

REPORT
OF THE
INDUSTRIALISTS COMMITTEE
ON
INTENSIVE INDUSTRIALIZATION OF
HARYANA



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REPORT OF THE INDUSTRIALISTS COMMITTEE ON THE INTENSIVE INDUSTRIALISATION OF HARYANA

With a view to suggesting ways and means of speedy and intensive industrialisation of the State, the Haryana Government constituted an Industrialists' Committee, on the 29th May, 1969, as indicated below :—

- | | |
|------------------------------|-------------|
| 1. Dr. Bharat Ram | .. Chairman |
| 2. Shri Raunaq Singh | .. Member |
| 3. Shri D.D. Puri | .. Member |
| 4. Shri B.K. Kejriwal | .. Member |
| 5. Shri Chaman Sahni | .. Member |
| 6. Shri M.L. Manchanda | .. Member |
| 7. Shri Bishamber Dass Kapur | .. Member |
| 8. Shri Devi Sahai Jindal | .. Member |
| 9. Shri Ghanshyam Dass Goel | .. Member |
| 10. Shri B.P. Dhanda | .. Member |

Shri L.C. Gupta, Director of Industries acted as the Member-Secretary of the Committee.

2. The terms of reference of the Committee are as follows :—

- (i) to recommend to Government with regard to the policy to be adopted for accelerating the pace of industrial development in the State ;
- (ii) to make specific and concrete recommendations to Government for the incentives and facilities to be given to entrepreneurs for setting up new industries in the State ;
- (iii) to make definite recommendations to Government for removal of the procedural difficulties in the establishment of various projects in the State and for the implementation of Government policies ; and
- (iv) to consider new proposals urgently after examining all aspects of the case.

3. The Members felt that the constitution of the industrialists Committee itself was an indication of the keen desire of Government to take definite and concrete steps towards the rapid industrialisation of the

State for which the State Government deserved their warmest congratulations. The Committee felt that while Haryana had hitherto remained backward, it had massive potential, and given the will and the organisation to harness this potential, the State could, within a very short time, be one of the premier States in the country in the industrial field. The Committee has no doubt that the will to undertake this exciting and momentous task would be forthcoming in abundance, and the foundations of a far-flung programme of accelerated industrial development would be firmly laid during the next few years.

4. The Committee took note of the fact that in spite of some significant growth in Haryana in the recent past, the State continues to be industrially backward. This would be obvious from the fact that the industrial sector of the State's economy contributed only 15.8% to its total income, against 23.6% for the country as a whole. This is mainly because of the total number of registered factories that existed in undivided Punjab, a large number happened to be situated in those districts which have gone to the non-Haryana region. The following table drawn up on the basis of the figures furnished in the final report of Haryana Development Committee, shows the comparative position between the Haryana and the non-Haryana regions, in regard to the distribution of industries in the factory sector :—

	<i>Haryana</i>	<i>Non- Haryana</i>
(a) Total number of registered factories ..	1,124	3,921
(b) Number of registered factories per lakh of population ..	14.9	36.5

The erstwhile Punjab was known for the rapid growth of its small-scale sector, but the development was largely confined to areas now situated in the new Punjab as would be evident from the fact that out of a total 17,720 small-scale units in the undivided State only 4,133 units have fallen to the share of Haryana.

5. The Committee, accordingly, felt that the pace of investment must be stepped up rapidly but since there were limited possibilities from within the State, Haryana should seek the same type of assistance from the Central Government, which India as a country, is in turn asking from the other countries. In this context, the Committee strongly felt that the location of Central Sector Projects had a special importance. The existing position in this direction is very unsatisfactory indeed, as out of the total investment of about Rs 2,644 crores in this sector, only about 7 crores have been invested in Haryana (H.M.T. factory in Pinjore), which comes

to only 1/3rd of 1 per cent of the total investment. Of all the States in the country, Haryana has the lowest investment in Central Public Sector Projects, as would be clear from the following statement :—

Name of the State	Amount of investment in Central Public Sector Projects (Rs Crores)
1. Madhya Pradesh	518.2
2. Bihar	470.7
3. West Bengal	403.7
4. Orissa	391.5
5. Madras	236.00
6. Uttar Pradesh	125.6
7. Maharashtra	92.7
8. Gujrat	77.8
9. Andhra Pradesh	76.9
10. Kerala	69.1
11. Mysore	70.8
12. Assam	53.7
13. Punjab	32.5
14. Rajashthan	17.1
15. Haryana	7.1

The Committee was strongly of the view that this imbalance must be rectified and the Government of India should be persuaded by the State Government for the allocation of a number of Central Sector Projects during the Fourth Five-Year Plan period.

