the country's international trade competitiveness which would have a moderating effect on the country's freight bills and shall also contribute to India's energy security. There is also a need to review the Merchant Shipping Act in line with global shipping practices. (Para 10.31)

The Committee further recommends that there is an urgent need to bring about rationalization of the tax structure for shipping sector, strict implementation and strengthening of cabotage provisions without dilution/relaxation, cargo reservation, soft funding for procurement of ships and conferment of infrastructure status to Indian shipping industry. (Para 10.32)

The Committee is also of the view that the India-Bangladesh Treaty signed recently has opened the opportunity of shipping cargo through Bangladesh to the hinterlands of the North-East region. The Committee desires that this opportunity may be fully grabbed to promote coastal shipping. It also strongly feels that the development of freight corridors may be dovetailed with coastal shipping since waterways has become integral part of transport internationally. (Para 10.33)

The Committee is of the considered opinion that inland waterways must be given the desired thrust to make it an effective source of transportation of men and material. It is of the view that possibility of utilizing inland waterways may be explored in all the proposed industrial corridors. A feasibility study may be immediately taken up to explore the extent of connectivity along NW-4 on the Visakhapatnam-Chennai Industrial Corridor (VCIC).
(Para 10.37)

The Committee is of the opinion that in view of benefits like easing of congestion on road and rail networks; reduced logistics cost; reduced CO2 emissions, efficient energy and fuel consumption; and generation of direct and indirect employment opportunities, the IWT must be given all support. It recommends the Ministry of Shipping that funds should not act as a hindrance towards the development of IWT. Funding mechanism entailing various options such as Road Cess Fund, Multi-Lateral Institutional funding, Public Private Partnerships, Joint Venture, SPVs apart from Government Budgetary Support and Extra Budgetary Support may be explored. (Para 10.39)

The Committee feels that urgent measures need to be taken to improve the efficiency of road transport. The Committee feels that modernisation of the road transport sector needs immediate attention. Improvement in road technology would bring in a marked positive change in freight movement and increase the competitiveness of Indian goods. The establishment of electronic toll booths and truck terminals need to be speeded up. Last mile connectivity of good quality roads is important as it helps in the development of remote regions by opening them to trade and investment and integrating with the mainstream economy. Poor maintenance of roads is another grey area of the road sector which has led to deterioration of roads and high transport costs for the industry. Road capacity should be enhanced to reduce congestion and improve the productivity of freight trucks.
(Para 10.42)

The Committee recognizes that power is a very critical input for rapid industrialization. In order to improve the competitiveness of Indian industry, it is essential that the availability of reliable and good quality power is assured. It is disconcerting to note that all attempts to increase power generation gets undermined by the inefficiencies and wastages of production, transmission and distribution of power. The practices of cross subsidizing domestic and agricultural consumers by charging higher tariffs on commercial and industrial customers has also adversely affected industrial production in India.
(Para 10.44)

The Committee appreciates the scheme for being a landmark of co-operative federalism and it hopes that all the State Governments will come up and design MoUs with

the Centre under UDAY to enable the State DISCOMS come out of the vicious cycle of debt they have fallen into. (Para 10.50)

The Committee observes that unreliable and inadequate power supply continues to be a serious impediment in India in spite of the considerable efforts made to enhance power generation capacity in the country. Improving the supply and quality of both transport infrastructure and power are essential requirements for attaining the targeted growth rates. The Committee feels that the cost of supply to the consumer, especially the industrial consumer is on the higher side to compete with the production cost of the developed countries. The industry is continuously facing scheduled power cuts and shortage of power for development. The energy starved industry faces stiff competition in the global market which hinders the expansion of the Indian industry. The Committee feels that cross subsidies should be rationalized. The Committee opines that scant attention has been directed towards distribution channels. The distribution sector is the most vital but weakest link in the entire value chain of the power sector. If the distribution sector doesn't become financially viable, the transmission and generation would be seriously affected. It is, therefore, necessary that all-out efforts should be made to strengthen and to ensure the financial viability of the distribution sector. (Para 10.51)

The Committee appreciates that the Government is taking concerted steps such as Ujjwal DISCOM Assurance Yojana and Deen Dayal Upadhyaya Gram Jyoti Yojana. The Committee notes that Ujjwal DISCOM Assurance Yojana envisages to make DISCOMS financially and operationally healthy to ensure adequate power supply at affordable rates and aid in the Government's effort for 100% rural electrification and Deen Dayal Upadhyaya Gram Jyoti Yojana envisions total rural electrification and continuous power supply to rural India. The Committee feels that these Schemes will give a boost to the industry in the rural areas especially the MSME sector. (Para 10.52)

The Committee notes that Cold Rolled Grain Oriented Electrical Steel (CRGO), a critical raw material used in manufacturing of power and distribution transformers is not produced in India. Thus the country is dependent on foreign manufacturers resulting in outgo of foreign exchange in acquiring the CRGO. Efforts need to be made to set up manufacturing facilities in the country. (Para 10.53)

INFRASTRUCTURE FINANCE

The Committee feels that the above reasons for failure is a good guide to carry out necessary corrections for the infra projects coming up in the country as well as the projects desired in the Industrial Corridors so that banks can come up to facilitate infra finance in an effective manner. It is of the view that for a bank to finance infra project, it is necessary that all approvals be available in advance and the land availability is in place for the infra projects. Further, timely payments to banks must be ensured to enable banks play a robust role in infra finance. The Committee recommends that a mechanism to resolve the payment disputes within a limited time frame must be set up. This would help in creating an enabling environment for infrastructure growth. The Committee is also of the view that implementation of the infra projects must be targeted for completion before time rather than beyond time. Grant of incentives in form of certain concession in the interest rate or

something similar may be explored for promoting completion of infra projects before the scheduled time. This would help the loan amount remain within bounds for repayment.
(Para 11.5)

The Committee is of the view that the financial institutions should tie up for long term money to give loan for longer period of time and it may also tie up with multilateral agencies to support the infrastructure sector with long term money. Recent RBI's measure in terms of grant of permission to banks to raise 15 year money in the form of infrastructure bonds may also be effectively utilized by the banks for infra financing purpose. (Para 11.6)

The Committee is of considered opinion that the financial institutions must also find sources like pension and insurance funds which will take over these long-term risks once the construction risks are over. However, for these funds to take over the projects with lower risks with lower return, there must be an optimally developed corporate bond markets, especially infra bond markets. However, the pension/insurance funds do not get attracted to any project which is not AAA or AA rated by credit rating agencies. Since a newly constructed infra project does not enjoy such ratings hence the pension funds/ insurance funds are not attracted to them. To overcome this difficulty, it is important that the SPVs of newly created infra projects must undertake credit enhancement which is done by many credit rating agencies for a payment/fee. These credit rating agencies will get a first loss insurance cover for the projects and take other steps to improve the credit ratings. (Para 11.7)

The Committee strongly feels that IRDA may clarify that Bonds and Debentures also include the prospective bonds issuance for retiring the existing debt. This will help deepening the corporate bond markets. Further, in many cases, the parent company rating may not be AA. Moreover, since infra funding is a non-recourse financing and promoters capability to bring in funds is already captured in the SPV's rating, parent company guarantee may not be insisted upon. The Committee recommends that a separate limit may be carved out for direct investment of pension funds in infrastructure sector.
(Para 11.8)

The Committee is also of the opinion that the problem in getting quick resolution of disputes has also checked the development of bond markets as investors get a bit way about the security of their investment. A vibrant dispute redressal mechanism should be in play. The Committee expresses its discomfiture on the prevalent situation. Though there is no dearth of good laws but the system is found lacking in execution of these laws. The Committee recommends that the implementation of these laws may be made effective by setting time-limits for judicial orders by amending DRT Act; Arbitration Law and other relevant Acts. The Committee hopes that the enactment of recently passed Enforcement of Security Interest and Recovery of Debts Laws and miscellaneous Provisions (Amendment) Bill, 2016 will help banks and financial institutions recover loans more effectively, encourage more asset reconstruction companies (ARCs) to set up business in Indian and revamp debt recovery tribunals (DRTs). Along with the recently passed Insolvency and Bankruptcy Code, 2016, these amendments will place an effective framework to decisively

deal with the problem of non-recovery of loans and consequent NPAs in the banking system. The passage of Insolvency and Bankruptcy Code, 2016 also provides the much needed boost towards the creation of a robust and effective bankruptcy regime for the development of the corporate bond market. Apart from placing in a quick dispute resolution mechanism there is also a need for putting up a framework to ensure an effective qualitative disclosure of risks to investors as a part of good corporate governance. This will attract the investors towards infra projects. Easy exit policy for the business and industry must be expedited by amending labour laws. Next generation labour reforms are the crying need of the hour. (Para 11.9)

The Committee expresses its concern over the atmosphere of fear of CBI/CVC probe and extreme regulation imposed on the banks. The Committee rather feels that a centralized dispute resolution agency may be set up to settle such disputes. If any stalled project needs to be revived, additional funding may not be made subject to CBI/CVC probes unless there is a *prima facie* case warrants such probe. Rather, appraising banks must be the final arbiters of justifying increase, if any, in the cost of project. All upfront approvals including 100 per cent ROW (Right of Way) must be ensured before issuing works for the industrial corridor. (Para 11.11)

The Committee is also of the considered opinion that the following steps may be taken so as to ensure that future PPP projects are put on the right track:

A full-scale re-evaluation of PPP Projects be undertaken every two years to take care of the changes in the macro and micro environment.

Such re-evaluation must not be treated as restructuring by the regulator.

In case of *force-majeure* situations, the delay in commencement of commercial production may need to be suitably revised, without affecting asset quality.

In case of additional funding, the top five banks must take up the funding which in fact is a logical extension as the RBI has already indicated five banks to assess projects above a certain cut-off. (Para 11.12)

The Committee is of the considered opinion that specialized agency for extending finance/loan for infra projects is the need of hour. India needs a Development Financial Institution (DFI) structure back in place. In most developed countries, DFIs are the leaders in infrastructure financing. In India, IDBI, IFCI etc have slowly withdrawn from discharging their erstwhile role of DFI. It is time such specialized institutions are brought back, with appropriate appraisal skills of evaluating long-gestation projects. These institutions must enjoy the mandate to raise long term low cost funds from both the domestic and overseas markets. However, since the infrastructure needs of our country are immediate and setting up of such specialized institutions may require some time, some of the existing institutions like IIFCL, IDBI, etc. may be transformed to assume such role. Further, since each infrastructure sector requires highly specialized skills, several such institutions specializing in a particular sector (like road, port, airport, urban infrastructure, etc.) may also be considered. (Para 11.13)

The Committee is of the considered opinion that in line with the facility extended to OMCs and Banks (for attracting FCNR B deposits), RBI may extend concessional hedging facility to such financial institutions which are raising long term foreign currency resources for deployment exclusively into infrastructure sector. This may not only benefit the infrastructure sector by making available reasonable cost of long-term foreign funds, but may also help in the creation of a long-term hedging market in the long run.