6. The Committee felt that the future of the State in the industrial field was quite bright as it had numerous advantages, the major one being its close proximity to metropolitan Delhi, which enabled it to provide any number of ideal locations for all types and varieties of industries. All the main towns around Delhi, i.e., Faridabad, Bahadurgarh, Gurgaon and Sonapat are connected by main high-ways and can be reached in less

than an hour's drive from Delhi. The State is also very fortunate in having a healthy atmosphere of industrial peace and amicable labour-management relations. The Committee felt that this particular aspect put the State of Haryana in a special vantage position in the entire all-India context. The State is also very favourably located from the point of catering to the entire northern India consumer market.

7. The Committee noted with satisfaction that these locational advantages had been, to an extent, harnessed and sizeable development had already taken place in areas around Delhi, particularly in Faridabad. The Committee felt that the fruits of industrial development could be fully reaped by the people of Haryana, only if there was a dispersal of industry throughout the State and a steady but concerted effort was also made to take the industry to the interior of the State. As a matter of fact, by far the major portion of the State lies within a 100 miles radius from Delhi and location of industry even in the interior of the State does not, in any sense, lose the essential advantages which Haryana provides in abundance for industry.

8. With this objective of dispersal of industry, the Committee felt that the State should be divided in two categories, i.e., the 'developed' and the 'developing' areas and a differential should be provided regarding the scale of incentives to be given to various areas so as to secure a more even dispersal of industry. The Committee felt that while only Faridabad might be included in the 'developed' category for the present, the categorisation itself had some significance, and as the State progresses, more areas could be included in the 'developed' category.

9. Considering the scope of work, the Committee took the view that its task could be divided in the following two categories :—

- (i) the pattern of development envisaged ;
- (ii) the incentives and facilities required for rapid growth.

Taking the pattern of industrial growth first, the Committee felt that the preliminary report of the National Council of Applied Economic Research, New Delhi, indicated a model, which could be adopted by the State Government with advantage. Being poor in mineral resources, the State could undertake only a limited development regarding mineral based industries. While the State has made some progress in the Agro-Industrial field, its main-stay would necessarily have to be Engineering Industries, and the State must draw out a definite policy for the development of this Sector. An effort should also be made to develop Chemical Industries, but this could be done effectively only if an Oil Refinery was located in the North-Western Region. The Committee strongly felt that the location of such a Refinery was an absolute necessity and strongly recommends that

the Government of India should be asked to take concrete steps towards the establishment of such a refinery in this region.

10. The other question of incentives and facilities to industrialists has been considered by the Committee at some length but while making specific recommendations, the Committee has been keenly aware of the limitation of financial resources which could be mobilised by the State Government during the coming years. The Committee, however, felt that in spite of these limitations, the Haryana Government must give definite concessions for industry, as eventually a steadily growing pool of resources itself could be created only if industrialisation of the State took place at a very rapid rate. This was all the more necessary as industry in the State was placed at a comparatively disadvantageous position because of distance from ports, coal mines and production centres of such essential raw material as iron and steel. With restricted internal consumption, its production is subjected to the levy of inter-State Sales Tax, which proves to be an additional burden. The Committee has also to keep in mind that a number of incentives were being offered by some of the other adjoining States and that Haryana must provide sufficient incentives so as to secure a larger proportion of the industrial activity generated in the region. For purposes of comparison, the Committee obtained information in respect of incentives being offered by the various other States in the country and a summary thereof is given in Annexure 'A'.

11. The Committee also considered the question whether the incentives should be provided only for the new units or even in the case of existing units, where substantial expansion was involved. The Committee felt that these concessions should be available in the case of substantial expansion also and substantial expansion need not necessarily mean industrial units taking to the production of new items. Instead thereof, the criteria to be used might be as follows :—

- (a) Units in the large scale sector which get a licence for substantial expansion from the Government of India.
- (b) In the case of unregulated units in the large and medium sector as well as units in the small-scale sector, substantial expansion may imply an additional investment of at least 25% of the existing plant and machinery within a period of 12 months. In case of small-scale industries, the concession should be given only to such units where the existing investment on plant and machinery is Rs 2 lakh and above. (This is being suggested only from the point of view of administrative convenience).

12. Before coming to specific issues, the Committee would like to make one general recommendation and this is with regard to the desirability of constituting a Standing Advisory Committee, consisting of industrialists and representatives of other interests. The Committee to be effective should be headed by the Chief Minister and should be entrusted with the task of advising Government on all matters relating to the development of industry in the State. The constitution of this Committee would go a long way towards creating a two-way channel of communication between the Government and the industrialists and would provide a representative forum where all matters relating to the growth of industry could be discussed from time to time.