(Para 11.14)

The Committee is further of the view that a Market-Making mechanism which may provide a daily buy-sell quote for private sector bonds may be developed to provide liquidity for bonds of infrastructure companies and attract more investments in this sector. In this regard, an institution may be specially created which can provide two way quotes for bonds of infrastructure companies. Alternatively, an existing institution may be given this responsibility. (Para 11.15)

The Committee feels that if infra advances are put in priority sector then the banks will have an incentive to tide over many considerations and extend loans for infra projects. The Committee desires that the Department of Financial Services may make a provision in this regard. (Para 11.16)

The **Committee also strongly feels that new types of Bonds for funding infrastructure may be introduced with restoration of tax breaks on the principal. Further, there has to be more emphasis on bilateral assistance (like JICA loan) or multilateral assistance from World Bank/Asian Development Bank, New Development Bank (NDB) and the upcoming Asian Infrastructure and Investment Bank (AIIB).** (Para 11.17)

INDUSTRIAL GROWTH *VIS-À-VIS* ENVIRONMENT

The Committee firmly believes that the country cannot afford to live with a degraded environment. The cost of a degraded environment is most heavily felt by the poor. Though it is imperative that the industries must grow yet, the Committee strongly feels that the demands of industry must be carefully examined and it must be confined to meet the need and not to meet the greed. The Committee is of the view that mining regulations must oblige the mining companies to return the land after its utilization in its pristine original condition within a specified time frame. The Committee also notes that many a time land acquisition is much larger than the need of the projects. Such tendency must be put in check and projects must be located on smaller parcels of land. The Committee feels that proper scrutiny of land requirement of a project must be done before granting it the necessary approval. (Para 12.4)

The Committee believes that the solution to the challenges of environmental and ecological degradations on account of economic and industrial activities lies in the scientific management of the consequences of such economic and industrial activities. The existing regulation and monitoring framework of the Government needs a revisit to make it effective. The Pollution Control Boards must be strengthened and made accountable. There is a need for better monitoring of industrial pollution, effective implementation of Compensatory Forestation Management and Planning Authority (CAMPA), switching to

cleaner forms of energy, reducing carbon intensity per unit of GDP and larger adoption of green technologies in our industrial production process. (Para 12.5)

The Committee feels that there is a need for judicious mix of policy, laws and management to bring harmony between industrialization and environmental protection. Though the country cannot blindly follow the environment standards of developed economies, at the same time it cannot be seen as a laggard in its environmental protection framework. The global climate change negotiations call for a low-carbon growth strategy. In this context, clean energy programme in terms of augmenting the solar power capacity of the country to 1,00,000 MW by 2022 is a move in the right direction. The Committee recommends the Government to devise strategies to save power generated from conventional source of energy. (Para 12.6)

The Committee is happy to learn that Industry-specific/ sector-specific pollution prevention and control programmes have been evolved which includes adoption of cleaner process technologies, siting criteria and pollution prevention technologies. The Committee desires that the State Pollution Control Boards may be equipped with latest technology to map the delinquent industries and enforce compliance. It is of the considered view that sufficient number of common effluent treatment plants may be installed in the polluting industries/industrial clusters. (Para 12.9)

CONCLUSION

The Committee feels that in view of the fast moving changes in the global economy and the rising aspirations of people, there is an urgent need to revisit the existing policy. The Industrial Policy must reflect the aspirations of the people and also the instrumentalities devised to co-opt these aspirations and turn them in reality through development of an optimal industrial eco-system in the country. It must bring about continuous improvement in the country's GDP accompanied by substantial growth in employment and significant improvement in per capita income. (Para 13.1)

The Committee is of the considered opinion that the guiding principles and ethos of all such interventions must become part of the policy itself. Also, emphasis on cooperative federalism must form part of the policy itself. (Para 13.2)

The Committee desires that the Industrial Policy document must put forward optimal solutions to the challenges of having one uniform domestic market and existence of various centres of production and also give due emphasis on cooperative federalism in the policy itself so that the Central and the State Governments work more vigorously in tandem. (Para 13.3)

The Committee is also of the firm belief that the Industrial Policy must entail policy guidance for implementation of the policy itself. The recent initiative in the form of the launch of PRAGATI (Pro-Active Governance and Timely Implementation) platform must find a reflection in the Industrial Policy itself. On the lines of this platform which aims at addressing common man's grievances and simultaneously monitoring and reviewing important programmes and projects of the Government of India as well as projects flagged

by State Governments, the Department of Industrial Policy and Promotion must also ingrain monitoring and reviewing framework of all the schemes/ programmes affecting the entire eco-system of industries and industrial growth and its linkage with PRAGATI platform in the policy document itself. (Para 13.4)

103. **The Committee also wish to emphasize on incorporating guidelines for a robust grievance redressal mechanism for entrepreneurs who has to suffer on account of undue delay in issue of production licences on one account or other. Further, the inter-ministerial consultations for grant of licences must be made transparent and reasons for denial of licences must be put down in specifics.** (Para 13.5)

104. **The Committee further feels that the Industrial Policy must also spell out an emphatic thrust on adoption of green technologies, improvement in production and productivity, promotion of R&D and its vibrant linkage with IPR framework. The desired judicial reforms and the legal framework to facilitate industry, promote social security, protection to legitimate rights of workers must also find substantive mention in the policy document itself.** (Para 13.6)

MINUTES

*VII

SEVENTH MEETING

The Committee met at 11.00 A.M. on Tuesday, the 8th January, 2013 in Committee Room 'Main', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri Shadi Lal Batra
3. Shri Rangasayee Ramakrishna
4. Shri K. N. Balagopal
5. Shri Ishwarlal Shankarlal Jain
6. Shri Prem Chand Gupta

LOK SABHA

7. Shri J. P. Aggarwal
8. Shri Shivaram Gouda
9. Prof. Sk. Saidul Haque
10. Shri Jagdish Sharma
11. Shri Arun Yadav

SECRETARIAT

Shrimati Sharada Subramaniam, *Joint Secretary*

Shri J. Sundriyal, *Director*

Shri Narendra Kumar, *Deputy Director*

Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Department of Industrial Policy and Promotion, Ministry of Commerce and Industry

1. Shri Saurabh Chandra, Secretary
2. Shri Vijay Shankar Madan, AS&FA
3. Ms. Anjali Prasad, Joint Secretary
4. Shri D.V. Prasad, Joint Secretary
5. Shri Atul Chaturvedi, Joint Secretary

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* 1st to 6th Meetings of the Committee (2012-13) pertain to other matter.

6. Shrimati Shubhra Singh, Joint Secretary
7. Shri Chaitanya Prasad, Controller General of Patents, Design & Trade Marks
8. Shrimati Aditi S. Ray, Sr. Economic Adviser
9. Shri S.S. Negi, Economic Adviser
10. Shri Srikara Naik, Economic Adviser
11. Shri S.S. Das, Additional Economic Adviser
12. Dr. Mohan Chutani, Economic Adviser
13. Shri A.K. Singh, Deputy Secretary

2. At the outset, the Chairman welcomed the Members of the Committee and apprised them about the agenda of the meeting. Thereafter, he welcomed Shri Saurabh Chandra, Secretary, Department of Industrial Policy and Promotion and his colleagues to the meeting and shared the concerns of the Committee regarding India's declining growth rate in last few years, the limping industrial production and restricted investment flow etc. He expressed the Committee's concerns on the performance of the current Industrial Policy in the changing global scenario. The Chairman sought to know about reforms, if any, envisaged in the Industrial Policy to create investment friendly environment, increase employment and enhance capital flows and investments and to ensure optimal utilization of resources.

3. Thereafter, the Secretary made a power point presentation on the subject 'Industrial Policy in the Changing Global Scenario'. Initiating his presentation, he first acknowledged the relevance and the timeliness of the subject identified by the Committee and gave an overview of the Industrial policy and its features. He informed the Committee about the projected sectoral growth rates as envisaged in the 12th Plan. He also informed the Committee of the employment situation prevailing in the country and submitted that in the next 15 years, 185 million jobseekers will enter the labour market. He expressed that the biggest challenge facing the country is ensuring inclusive growth, which is possible only by creating skilled jobs, particularly in the manufacturing sector. He emphasized that unless the manufacturing sector becomes the engine of growth and creates at least 50 million additional jobs, it will be difficult for India's growth to be inclusive. According to him, the manufacturing sector is the key driver of industrial growth and employment creation. He also informed the Committee about the bleak global growth scenario as forecasted by United Nations Department of Economic and Social Affairs (UNDESA).

4. The Secretary apprised the Committee that the 12th Plan conceives an average 8.2% GDP growth and 8.1% industrial growth over the Plan period. He, then, briefed the Committee about the initiatives taken up by the Department to increase manufacturing and emphasized upon improvement in infrastructure to get optimal results.

5. The Secretary, then, briefed the Committee about India's performance compared to other countries on the indices of manufacturing value addition, R&D, Patents, FDI flows and factor cost. He also gave a comparison of the inputs and factors on account of which China has surged ahead of India in manufacturing and overall growth. The Secretary shared his views on the need to boost manufacturing sector, with particular thrust on promotion of Micro, Small and Medium Enterprises (MSMEs), and also dwelled upon the urgency to address land and energy issues. He emphasized the role of State Governments as change agents as many changes required for business environment, implementing infrastructure projects, industrial relations and requirements of MSMEs are in their domain.

6. After hearing the presentation, the Members of the Committee raised queries/concerns/issues on different aspects based on the presentation made by the Secretary. The Secretary responded to the queries and concerns raised by the Committee. The Chairman then thanked the representatives of Department of Industrial Policy and Promotion for the information provided and asked them to send written replies to the queries not answered during the meeting.

(The witnesses then withdrew)

7. * * *

8. A verbatim record of the proceedings was kept.

9. The Committee then adjourned at 1.05 P.M. to meet again on 21st January, 2013.

***Pertains to other matter.

*VIII
EIGHTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.30 P.M. on Tuesday, the 19th November, 2013 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri Shadi Lal Batra
3. Shri Ishwarlal Shankarlal Jain
4. Shri Rangasayee Ramakrishna

LOK SABHA

5. Shri G.S. Basavaraj
6. Shri K.P. Dhanapalan
7. Prof. Sk. Saidul Haque
8. Shri Adagooru Vishwanath

SECRETARIAT

Shrimati Sharada Subramaniam, *Joint Secretary*
Shri J. Sundriyal, *Director*
Shri Narendra Kumar, *Deputy Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Consumer Unity and Trust Society (CUTS)

1. Shri Pradeep S Mehta, Secretary General
2. Shri Vijay Singh, Head, CUTS

Representatives of Society for Justice

1. Shri Amar Singh, President
2. Prof. P.C. Sachdeva, General Secretary

2. At the outset, the Chairman welcomed the Members to the meeting and informed them about the agenda.

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*1st to 7th Meetings of the Committee (2013-14) pertain to other matter.

3. Thereafter, the Chairman welcomed Shri Pradeep S. Mehta and his colleague to the meeting to share their views with the Committee on the subject. The Chairman expressed concerns regarding the sluggish performance of the country's Industrial Policy in the current times and sought to hear the views of the representatives of Consumer Unity and Trust (CUTS). He mentioned about the issue of the multiple clearances required to start a project which result in huge loss of money and time and discouragement for enterprising individuals, and sought to know as to how the existing business regulatory environment in the country can be simplified. He enquired about the steps needed to strengthen the country's capacity for acquiring technology and improve the standard of R&D. He wanted the witnesses to share their views on the existing labour relations and the set of labour laws, their relevance in the present industrial atmosphere and the measures required to promote balanced and healthy relations between the labour and industry. He also sought their views on the present scheme of allocation of natural resources by the Government as also the suggestions for a transparent, market based mechanism for such allocation.

4. Shri Pradeep S. Mehta began his deposition with a suggestion that the proceedings of the Committee should be made public as the system of keeping the proceedings of Standing Committees confidential goes against the ethos of our parliamentary system and participatory democracy. Comparing it to the system prevailing in UK and USA, he desired that the proceedings are open to the public which help enrich the public debate.

5. Responding to the issues raised by the Chairman, Shri Mehta submitted that the business regulatory framework present in the country is extremely complex. To him, it is necessary to have the States on board because there are a lot of clearances that are required at the local level. He termed the status of research and development very weak and suggested that the funding for R&D expenditure should be at least 3 per cent of the GDP. He referred to the latest CSR guidelines under the Companies Act which seek enhanced allocation of money for the purpose.

6. He apprised the Committee that the Planning Commission has come out with a novel approach called the 'India Backbone Implementation Network' (IbIn) which is a multi-stakeholder concept to reduce conflicts and expand co-ordination. The first area the 'IbIn' network is addressing the context of labour relations in some sectors. On the allocation of natural resources, he opined that the corruption and scandals in the allocation has led to policy paralysis. He drew attention to the report of a Committee under the Chairmanship of Shri Ashok Chawla which has not been put in public domain for debate despite repeated requests by various stakeholders.

7. Shri Mehta mentioned that in world ranking of 'Ease of Doing Business', India's rank has slipped from 132 to 134, which is a cause of serious concern. Low level of value addition and growing imports of capital equipment has affected the country's industrial competitiveness adversely. He stated that the Competition Policy needs to be more focused on, rather than the Industrial Policy as the Competition Policy basically addresses the anti-competitive outcomes of Government policies which lead to competition distortion. He submitted that his organization had advocated the Government in this regard and were successful in getting a Draft National Competition Policy designed. However, inertia exists in taking the policy forward. He added that the States have found the Draft Competition Policy very favourable.

8. He expressed that there exists a severe infrastructure deficit in India and many such issues are made worst by the overall policy paralysis in the country. In terms of enforcing contracts, the World Bank has ranked India second from the bottom. He mentioned about the National Mission of Delivery of Justice and Legal Reform. He emphasized that the country needs to expand its south-south co-operation in the scheme of India's Industrial policy and should be looked upon as a strategic issue rather than a simple economic issue. He submitted that the Planning Commission should be institutionalized as a statutory body.

9. Concluding his presentation, Mr. Mehta emphasised that the industrial policy requires an attendant and holistic enabling environment in place. He wanted the Government of India to publish a 'Green Paper' on the topic for a more meaningful discussion.

10. After hearing the views of the representatives of Consumer Unity and Trust Society (CUTS), the Members raised issues/queries and sought clarifications on the following issues:

(i) the role of Planning commission in guiding industrial growth;

(ii) reforms in Labour Laws;

(iii) the state of the manufacturing industry in the States;

(iv) the role of National Investment and Manufacturing Zones in creating an Industrial Revolution;

(v) items reserved for manufacture by the small scale industries sector and the job opportunities provided by the sector;

(vi) constraints and remedies for an efficacious business regulatory environment;

(vii) industrial development *vis-à-vis* the developmental needs;

(viii) surge in imports of manufactured final products;

(ix) steps to ensure that large scale industries adopt small and medium scale industries as supplying units;

(x) the connect between co-operative sector and the manufacturing industry;

(xi) strategies for industrial development in the international arena; and

(xii) prevalent international benchmarks for enhancing productivity and industrial production process.

11. The representatives of Consumer Unity and Trust Society (CUTS) gave clarifications on the issues raised. The Chairman, then, thanked them for the information provided on the subject.

(The witness then withdrew)

12. * * *

*** Pertains to other matter.

II. ORAL EVIDENCE OF REPRESENTATIVES OF SOCIETY FOR JUSTICE

13. The Chairman then welcomed Shri Amar Singh and his colleague to the meeting of the Committee. Initiating the discussion, the Chairman observed that the objectives of the current Industrial Policy have not been achieved to the desired level and sought to hear the views of the representatives of Society for Justice in this regard. He enquired the efficacy of existing Industrial Policy for the MSME sector. The Chairman sought the views of witnesses on the power situation in the country and its effect on the industry. He emphasised an urgent need for promotion and sustainable use of non-renewable for sustainable industrial growth. The Chairman sought to know the role of technology in the country's industrial growth, indigenous development of technology and issues covering transfer of technology.

14. Initiating his presentation, Shri Amar Singh submitted that India will not be able to compete in the international market unless it becomes strong internally. Elaborating further he mentioned that the aim should be to rationalize laws governing the conduct of entrepreneurs for purposes of fair growth, taxation, labour-interaction, building of support for resources, accepting upward communication, consistency in policy, timely-justice and long-term planning.

15. He apprised the Committee about Excise policy, quality assurance and time saving devices. He was critical of the existing excise policy as it hampers fair competition. Deemed-credit facility would be a remedy against the distortion brought about by the policy. He informed that Bureau of Indian Standards charges hefty amounts from small micro industries for quality assurance. Even though some industries do come up with good quality, they still do not get quality assurance as they are not in a position to bear the cost. He was of the opinion that the fixed charges be removed or made nominal.

16. With regard to bank credit, he submitted that agreements are one-sided and the inefficiency of the bank is borne by the entrepreneurs. He advocated that rate of interest should be based on international standards. On the labour issues, he stated that if workers go on tool-down strike, employers have no remedy. The Labour Department is just a mute spectator in these cases and lot of time is lost and eventually the entrepreneur has to bear the loss. If such matters are taken to the labour court, it takes years to be resolved. He suggested that the entrepreneur must have the right to establish the production levels and, if the required production levels are not achieved, then, he must have the authority to reduce the wages, or even remove and replace the labour. Minor labour disputes must be decided within three days and major disputes must be decided within three months.

17. He was of the view that electricity is the need of the hour for the industry and it has to be supplied on very competitive rates. At present, the industry is paying fixed charges and they are not even consuming the power. At the same time, they are giving cross subsidy also. He wanted that the actual consumption should only be charged. He opined that though the purchasing power of the public has increased, corresponding increase in the number of people in the income taxation net has not taken place. Concluding his presentation, Shri Amar Singh suggested that industrial towns should be developed on barren land, not on agricultural land and such industries should be given tax holiday for fifty years from direct taxes. This step would motivate the entrepreneurs to invest and boost and help the Industry.

18. The Chairman, then, thanked the representatives of Society for Justice for the information provided on the subject.

(The witness then withdrew)

19. A Verbatim record of the proceedings of the meeting was kept.

20. The Committee then adjourned at 5.21 P.M.

IX

NINTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 11.30 A.M. on Wednesday, the 20th November, 2013 in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri Birendra Prasad Baishya
3. Shri Shadi Lal Batra
4. Shri Prem Chand Gupta
5. Shri Ishwarlal Shankarlal Jain
6. Shri Rangasayee Ramakrishna

LOK SABHA

7. Shri G.S. Basavaraj
8. Shri Jayant Chaudhary
9. Shri K.P. Dhanapalan
10. Prof. Sk. Saidul Haque
11. Shri S.R. Jeyadurai
12. Shri P. Lingam

SECRETARIAT

Shrimati Sharada Subramaniam, *Joint Secretary*

Shri J. Sundriyal, *Director*

Shri Narendra Kumar, *Deputy Director*

Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Labour and Employment

1. Ms. Gauri Kumar, Secretary
2. Shri Arun Kumar Sinha, Additional Secretary
3. Shri Anil Kumar Khachi, Joint Secretary
4. Shri A.C. Pandey, Joint Secretary
5. Shri Rajeev Sadanandan, Joint Secretary (DGLW)

6. Shri Shikhar Agarwal, Joint Secretary (DGE&T)
7. Shri K.M. Gupta, Economic Adviser
8. Shri B.K. Sanwariya, Chief Labour Commissioner (Central)

Representatives of Railway Board

1. Shri Arunendra Kumar, Chairman
2. Shri Rajendra Kashyap, Financial Commissioner
3. Shri A.K. Maitra, Adviser (Traffic)
4. Shri Girish Pillai, Adviser (Infrastructure)
5. Shri Pradeep Kumar, Adviser (Project)
6. Shri Titus. P. Koshy, OSD/PRI

2. The Chairman welcomed the Members to the meeting of the Committee and informed them about the agenda. Thereafter, he welcomed Secretary, Ministry of Labour and Employment and Chairman, Railway Board and their colleagues to the meeting of the Committee. Dwelling on issues like labour rigidity, labour unrest and inefficient work force and its effect on investment, the Chairman, sought to know the efficacy of the present labour policy to respond to the changing needs of Industry in the context of skill development of labour force, modernizing labour relations, protection of labour's interest and equipping labour to deal with the inevitability of technological change. He then enquired from the Chairman, Railway Board about the problems faced by the Railways to cater to the transportation needs of Industry and steps being taken by the Railways to maximize the benefits arising out of additional traffic of commodities. He also desired to know the steps taken to tap investments for the upgradation and expansion of railways. He wanted the Committee to be apprised about the manner in which the Railways is utilizing its huge manpower resource, the problems faced in handling this workforce, and remedial measures put in place to address their grievances.

3. Secretary, Ministry of Labour and Employment began her deposition by sharing the mandate of the Ministry including the genesis of labour legislations in India. She mentioned that 94 per cent of the work force is in the unorganized sector, which meant that they predominantly remain outside the legislative framework. She added that since all the labour legislations have threshold limits for its operation, a large number of units in the MSME sector were left out of the ambit of various labour legislations.

4. The Secretary then referred to the slew of measures under active consideration of the Ministry like permission for night shift for women in factories with certain caveats, increase in the working hours of the workers while staying within the overall ILO framework, and, provision for compounding of minor offences under the Factory Act, 1948. A Mission Mode Project is also under consideration to develop a unified portal for transparent reporting, inspections and grievance redressal under all Central labour laws. The National Skill Development Agency (NSDA) is in the process of setting up Sectoral Mentor Councils in 34 industrial sectors with mentors drawn from respective industry, academic institutions, champion-ITIs and supporting organizations in order to impart relevant skill sets among the workers/labourers.

5. She conceded that the fast changing global scenario has impacted labour relations with new

trends of mismatch between supply and demand, obsolescence of skills, breakdown of the standard employment forms and competitiveness leading to growth of informal sector gaining prominence. The recent recession has forced developed countries to follow a protectionist agenda. Efforts are being made to connect labour standards with trade so as to negate the comparative advantage of low labour costs of developing countries. In a recent ILO Governing Body meeting, the issues of greening of economies, measurement of green jobs and implementation of green initiative were deferred as India contended that these issues are to be seen in the overall framework of decent work and sustainable development and cannot be taken up in isolation. Further, the process of globalisation has also given rise to something called supply chain standards in contrast to ILO standards and country standards, and efforts are being made to give them legitimacy. The Secretary submitted that the Better Work Programme and the SCORE Project aim to define responsible investment which could become a guideline for a number of multinationals or supply chains, who could then directly enforce these standards.

6. As regards the informal labour sector, there is an increasing focus on this sector, both in ILO and G-20. This is of special concern to India since 94 per cent of its workforce is in the unorganized sector. Also in the name of sustainable development, labour and environmental issues were being brought into the mainstream in the Post 2015 Development Agenda of International Labour Organisation.

7. Thereafter Chairman, Railway Board presented his views on the subject. He submitted that since independence, route kilometres have gone up by 20 per cent and traffic has increased from 73 million tonnes to over 1,000 million tonnes. He attributed this growth to the presence of a committed workforce and strong technological input. Since 1974, industrial peace exists in the Railways as labour issues and their grievances are being handled by one-to-one discussions by welfare inspectors and are brought to the knowledge of management for change in norms.

8. The Committee was informed that the Railways are primarily bulk commodity carriers. They are also executing a Dedicated Freight Corridor of 1,839 kilometers on the western sector and 1,499 kilometers on the eastern sector. For facilitating exports and imports, Railways have large connectivity projects for ports and mines through Special Purpose Vehicle mode. New lines and gauge conversion projects have also been undertaken as also the projects with varied rates of return on the socio-economic considerations. The Chairman, Railway Board submitted that that there was a shortage of funds due to which even prioritized projects take time for completion. Efforts are being made to generate extra budgetary resources by requesting the State Governments to bear proportion of the cost. Ten States have come forward either with land offer or part funding of projects. Land acquisition, environmental clearance, security, insurgency etc. were cited as the reasons which delay the projects.

9. He mentioned that Railways is the first target of industrial or public unrest and urged that a mechanism should be evolved to compensate the railways for the loss it suffers because of such unrests. He opined that there should be central funding for socially-desirable projects so that the backward areas also become a part of the Railway system so as to aid industrial development. For this a non-lapsable socially-desirable project fund can be created for railway projects where the rate of return is less than desirable.

10. After hearing the views of Secretary, Ministry of Labour and Employment and Chairman, Railway Board, the Members raised issues/queries and sought clarifications on the following issues:

(i) the poor conditions of Indian labour under existing labour laws;

(ii) reasons behind low productivity of Indian labour;

(iii) constraints being faced in finalizing labour reforms;

(iv) mechanisms for closure of units as envisaged in National Manufacturing Policy;

(v) absence of proper exit policy and productivity-linked wage policy;

(vi) impact of *bandhs* and unrest on Railways property;

(vii) absorption of contract labourers into regular workforce;

(viii) fate of labourers working in sick and closed units;

(ix) reasons for non completion of important Railway Projects;

(x) the role of Special Purpose Vehicles in Railway projects;

(xi) progress of dedicated railway freight corridor;

(xii) safety and modernization of Railways; and

(xiii) response to the tax free bonds issued by Railways.

11. The Secretary, Ministry of Labour and Employment and the Chairman, Railway Board gave clarifications on the issues raised. The Chairman, then, thanked them for the information provided and also requested them to furnish a written submission on the issues not replied to during the interaction along with the replies to questionnaire prepared by the Secretariat for the purpose.

(The witness then withdrew)

12. A Verbatim Record of proceeding of the meeting was kept.

13. The Committee then adjourned at 12.56 P.M.

*XIII

THIRTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 2.30 P.M. on Thursday, the 16th January, 2014 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri K.N. Balagopal
3. Shri P. Bhattacharya
4. Shri Shadi Lal Batra
5. Shri Vijay Jawaharlal Darda
6. Shri Ishwarlal Shankarlal Jain
7. Shri Rangasayee Ramakrishna

LOK SABHA

8. Shri G.S. Basavaraj
9. Shri K.P. Dhanapalan
10. Shri Shivaram Gouda
11. Prof. Sk. Saidul Haque
12. Shri S. R. Jeyadurai
13. Shri P. Lingam

SECRETARIAT

Shrimati Sharada Subramaniam, *Joint Secretary*
Shri J. Sundriyal, *Director*
Shri Narendra Kumar, *Deputy Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Power

1. Shri P.K. Sinha, Secretary
2. Shri Devendra Chaudhry, Additional Secretary
3. Shri Jyoti Arora, Joint Secretary

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*10th to 12th Meetings of the Committee (2013-14) pertain to other matter.

4. Shri Mukesh Jain, Joint Secretary
5. Shri G. Sai Prasad, Joint Secretary
6. Ms. Neerja Mathur, Chairperson, CEA
7. Dr. Jaipal Singh, Member (E&C), CEA
8. Shri S.K. Soonee, CEO (POSOCO)
9. Shri Arup Roy Choudhury, CMD, NTPC
10. Shri Rajeev Sharma, CMD, REC
11. Shri M.K. Goel, CMD, PFC
12. Shri Ghanshyam Prasad, Director, MOP
13. Shri R. Chaturvedi, Deputy Secretary

2. At the outset, Chairman welcomed the members to the meeting. He informed that the Secretary, Ministry of Environment and Forest had sought exemption from the meeting and requested to allow acting D.G. of Forests and Special Secretary to represent him. As the issues relating to environment clearance are very critical to the subject under reference, the Committee decided to postpone the evidence of Environment Ministry and hear the Environment Secretary at a later date. The agenda of the day was thus confined to the evidence of the Secretary, Ministry of Power only.

3. The Chairman then welcomed the representatives of Ministry of Power to the meeting. He observed that all attempts to increase power generation get undermined by the inefficiencies and wastages of production, transmission and distribution of power. He sought to know the steps that have been envisaged to plug the inefficiencies and wastage and the difficulties and problems being faced by Power Ministry in terms of coordination with other Ministries particularly the Environment Ministry in term of clearance and Petroleum Ministry for adequate and smooth gas supply for gas based power plants across the country. He sought to know their views on power subsidies and national energy pricing and the suggestions to boost the performance of the power sector so that it becomes an effective channel for rapid industrialization.

4. The Secretary, Ministry of Power submitted that Government of India has been making all out efforts through policy instruments and other measures for the development of the power sector. He mentioned that affordable and reliable power to the different categories of consumers requires overall development of the entire chain of the power system network ranging from power generation, to its transmission and distribution to the end consumers. Though electricity is in the Concurrent List in the Constitution and the primary responsibility of structuring its availability and distribution vests with the States/UTs, Central Generating Stations are supplementing the efforts. The Committee was informed that the total installed capacity as on 31.12.2013 was 2,33,930 MW out of which 54,964 MW was added during the Eleventh Plan. The capacity addition target for the Twelfth Plan is pegged at 88,537 MW and Grid interactive renewable capacity addition is about 30,000 MW.

5. On the electricity consumption pattern it was informed that Industrial Sector is the largest consumer (44.87%) of energy. Projected electrical energy consumption by Industries (LT & HT) is expected to be double from 298 BU during 2013-14 to 585.7 Billion Units (BU) during 2021-22 (end of 13th Plan). The projected growth (CAGR) of electricity consumption by Industry Sector

for the 12th Plan is 9.85%. With a capacity addition of 88,537 MW in 12th Plan; the demand for power (electricity) on all-India basis including industrial power is likely to be met by the terminal year of 12th Plan. The energy shortage has reduced from 8.7% to 4.5%.

6. The Secretary shared the status of State-wise power supply position and the notified power cuts/restrictions on industries for the current year 2013-14. On tariff issue, he informed that the tariff for all categories of consumers in a State is set by the State Electricity Regulatory Commission (SERC), considering the policy of the State Government, the Annual Revenue Requirement projected by the Distribution company, the power purchase cost, transmission cost and distribution cost. The State Government policy may envisage differential rate tariff for farmers, commercial consumers, etc., for which the SERC has a cross subsidy instrument. The highest tariff is paid by the commercial or industrial consumer. For example, it is Rs. 11.65 per unit in Mumbai and Rs. 8.87 per unit in Delhi.

7. After hearing the presentation of the representatives of Ministry of Power, the Members raised issues/queries and sought clarifications on the following issues:

(i) demand and generation of electricity in the country;

(ii) the status of electrification in the country;

(iii) the reason for transmission and distribution losses;

(iv) the country's potential to create hydel energy and the policy issues relating the production of hydel power;

(v) effectiveness of Accelerated Power Development and Reforms Programme vis-a-vis T & D losses;

(vi) supply of low quality coal to the thermal units;

(vii) manufacturing of Cold Rolled Non Grain oriented Electrical Steel in the country;

(viii) renewable sources of energy;

(ix) connection of south grid to central grid for uninterrupted electricity to the industries in the south;

(x) last mile connectivity and responsibility of the State government in this regard;

(xi) Actual requirement of capacity addition in the 12^{th} Plan;

(xii) grid failure and remedial measures to tackle the same;

(xiii) steps taken to reduce the target gap and the cost; and

(xiv) problem of MSME sector due to the high energy cost.

8. The representatives of Ministry of Power gave clarifications on the issues raised. The Chairman, then, thanked them for the information provided and also requested them to furnish a written submission on the issues not replied to during the interaction along with the questionnaire prepared by the Secretariat for the purpose.

(The witness then withdrew)

9. A verbatim record of the proceedings of the meeting was kept.

10. The Committee then adjourned at 4.02 P.M.

*XV
FIFTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 11.30 A.M. on Monday, the 10th March, 2014 in 'Main' Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Shanta Kumar — *Chairman*

RAJYA SABHA

2. Shri Birendra Prasad Baishya
3. Shri K.N. Balagopal
4. Shri Shadi Lal Batra
5. Shri Vijay Jawaharlal Darda
6. Shri Rangasayee Ramakrishna

LOK SABHA

7. Prof. Sk. Saidul Haque
8. Shri P. Lingam

SECRETARIAT

Shrimati Sharada Subramaniam, *Joint Secretary*
Shri J. Sundriyal, *Director*
Shri Narendra Kumar, *Deputy Director*

WITNESSES

Ministry of Environment and Forests

1. Dr. V. Rajagopalan, Secretary
2. Shri Shashi Shekhar, Additional Secretary

2. At the outset, Chairman welcomed the members to the meeting and informed them about the agenda. He then welcomed Dr. V. Rajagopalan, Secretary, Ministry of Environment and Forests and his colleagues to the meeting of the Committee. Initiating the discussion, the Chairman highlighted a common concern about the delay caused in granting of environmental and forests clearance and its adverse effect on the viability of several industrial projects. He stated that during the study visits of the Committee to certain states including the North Eastern States, the issue of procedural delays in environment clearance has been the focus of discussions everywhere. He requested the Secretary to apprise the Committee about his views on delayed environment clearances and the reasons

*14th Meeting of the Committee (2013-14) pertains to other matter.

thereof. The Chairman also wanted to know about the steps that can be taken to strengthen and improve regulatory procedures in order to draw a fine balance of enhancing economic growth without compromising the country's environment and ensure sustainable growth. He highlighted the discontent and complaints against the prevailing dual clearance system at state and central level and desired to know about the coordination and monitoring mechanisms that have been put in place to ensure that projects, once cleared, continue to meet environmental standards and conditions.

3. The Secretary responded by giving broad contours of the present system of environmental clearance as mandated under Environment (Protection) Act of 1986, the Forest (Conservation) Act of 1980 and the Wildlife (Protection) Act of 1972. He stated that under the Environment (Protection) Act, the environmental clearance is regulated through Environment Impact Assessment (EIA) Notification. The first EIA Notification came into being in 1994 covering twenty-nine categories of projects which covered thermal plants, hydro power plants, irrigations projects, and also a number of industry sector projects. Two more project categories were added later under the 1994 Notification. However, subsequent to an order of the Supreme Court, the component of public hearing has also been made mandatory. Accordingly, a new Notification was issued in 2006 superseding the 1994 Notification. The new Notification provides for a two-stage clearance procedure and includes projects of nearly 39 categories which are required to obtain clearance from the Ministry of Environment and Forests. Further under the 2006 Notification, there has been a significant delegation of powers to the State Governments. Projects with relatively lesser environmental impacts are required to obtain clearance from the State level authorities, viz, State Environment Impact Assessment Authority (SEIAA) which is under the administrative control of the Central Government, that is, the Ministry of Environment and Forests. Thus, while clearances for Category 'A' projects with higher environmental impact potential are granted by the Ministry of Environment and Forests, at the State level, for Category 'B' projects with relatively less environmental impact, clearances are granted by the State Environment Impact Assessment Authorities. Both these authorities at the State and the Central level, namely, the SEIAA and the Ministry of Environment and Forests respectively are assisted by a number of Expert Appraisal Committees. These Expert Appraisal Committees appraise the environment impact assessment reports and come up with their recommendations. The new Notification also lays down the timelines for various stages of project appraisal. In case a decision is not taken in time, there is a provision for deemed environmental clearance.

4. The Secretary then dwelled upon the subject of forest clearance under the Forest (Conservation) Act. He stated that the timelines laid down under the Forest (Conservation) Act was recently reviewed and has been split stage-wise for various stages of forest clearances. He informed the Committee that since applications of forest clearances are necessarily submitted through the State Government and essential processing is done at the State Government level, the timelines are laid down at each stage of processing at the State level. He also shared information about the jurisdictional capacity of various agencies on the basis of forest area under application for clearance. The Secretary also apprised the Committee about wildlife clearances for projects in 'protected areas' as envisaged under the Wildlife Protection Act of 1972. Under the said Act, any project located within the protected areas would require clearance of the National Board for Wildlife itself, which is chaired by the Hon'ble Prime Minister. Moreover, after the Supreme Court order of 2006, now all developmental projects which fall within 10 kilometres of the boundaries of the protected areas

require environmental clearance of the National Board for Wildlife. For this purpose, they have to get the clearance of the Standing Committee of the National Board for Wildlife.

5. The Secretary informed the Committee that the Ministry of Environment and Forests have been regularly interacting with the industry and other central Ministries to take on board their suggestions and streamline processes. He stated that by way of an internal exercise within the Ministry, they have been carrying out a number of amendments, changes in procedures, reclassification of projects, etc. and also bringing in greater clarity in the Notification. He emphasised that the Ministry is alive to the problems faced by project proponents and they have been in continuous interaction for streamlining accordingly.

6. After hearing the submissions of the Secretary, the Members raised issues/queries and sought clarifications on the following issues:

(i) foreign assistance projects pending for environmental clearance and penalty/ commitment charge for not commissioning these on time;

(ii) developmental projects pending in the state of Himachal Pradesh due to incorrect entry of revenue land as forest land and the action being taken to address this problem of wrong classification of land and its entry as forest land in the revenue records;

(iii) public consultations and its efficacy in the process of environmental clearance;

(iv) EIA reports prepared by private consultants engaged by the project developer;

(v) steps taken to make Expert Advisory Committee a completely professional and expert body and clean it of vested interests;

(vi) punitive measures against the environment offenders to ensure strict compliance and enforcement of environment regulations;

(vii) damage caused in Kedarnath Tragedy due to power projects and cutting down of forests in the region;

(viii) breach of the terms and conditions by the project developers subsequent to the grant of environmental clearance;

(ix) industries/projects that has been closed for breach of environmental stipulations;

(x) gas pipeline projects of GAIL, ONGC and other private players cleared as well as those pending on account of environmental clearance;

(xi) specific steps taken by the Ministry to clean the rivers across the country;

(xii) coordination and working between the Central and State Pollution Control Boards;

(xiii) steps taken by the Ministry to amend the pollution control laws in as much as that a uniform pollution control policy for the country may be put in place;

(xiv) status of environmental clearance given to industries in coastal areas, river valleys and hills;

(xv) whether there exists any programme or scheme to encourage industries to voluntarily improve environmental performances by adopting eco-friendly practices;

(xvi) performance of the State Environment Appraisal Committee *vis-à-vis* policies of State governments to promote industrialisation;

(xvii) environmental clearance to Subansiri Project, 34 projects on Siang river and Demwe Project on Lohit river in Arunachal Pradesh at the risk to wildlife as well as human life;

(xviii) study of the better global environmental practices of those countries which are on the similar developmental level like our country and has achieved rapid industrialization;

(xix) present policy regulating handling of e-waste in the country;

(xx) lack of uniformity among different State agencies and the Central agencies in approving the projects; and

(xxi) status of Suryarangan Report and Madhav Gadgil Report and its impact on the six Western Ghat States in the country.

7. The Secretary gave clarifications on the some of the issues raised and offered to send written replies to the remaining issues raised during the meeting. The Chairman, then, thanked him for the information provided and also requested him to furnish detailed replies/note on the issues not replied to during the interaction.

(The witness then withdrew)

8. * * *

9. A verbatim record of the proceedings of the meeting was kept.

10. The Committee then adjourned at 12.32 P.M.

*** Pertains to other matter.

*VII

SEVENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Monday, the 11th January, 2016 in Committee Room 'A', First Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri Shantaram Naik
4. Shri Vayalar Ravi

LOK SABHA

5. Shri Bodhsingh Bhagat
6. Shri Jitendra Chaudhury
7. Shri Sudheer Gupta
8. Shri Chandra Prakash Joshi
9. Shri K.R.P. Prabakaran

SECRETARIAT

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry

1. Shri S.K. Bahri, AS & FA
2. Smt. Kalpana Awasthi, Joint Secretary
3. Shri G.R. Raghavender, Joint Secretary
4. Shri K.K. Sinha, Industrial Adviser
5. Shri Alkesh Kumar Sharma, CEO & MD, DMICDC
6. Shri Abhishek Chaudhary, Vice-President & Company Secretary, DMICDC

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*1st to 6th Meetings of the Committee (2015-16) pertain to other matter.

7. Shri P.K. Aggarwal, Chief Financial Officer, DMICDC

8. Shrimati Sunita Yadav, Director

2. The Chairman welcomed the Members to the first meeting of the year and apprised them of the agenda. He opined that the subject 'Growth and Development of Industrial Corridors' selected by the Committee may be examined as a part of the already pending subject 'Industrial Policy in the Changing Global Scenario'. The Committee agreed to the proposition and it was also decided to issue a Press Communiqué inviting comments/suggestions to facilitate a detailed study of the framework of Industrial Corridors in India. The Committee also decided to undertake a study visit to Amritsar, Mumbai and Kolkata in the end of January, 2016 and another study visit to Lucknow, Varanasi and Kolkata in the mid of February, 2016 for in-depth study of growth and development of Industrial Corridors in India.

3. The Chairman, thereafter, welcomed the representatives of Department of Industrial Policy and Promotion. He sought to know their views on Industrial Corridors in India and the impetus it has provided to the Indian Industry. He also sought to know the current status of development of the Industrial Corridors as well as the role of National Industrial Corridor Development Authority, employment potential of Industrial Corridors, availability of skilled workforce, feasibility of Industrial Corridors in North Eastern India etc.

4. The representatives of Department of Industrial Policy and Promotion led by Additional Secretary & Financial Adviser gave a power point presentation. A brief introduction about the nature and importance of Industrial Corridor was provided. It was emphasized that in order to realize a GDP growth rate of 9% to 10%, manufacturing sector needed a boost and Industrial Corridors have been envisaged as important instrumentalities towards this end. The officials provided a detailed picture of the current stages of development of five industrial/economic corridors in the country namely Delhi Mumbai Industrial Corridor (DMIC), Chennai Bengaluru Industrial Corridor (CBIC), Bengaluru Mumbai Economic Corridor (BMEC), Amritsar Kolkata Industrial (AKIC) and Chennai Vizag Industrial Corridor (CVIC).

5. The Committee was apprised of the key sustainable development concepts and best practices in Master Planning of projects under DMIC. The Committee was informed of the status of projects under DMIC. The representatives of Department of Industrial Policy and Promotion then briefed the Committee about National Investment and Manufacturing Zones (NMIZs) conceptualized under National Manufacturing Policy (NMP) and integration of eight NMIZs in DMIC and two NIMZs in CBIC. They also provided the status of NIMZs outside the industrial corridors.

6. After the presentation, the Chairman and Members raised some concerns such as provision of residence and other social infrastructure in the Industrial Regions, the efficacy of the Aerotropolis project in Kushkera-Bhiwadi-Neemrana Industrial Region, availability of resources to sustain the smart cities, difference between Economic and Industrial Corridors, environmental clearances for the Industrial Corridors, land acquisition for the Industrial Regions and spurt in litigation against such projects. The representatives of the Department of Industrial Policy and Promotion provided clarifications on some of the issues raised during the deliberation.

7. The Chairman then thanked them for the information provided and requested them to furnish the replies in written on the issues not addressed during the interaction.

(The witnesses then withdrew)

8. A verbatim record of the proceedings of the meeting was kept.

9. The Committee then adjourned at 5.00 P.M.

*XIV
FOURTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Monday, the 23rd May, 2016 in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Dr. Chandan Mitra — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri Shantaram Naik
4. Shri D. Kupendra Reddy
5. Shri Jesudasu Seelam
6. Dr. Narendra Jadhav

LOK SABHA

7. Shri Sultan Ahmed
8. Shri Subhash Chandra Baheria
9. Shri Bodhsingh Bhagat
10. Shri Sudheer Gupta
11. Shri Chandra Prakash Joshi
12. Shri Hari Babu Kambhampati
13. Shri Janak Ram
14. Adv. Narendra Keshav Sawaikar
15. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*
Shri A.K. Gandhi, *Director*
Shri Narendra Kumar, *Joint Director*
Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Dedicated Freight Corridor Corporation of India Limited (DFCCIL)

1. Shri Manoj Kumar Srivastava, Executive Director (PP), Railway Board

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*8th to 13th Meetings of the Committee (2015-16) pertain to other matter.

2. Shri Anshuman Sharma, Director (Project Planning)
3. Shri H.D. Gujrati, Director (Operations & Business Development)

Representatives of India Infrastructure Finance Company Ltd. (IIFCL)

Shri S.B. Nayar, CMD

I. ORAL EVIDENCE OF REPRESENTATIVES OF DEDICATED FREIGHT CORRIDOR CORPORATION OF INDIA LIMITED (DFCCIL)

2. *** He informed the Members about the agenda of the meeting. He also informed them that Managing Director, Dedicated Freight Corridor Corporation of India Limited (DFCCIL) had sought exemption from personal appearance from the meeting and it was acceded to. Thereafter, he welcomed the representatives of DFCCIL to the meeting and sought their views on the progress made under the Dedicated Freight Corridor Projects, difficulties being faced in land acquisition for the freight corridors and likely impact on the timely completion of the project. He also enquired about the measures being taken by the Corporation to establish freight terminals and multi-model logistic hubs in the envisaged corridors.

3. The representatives of DFCCIL apprised the Committee that the Government of India decided to construct parallel dedicated freight corridors (DFCs) along the routes of Delhi-Kolkata and Delhi-Mumbai as both the routes are saturated to the extent of 130-140 per cent. It was submitted that the total cost of the corridors is around Rs.81,000 crores and World Bank, Japan International Cooperation Agency (JICA) and Government of India are the major financers of the freight corridors projects. The Committee was informed that around 90 per cent of land acquisition has been completed except for the Son Nagar- Dankini Section. The physical progress of the projects is around 28 per cent and both the corridors are expected to be completed in 2019 and the progress is being monitored by DFCCIL and the lending agencies like World Bank and JICA. It was also informed that three more corridors have been approved under the current year's budget and further processing for these corridors has begun.

4. Issues like slow pace of implementation of the DFCs, share of road freight that would get transferred to the rail freight on completion of the freight corridors, status of the corridors announced in this year's Budget, capacity augmentation of the corridors, wagon production capacity of the railways, the length of railway tracks laid along the corridors, employment likely to be generated at the completion of the project in 2019, etc. were also discussed.

(The witnesses then withdrew)

II. ORAL EVIDENCE OF REPRESENTATIVES OF INDIA INFRASTRUCTURE FINANCE COMPANY LTD. (IIFCL)

5. The Chairman welcomed the Chairman & Managing Director, IIFCL and his colleague to the meeting of the Committee. He sought their views on the infra-finance structure in the country. He also sought suggestions for deepening of bond markets to finance infrastructure projects. He enquired about the factors that have affected IIFCL in optimal discharge of its mandate. Further,

*** Pertains to other matter.

he sought their views about the effectiveness of the industrial corridors in giving spurt to industrial manufacturing in the country and also the timeline by which these corridors would become a reality.

6. The representatives of IIFCL informed the Committee that IIFCL was set up 10 years ago but is still an underdeveloped infrastructure financing institution when compared to similar institutions in countries like Brazil and China. As per its balance sheet, the total sanctioned lending to infrastructure sector is about Rs.80,000 crores while only about Rs. 35,000 crores has been lent out. It was mentioned that IIFCL has remained small because of many regulations placed on it during its creation.

7. It was submitted that banks are finding it difficult to get capital and with the existing capital being eroded by NPAs, the banks are hesitant to finance infrastructure projects. In this scenario, IIFCL should be given enhanced powers and financial capacity of IIFCL should be raised to ensure it plays a significant role in the Indian economy. It was also submitted that IIFCL should become an appraisal organisation and its appraisal capacity may be augmented so that other banks can simply lend on the basis of IIFCL's appraisal. Towards this, they requested for autonomy in deciding the remuneration package for the professionals so that they can attract the best talent available.

8. The representatives of IIFCL opined that though India attracts foreign investment, the investment is not attracted towards creation of infrastructure from the scratch. They were of the view that after the creation of infrastructure, Indian agencies like NHAI, NTPC, etc. may consider bidding out the completed projects to market players to generate money which can be utilized to further create new infrastructure in the country.

9. With regard to bond markets as a viable option to finance infra projects, the Committee was apprised that the bond market in India is too small compared to countries like China, Indonesia and Malaysia mainly due to the absence of a secondary market where foreign investors can sell their bonds if need arises. It was suggested that SBI, LIC and other public financial institutions can join together to create a body which can deliberate on bond quotes leading to the gradual development of the bond market.

10. The representatives of IIFCL stressed that IIFCL needs expansion and needs to be sector specific keeping in view the current environment where the banks were stepping back from financing infra projects. It was also suggested that the IIFCL should be made a Board run company with Government equity below 49 per cent.

11. Issues such as share of infrastructure projects in the NPAs, appraisal ability of IIFCL, ways to activate corporate bond markets, low levels of lending by Government corporations, etc. were also discussed.

(The witnesses then withdrew)

12. * * *

13. A verbatim record of the proceedings of the meeting was kept.

14. The Committee then adjourned at 12.53 P.M.

*** Pertains to other matter.

*XVI

SIXTEENTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 2.30 P.M. Tuesday, the 30th August, 2016 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri Shantaram Naik
4. Dr. C.P. Thakur
5. Shri Ram Kumar Kashyap

LOK SABHA

6. Shri Sultan Ahmed
7. Shri Subhash Chandra Baheria
8. Shri Bodhsingh Bhagat
9. Shri Jitendra Chaudhury
10. Shri Chandra Prakash Joshi
11. Dr. Hari Babu Kambhampati
12. Shri T. Radhakrishnana
13. Shri Janak Ram
14. Shri Charanjeet Singh Rori
15. Adv. Narandra Keshav Sawaikar
16. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

WITNESSES

Representatives of Jagatikaran Virodhi Kruti Samiti (JVKS), Maharashtra

1. Ms. Ulka Mahajan

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*15th Meeting of the Committee (2015-16) pertains to other matter.

2. Ms. Shweta Tripathi
3. Shri Himanshu Damle
4. Shri Janardan Mankar
5. Shri Madhuresh Kumar
6. Shri Satish Shirke
7. Shri Aniruddh Rajan
8. Shri Rishit Negi
9. Shri Amit Kumar

Representatives of Indian Community Activist Network (ICAN)

1. Shri S.R. Hiremath
2. Shri Viren Lobo
3. Shri Soumen Ray
4. Shri Sagar Rabari

I. ORAL EVIDENCE OF REPRESENTATIVES OF JAGATIKARAN VIRODHI KRUTI SAMITI (JVKS), MAHARASHTRA

2. At the outset, the Chairman welcomed the Members of the Committee to the meeting and briefed them about the agenda of the meeting. Thereafter, he welcomed the representatives of Jagatikaran Virodhi Kruti Samiti (JVKS) to the meeting of the Committee and sought to know their views on the industrial corridors projects. The representatives of Jagatikaran Virodhi Kruti Samiti (JVKS) thanked the Chairman for the opportunity to present their views before the Committee and informed the Committee that their submissions may be taken as the collective view of farmers, farm labourers, tribals, artisans and rural population that have been affected by the industrial corridors. It was stated that the very fact that the area of influence under five corridors being implemented encompassed 43 per cent of the land mass of the country was in itself an alarming development.

3. It was submitted that the land being acquired in different industrial nodes of Delhi Mumbai Industrial Corridor (DMIC) is three times more than what has been mentioned in the concept note of DMIC. They flagged the cases of Raigad and Aurangabad to buttress their point. It was informed that since the land acquisition in Maharashtra had begun before the notification of Land Acquisition, Rehabilitation and Resettlement (LARR) Act, 2013, important aspects such as Social Impact Assessment, Environmental Impact Assessment and consent have been given a miss. The Committee was informed that on one hand land is being acquired under Maharashtra Industrial Development Corporation (MIDC) Act and State Government of Maharashtra has assured that land will be bought only after consent of farmers is obtained whereas on the other hand some unscrupulous elements have started amassing land to make windfall gains. These elements have made fraudulent transactions and given fake consent and documents for the purpose of land acquisition while the farmers who are the real owners of the land are forcibly ousted of their land. It was also alleged that Government officials are also involved in these shady deals.

4. The Committee was apprised that community and village infrastructure is being acquired and there is a total lack of transparency in these acquisitions. The State Government of Maharashtra is clueless about various issues raised against the land acquisition and employment and is avoiding

engagement with the civil society on these issues. The representatives of Jagatikaran Virodhi Kruti Samiti (JVKS) further pointed that arable land and water rich areas were being acquired which would eventually affect food security, environment and ecology adversely. It was stated that the provision of monetary compensation to only one member of a Project Affected Family is inadequate and this provision may be revisited. Further, there is no employment opportunity and skill training for the Project Affected Families.

5. Issues such as role of special purpose vehicles in the industrial corridor projects, dilution of environmental laws, employment generated by the industrial nodes of DMIC and nature of employment, blatant change in land use pattern, alternatives to industrialization available to ensure development, involvement of local bodies in the industrial corridor projects, voluntary disclosure of information by DMICDC etc. were discussed after the presentation of the representatives of Jagatikaran Virodhi Kruti Samiti (JVKS) .

6. The Chairman then thanked them for the information provided and requested them to furnish the replies in writing on the issues not addressed during the interaction.

(The witnesses then withdrew)

II. ORAL EVIDENCE OF REPRESENTATIVES OF INDIAN COMMUNITY ACTIVIST NETWORK (ICAN)

7. The Chairman welcomed the representatives of Indian Community Activist Network (ICAN). He sought their views on the subject and suggestions. The representatives of ICAN submitted that there has been no consultation with public by the Government on the Industrial Corridor projects. They expressed concern over the fact that MNCs like McKinsey Corporation, which are not acquainted with the ground realities, are planning these projects. They informed the Committee that out of the 14 Special Investment Regions declared in Gujarat, the State Government had to withdraw three of them due to the farmers' agitations. It was submitted that without taking the public into confidence with regard to industrial development projects, the implementation of such projects will be difficult to take off. Scrapping of the industrial corridors projects was demanded till proper consultations with the public take place.

8. Apprehensions were raised about the industrial corridors projects having an adverse impact on food security and it was suggested that transferring of agricultural land for non-agricultural purpose should stop. They emphasized that the land-to-the-tiller policy has to come back to the central agenda of the nation. It was apprised that the detailed mapping of Amritsar Kolkata Industrial Corridor Project has not taken place despite three years of declaration of the project. They insisted that transparency is paramount when embarking on such large scale industrial projects.

9. The Chairman then thanked them for the information provided and requested them to furnish the replies in writing on the issues not addressed during the interaction.

(The witnesses then withdrew)

10. A verbatim record of the proceedings of the meeting was kept.

11. The Committee then adjourned at 3.54 P.M.

*II

SECOND MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 2.00 P.M. on Friday, the 7th October, 2016 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri M.P. Veerendra Kumar
4. Shri Shantaram Naik
5. Shri Vayalar Ravi

LOK SABHA

6. Shri Subhash Chandra Baheria
7. Shri Jitendra Chaudhury
8. Shri Chandra Prakash Joshi
9. Shri Janak Ram
10. Shri Dipsinh Shankarsinh Rathod
11. Adv. Narandra Keshav Sawaikar
12. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

WITNESSES

Representatives of Ministry of Skill Development and Entrepreneurship (MSDE)

1. Shri Rohit Nandan, Secretary
2. Ms. Sunita Chhiba, Senior Adviser
3. Ms. Jyotsna Sitling, Joint Secretary
4. Shri Asheesh Sharma, Joint Secertary
5. Ms. Vinita Aggarwal, Economic Adviser

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*1st Meeting of the Committee (2016-17) pertains to other matter.

Representatives of Ministry of Micro, Small and Medium Enterprises (MSME)

1. Shri K.K. Jalan, Secretary
2. Smt. Bharti S. Sihag, SS&FA
3. Shri S.N. Tripathi, Additional Secretary & Development Commissioner
4. Shri B.H. Anil Kumar, Joint Secretary
5. Shri Manoj Joshi, Joint Secretary
6. Shri B.N. Nanda, Economic Advisor

I. ORAL EVIDENCE OF REPRESENTATIVES OF MINISTRY OF SKILL DEVELOPMENT AND ENTREPRENEURSHIP (MSDE)

2. At the outset, the Chairman welcomed the Members of the Committee to the meeting and briefed them about the agenda of the meeting. Thereafter, he welcomed Secretary, Ministry of Skill Development and Entrepreneurship and sought his views and suggestions and the initiatives taken in the area of skill development in the context of extant industrial Policy.

3. The Secretary expressed his gratitude towards the Chairman and Members of the Committee for the opportunity to express his views on skill development. The Secretary thereafter gave an overview of the evolution of the Ministry of Skill Development and Entrepreneurship. Dwelling on the challenges of skill development in the country, it was informed that apart from the size of population to be skilled, the creation of optimal capacity to train them were prominent challenges. Challenges in terms of quality of training, lack of harmonization among various Departments/Ministries running their set of skill development programme, disconnect between training system and the industry, problem of social and geographical inequality in training ecosystem and the lack of aspiration among people to get skilled were flagged by the Secretary during the proceedings.

4. Information on the working of *Pradhan Mantri Kaushal Vikas Yojana*, ITIs, formulation of single common training norms for all Government trainings and their alignment with National Skill Qualification Framework, introduction of third party assessment of short-term training programme, adoption of international norms to make the training programme meet international standards was also shared.

5. The Secretary further informed the Committee about the strategies aimed at improving the training ecosystem wherein emphasis has been given on larger participation of private sector. The Skill Gap Analysis was also stated to have been undertaken to capture the nature of skill requirement in the country and likely quantitative demand in next five years. The changes brought about in the Apprenticeship Act to institutionalize apprenticeship as a vital tool for skilling of people was also brought to the notice of the Committee.

6. The Chairman and Members raised some concerns and sought clarifications on various issues like increasingly privatized eco-system for skill development, absence of regional skill development plans, priority in employment to local people, organizational structure of National skill Development Corporation, provisions of special package for skill development in Purvanchal and Bihar, red-tapism in approval of ITIs, status of reservation policy in ITIs, review mechanism for

the training programmes, priority in grants of various government incentives for skilled people, plan of action to bridge the skill gaps for industries likely to come up in Dedicated Freight Corridor and Industrial Corridor among other.

7. The Chairman then thanked Secretary for the information provided during the meeting.

(The witnesses then withdrew)

II. ORAL EVIDENCE OF REPRESENTATIVES OF MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSME)

8. At the outset, the Chairman welcomed the Secretary, Ministry of Micro, Small and Medium Enterprises and sought his views on issues and problems related to MSME Sector *vis-à-vis* industrial policy, the benefits accrued to MSME sector by the existing FDI policy and by the programmes like Make in India, Start up India, Industrial Corridors etc.

9. The Secretary thanked the Chairman and Members of the Committee for giving him the opportunity to present his views. He informed the Committee that the MSME sector has been regulated by Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. He also informed that the Ministry was working to frame the MSME Policy which might be notified by the year end. The Secretary pointed out the difficulty arising on account of definition of MSMEs contained in MSMED Act, 2006. The definition includes both 'Industry' and 'Services'. Dwelling on the MSMEs role in the Industrial Corridor, he stated that two types of MSMEs will come up in the Industrial Corridor. One category shall cater to the demands of people working and residing in the Industrial Corridor and the others would serve as ancillaries to large industry. He suggested that land to the tune of 20 per cent may be earmarked for MSME sector and the plots may be leased at discounted rates to MSME units in Industrial corridors. The issue of delayed payment to ancillary industries was also flagged as the major problem being faced by the MSME sector. It was also submitted that multiplicity of inspectors must be done away with. Rather one inspector may carry out inspection of all the requisite compliances by MSME units.

10. To a query about the initiatives taken by the Ministry to facilitate MSMEs greater participation and share in programmes like Make in India, Start up India and Mudra Scheme, the Secretary informed that registration process has been simplified through introduction of single page Udyog Aadhar Memorandum and robust monitoring of public procurement framework which mandates 20% public procurement from MSME unit. It was intimated to the Committee that the earlier condition of furnishing of experience certificate from Start Ups in MSME sector has been withdrawn.

11. The Chairman and Members raised their concerns on issues like quantum of SC/ST beneficiaries under public procurement policy, measures taken to remove procedural difficulties faced by entrepreneurs in starting a business; problem of finance to MSMEs due to demand of collateral security, likely exclusion of rural youth and entrepreneurs on account of online application system under PMEGP; market support of government to MSMEs, capacity building for entrepreneurs, high costs of legal compliances, etc. The Secretary replied to the concerns raised during the meeting.

12. The Chairman thanked the Secretary for the information provided to the Committee.

(The witnesses then withdrew)

13. A verbatim record of the proceedings of the meeting was kept.

14. The Committee then adjourned at 3.58 P.M.

III
THIRD MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 11.00 A.M. on Thursday, the 10th November, 2016 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri Ram Kumar Kashyap
4. Shri Vayalar Ravi

LOK SABHA

5. Shri Subhash Chandra Baheria
6. Shri Bodhsingh Bhagat
7. Shri Jitendra Chaudhury
8. Shri Chandra Prakash Joshi
9. Shri Dhananjay Mahadik
10. Shri Dipsinh Shankarsinh Rathod
11. Shri Charanjeet Singh Rori
12. Shri Vinod Kumar Sonkar
13. Shrimati Bijoya Chakraborty

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

WITNESSES

Representatives of Dedicated Freight Corridor Corporation of India Limited (DFCCIL)

(1) Shri Adesh Sharma, MD

(2) Shri G.V.L. Satyakumar, ED/PP

(3) Shri H.D. Gujrati, Director/OP&BD

(4) Shri Anshuman Sharma, Director/PP

(5) Shri D.S. Rana, Director/Infrastructure

(6) Shri M.K. Mittal, Director/Finance
(7) Shri Ashutosh Rankawat, ED/WC
(8) Shri Ajay Kumar, ED/EC
(9) Shri Ravi Jain, GM/CC
(10) Shri S.N. Ali, GGM/BD
(11) Shri Ashok Kumar, GM/HR-I

Representatives of Department of Industrial Policy & Promotion (DIPP)

(1) Dr. Subhash Chandra Pandey, AS & FA
(2) Shri Sanjeev Gupta, Additional Secretary
(3) Ms. Sangeeta Verma, Pr. Economic Adviser
(4) Shri Atul Chaturvedi, Joint Secretary
(5) Shri Ravneet Kaur, Joint Secretary
(6) Shri Shailendra Singh, Joint Secretary
(7) Shri Rajiv Aggarwal, Joint Secretary
(8) Shri G.R. Raghavender, Joint Secretary
(9) Shri Dammu Ravi, Joint Secretary
(10) Shri Manoj Joshi, Joint Secretary, M/o MSME
(11) Smt. G.S. Lakshmi, DDG, CSO
(12) Shri Giridhar Pai, Director, D/o Revenue
(13) Shri Rajan Kumar, Sr. Economic Adviser
(14) Dr. Seema Gaur, Economic Adviser
(15) Dr. Mohan Chutani, Economic Adviser
(16) Shri Siya Sharan, Chief Controller of Accounts
(17) Shri T.S.G. Narayannen, TA (Boilers)
(18) Shri Adesh Sharma, MD (DFC)
(19) Shri P.K. Aggarwal, Chief Financial Officer (DMIC)

I. ORAL EVIDENCE OF REPRESENTATIVES OF DEDICATED FREIGHT CORRIDOR CORPORATION OF INDIA LIMITED (DFCCIL)

2. At the outset, the Chairman welcomed the Members of the Committee to the meeting and briefed them about the agenda of the meeting. ***

3. The Chairman then welcomed the Managing Director, Dedicated Freight Corridor Corporation of India Limited (DFCCIL) and his colleagues to the meeting and sought his views on progress made under the Freight Corridor projects, details of land acquisition in crucial stretches of the freight corridors, development of multi model Logistic Parks/Terminals and the challenges being faced in the progress of the Freight Corridors projects.

4. The Managing Director, Dedicated Freight Corridor Corporation of India Limited (DFCCIL) thanked the Chairman for the opportunity to present their views on the subject. He gave a power

*** Pertains to other matter.

point presentation on the evolution of DFCCIL wherein he briefed the Committee about the objectives of the Dedicated Freight Corridors (DFCs) project such as increase rail share in freight market, faster movement of freight, creation of rail connectivity to bulk customers and multimodal logistic parks, segregation of freight infrastructure for focused approach, creation of additional rail infrastructure to cater to high levels of transport demand and improve reliability, reduction of unit cost of transportation resulting in market competitive rail tariff for customer and provision of seamless end to end solution to the customers. The Committee was apprised that the DFCs project would be a game changer in transport logistics with significant increase in speed and transportation capacity, low operating cost, induction of modern technology, etc. The DFCs would decongest major highways and provide a boost to the development of industrial hubs. The MD briefed the Committee about the basic design features of the DFC routes and cost estimates of the project as well as the funding plan particulars. The Committee was informed that both the Eastern and Western DFCs would be completed by the end of 2019.

5. After the presentation of MD, DFCCIL, the Chairman and Members raised some concerns and sought clarifications on various issues like feeder routes to all the corners of the country from the DFCs, quantum and difficulties of land acquisition along the Western Freight Corridor, lack of personnel in the regional offices of DFCCIL, lack of coordination between DFCCIL and the railway zones, reasons for delay in completion of the DFC project and extra financial burden incurred due to the delay, road and waterways connectivity to the DFCs, the utility of Pragati Yojana in enhancing the progress of the DFC project, etc.

6. The Chairman then thanked MD, DFCCIL and his colleagues for the information provided and requested them to furnish the replies in writing on the issues not addressed during the interaction.

(The witnesses then withdrew)

II. ORAL EVIDENCE OF REPRESENTATIVES OF DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION (DIPP)

7. The Chairman welcomed the Additional Secretary, Department of Industrial Policy and Promotion and his colleagues to the meeting and desired that the Committee may be apprised comprehensively on the current industrial policy and major initiatives and changes being made in the industrial policy.

8. The Additional Secretary thanked the Chairman for the opportunity to present the Departments views on the subject. He gave a power point presentation wherein he informed the Committee that contribution of manufacturing sector to GDP in India at present is 16.1% and the Department targets to achieve 25%. The increase in share of manufacturing sector would be enabled by factors like competitive infrastructure, rising consumption, favorable demographic and policy enablement. The Committee was apprised that there has been a growth in gross value added manufacturing in year 2015-16 at 9.3% in comparison to 5.5% in 2014-15. Thereafter, the Committee was briefed on the existing manufacturing ecosystem in the country, recent initiatives under Intellectual Property Rights, reforms in FDI policy, FDI inflow trends, significant achievements made under 'Make in India' etc. It was informed that competitiveness on manufacturing front has improved and is reflecting on the scales of international ranking systems.

9. The Additional Secretary apprised the Committee on the key initiatives taken in the last 2 years under Ease of Doing Business. On the employment front, the Committee was informed that though the employment in the manufacturing sector was rising over the last 4 years; services sector employs three times the number of persons as compared to manufacturing sector. With regard to price distortions, it was informed that finished good taxed at lower rates than raw material and intermediates hamper the competitiveness of domestic manufacturing. However, the Department proactively identifies such cases for correction. Various measures such as Industrial Corridors, National Investment and Manufacturing Zones (NIMZs), Indian Leather Development Programme (ILDP), Textile Parks, Sagarmala Project, Dedicated Freight Corridors and Modified Industrial Infrastructure Upgradation Scheme were being implemented to tackle infrastructure deficiencies. The progress made under industrial corridor project and NIMZs was also brought before the Committee.

10. Issues such as industrial production in the northeast effected by various programmes being implemented by the Department, suspension of North East Industrial and Investment Promotion Policy (NEIIPP), 2007, quantum of exports from the North East region, incentives for the development of MSMEs, study on the competitiveness of the Indian industrial policy, low employment generation of primary and secondary sector, feasibility of declaring projects/schemes that are being implemented in different States as national projects/ schemes, reforms needed in the labour sector, steps to increase value addition in manufactured goods, etc. were discussed after the presentation of the representatives of the Department.

11. The chairman thanked the Secretary for the information provided to the Committee.

(The witnesses then withdrew)

12. A verbatim record of the proceedings of the meeting was kept.

13. The Committee then adjourned at 12.55 P.M.

IV

FOURTH MEETING

The Department Related Parliamentary Standing Committee on Commerce met at 3.00 P.M. on Tuesday, the 29th November, 2016 in Committee Room 'A', Ground Floor, Parliament House Annexe, New Delhi.

MEMBERS PRESENT

1. Shri Bhupender Yadav — *Chairman*

RAJYA SABHA

2. Shri Joy Abraham
3. Shri M.P. Veerendra Kumar
4. Shrimati Thota Seetharama Lakshmi
5. Shri D. Kupendra Reddy

LOK SABHA

6. Shri Bodhsingh Bhagat
7. Shri Jitendra Chaudhury
8. Shri Jayadev Galla
9. Shrimati Kavitha Kalvakuntla
10. Dr. Hari Babu Kambhapati
11. Shri Dhananjay Mahadik
12. Shri Janak Ram
13. Shri Dipsinh Shankarsinh Rathod
14. Adv. Narendra Keshav Sawaikar
15. Shri Vinod Kumar Sonkar

SECRETARIAT

Shri S.K. Verma, *Joint Secretary and Financial Adviser*

Shri A.K. Gandhi, *Director*

Shri Narendra Kumar, *Joint Director*

Shri Amit Kumar, *Assistant Director*

2. * * *

3. The Committee, thereafter, took up for consideration (i) *** (ii) *** (iii) *** (iv) draft 130th Report on Industrial Policy in the Changing Global Scenario. After some discussion, the Committee adopted the draft *** and 130th Reports.

*** Pertains to other matter.

4. The Committee decided to present/lay the said Reports on Friday, 2nd December, 2016. It was decided that the reports will be presented in Rajya Sabha by the Chairman and in his absence by Shri Joy Abraham, M.P. and in the absence of both of these members, Shri M.P. Veerendra Kumar, M.P. will present these reports. In Lok Sabha, the reports would be laid by Shri Vinod Kumar Sonkar, M.P. and in his absence by Shri Jayadev Galla, M.P.

5. * * *

6. The Committee then adjourned at 3.30 P.M. to meet again at 3.30 P.M. on December 14, 2016.

*** Pertains to other matter.

ANNEXURE

List of Memoranda received on the subject 'Industrial Policy in the Changing Global Scenario'

Sl. No.	Name
1.	Shri Rajesh Daga Shree Spices, Jodhpur (RJ)
2.	Shri Jaspreet Singh Sobti jssobti@rediffmail.com
3.	Dr. N. Sridharan Professor & Head, Department of Regional Planning, School of Planning and Architecture, New Delhi - 110002
4.	Shri Abhimanyu Singh Uttar Pradesh abhimanyu.singh.84@live.com
5.	Shri Alok Mookerjee Consultant in Oil & Gas Sector Navi Mumbai mookerjee.aloke@gmail.com
6.	Shri Sanjoy Roy Rabindra Bhavana, Visva Bharati West Bengal
7.	Shri Sajjan Raj Mehta Ex. President Karnataka Hosiery and Garment Association, 234, Garudachar Complex, 4th Floor, Chickpet, Bangalore-560053
8.	Shri D.R. Dogra MD/CEO Credit Analysis & Research Limited, 4th Floor, Godrej Colliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai-400022
9.	Shri M.V. Rajeshwara Rao Secretary General, Federation of Andhra Pradesh Chambers of Commerce & Industry, Federation House, FAPCCI Marg, Red Hills, Hyderabad-500004

Sl. No.	Name
10.	Shri M.R. Khambete President Chamber of Small Industry Associations (COSIA), TSSIA House, Plot No. P-26, Road No. 16-T, Wagle Industrial Estate, Thane-400604, Maharashtra
11.	Shri C. Brahmarajan B.E; M.T.P. M 12/6, Nava Bharath Colony, Kaveri Salai, Besant Nagar, Chennai - 90
12.	Shri D.S. Padam President, Ramgarhia Services Society International Local Head Office, 4632 - Ram Nagar Sultanwind Road, Amritsar
13.	Shri Ramdev Gupta Hiramanpur, Sarnath, Varanasi
14.	Shri Er. Amar Singh President, Society for Justice (Regd.) 39, Industrial Area, Under Bridge Road Rajpura, Patiala, Punjab - 140401 Email: *dhawalamar@gmail.com*
15.	Shri Harpreet Singh Pruthi IRSS-98 Email: *p08harpreet@iimahd.ernet.in*
16.	Shri Sushil Mehra E-202, Adarsh Palace, Jayanagar, 5th Block Bangalore - 560041 Email: *shares.sushilme@gmail.com*
17.	Shri Pandit Rati Ram Sharma Opp. New Bus Stand, New Market Nirankari Colony, Narwana District Jind, Haryana - 126116
18.	Shri M. Arun Prasath Lecturer, Department of Mechanical Engineering, MVJ Polytechnic, Near Chanachandra, White Field, Bangalore - 560067

Sl. No.	Name
19.	Shri Senthilkumar Bharathi Tiruvallur - 602004
20.	Shri Prashant Singh Phd Scholar, Lucknow University, Lucknow Email: *prashant983singh@gmail.com* Address: 12, Ghasyari Mandi, Kali Bari Marg, Lucknow - 226001
21.	Shri S. Kirubanithi, MBA Chennai, Tamil Nadu, India
22.	Shri Rajeev D Mathur Executive Director Consumer Unity & Trust Society (CUTS) D-217, Bhaskar Marg, Bani Park Jaipur 302 016, India.
23.	Ms. Amba Salelkar Inclusive Planet Centre for Disability Law and Policy, Chennai Email: *amba.salelkar@inclusiveplanet.org.in*
24.	Shri R. Mohana Krishnan MBA (Global Executive) Email: *mk554387@gmail.com*
25.	The Federation of Indian Bank Employees' Unions 6, Moore Street, Mannady, Chennai - 600001 Email: *ibeuchennai@gmail.com*
26.	Shri J.B. Surana President, All India Granites Stone Association Bangalore - 560 080
27.	Shri G.R. Kalaiaperumal, Bharathiya Janatha Party, No. 29, Salai Marriyamman Koil St., Muthialpet, Puducherry-605003
28.	Shri Biswanath Nandi, 52, Dr. Sundari Mohan Avenue, Calcutta, 700014
29.	Dr. Gopal Krishna, Toxics Watch Alliance (TWA), Patna/Delhi

Sl. No.	Name
30.	Indian Community Activist Network (ICAN) (i) Shri S.R. Hiremath, Convener, ICAN, (Ashadeep), Jayanagar Cross, Saptapur, Dharwad, Karnataka-580001 (ii) Shri Sagar Rabari, Convener, ICAN Committee on Corridors, Gujarat Khedut Samaj, Khet Bhavan, Opp. Cargo Motors, Nr. Gandhi Ashram, Ahmedabad-380027
31.	Jagatikaran Virodhi Kruti Samiti (JVKS), Maharashtra (i) Ulka Mahajan (ii) Sanjiv Sane (iii) Mukta Srivastava,
32.	Shri Amit Rai, Arya ward No. 21, Tehsil-Baitul, Madhya Pradesh -460001
33.	Shri Balwinder Singh, Convener Distt. Sri Muktsar Sahib, National Youth Project, Unit Malout 152107, (Distt. Sri Muktsar Sahib)
34.	Prof. R.B. Sharma, Former Director Research, ND University of Agriculture & Tech., Faizabad (U.P.) & Director Research (Retd.), Indira Gandhi Krishi Vishwavidyalaya, Raipur, (C.G.) DH 58, DD Nagar, Gwalior - 474005
35.	Shri Ashok Kumar Gupta, Member, Mahakoshal Chamber of Commerce & Industries, Civic Center, Jabalpur
36.	Shri Madhuresh Kumar, National Alliance of People's Movements (NAPM) 6/6 (Basement), Jangpura B, New Delhi-110014