SPECIFIC RECOMMENDATIONS

13. The availability of cheap land to prospective entrepreneurs, at appropriate places is a matter of crucial importance for the industrialisation of the State. This is particularly so in Haryana, as a large proportion of the investment has necessarily to come from outside the State. There is a natural reluctance and hesitation on the part of the entrepreneurs to go to another State for the first time and it is only after they are assured a piece of land according to their own requirements and wishes, that they come to have a stake for setting up industry in a new area. It also needs to be emphasised that land has to be brought by the entrepreneur at a stage, at which, he has yet to find partners or has yet to take assistance from the various financial institutions. The degree of success of Haryana in the sphere of industrialisation, would, therefore, to a large extent, depend upon its ability to develop land cheap enough and fast enough to attract a large number of entrepreneurs from all over the country.

14. Land is being developed in Haryana through a number of agencies. While Town and Country Planning Department develops industrial plots in 'Controlled' areas as a part of its industrial-cum-housing estates, land is also being developed by the Industries Department and a decision also exists to get land at certain focal points developed through the agency of Industrial Development Corporation as well. In State like Maharashtra and Gujrat, Government have set up independent Development Corporations under specific State Acts to handle the development of land for industrial purposes. Haryana is a small State and has a well organised Town and Country Planning Department. While the Town and Country Planning Department has the requisite organisation for undertaking land development on an extended scale, it has no intimate contact with problems of industrial development. The result is that industrialists in the existing areas controlled by the Town and Country Planning

Department are facing numerous difficulties. The Committee has gone into this question and recommends as follows :

- (a) The Committee referred to in Para 13 should aid and advise Government regarding various policy matters relating to industrial areas ;
- (b) While land may continue to be developed by the Town and Country Planning Department, work connected with the sale of plots should be handed over to the Industries Department. Alternatively, an arrangement may be devised for close liaison between the Industries and Town and Country Planning Department and a Joint Committee, to be presided over by the Secretary Industries, may be constituted for this purpose. The Committee also feels that all matters relating to the release of land, regulation of change in land use, sanctioning of building plans etc., the Director of Industries should be associated with the Director Town and Country Planning Department on a regular basis.
- (c) While allowing the change of land use from Agriculture to Industry at various sites outside the departmentally sponsored industrial areas, but within the 'Controlled' area at Faridabad, the department is binding the prospective entrepreneurs to the payment of developmental charges. This is being done so as to ensure that funds for the development of the entire area, when such a comprehensive development is undertaken, would be readily forthcoming. To further bind the prospective entrepreneurs, the department is insisting on getting a bank Guarantee to the extent of 25 per cent of the developmental charges worked out by them. The Committee feels that the release of land and sanctioning of building plans should not be held up on this account, and no Bank Guarantee should be asked from the industrial plot holders at Faridabad. The Committee further recommends that when an industry comes up in a particular area, which is subsequently included in any comprehensive scheme of development, development charges should be levied only in proportion to the additional facilities being provided to the unit, after taking into consideration the development already done by it.

15. The price of land would naturally depend on the acquisition cost and the scale of development envisaged for any area. The Committee, however, feels that the price of land in the adjoining areas of U.P. should be particularly kept in view. To take a concrete case, land at Ghaziabad is being given on the basis of 99 years lease, and the price of

land is between Rs 4 to 5 per square yard. The Committee feels that the price of land in the State should, if anything, be pegged lower than that in adjacent areas of the other adjoining states. As an incentive to industrialists, land may be given initially on lease-hold basis, but it should be possible for them to convert it into free-hold within a stipulated time. The free hold plots, wherever these are developed, should be made available in 10 instalments while the premium to be charged initially in the case of lease-hold plots should be recovered in 5 instalments. The price to be charged before handing over the possession in the case of free-hold plots should not be more than 10 per cent but in the case of lease-hold plots it may be 20 per cent.

16. The Committee wants to emphasize that considerable time is taken before such areas are fully developed and as such investment by Government or the Area Development agencies is also made over a period of time. The Committee, accordingly, recommends that no interest should be charged at all for instalments paid in time in the 'developing' areas and in the case of developed areas (Faridabad only for the present), a nominal interest might be charged after an initial period of three years. The Committee further feels that a more intensive utilisation of land than at present, should be attempted so as to partially cover the high prices of land existing as at present. It, accordingly, recommends that the covered area admissible for industrial use should be increased from 50 per cent for the first acre and 40 per cent thereafter to 60 per cent in all cases.

17. The Committee considered the question of development of land at various locations and felt that Sonapat should be comprehensively developed into a sizeable industrial focal point and should be sufficiently attractive to serve as an alternative to Faridabad. The Committee, accordingly, recommends that 1,000 acres may be developed at Sonapat, along the G.T. Road but it should be ensured that the railway siding facilities would also be readily available. While planning the industrial area at this place, provision should be made for stockyards and depots for basic raw material like steel, pig iron, coal, coke and other petroleum products. Some space should be duly provided for establishing a terminal for goods carried by road transport. Other facilities like banks, telephone exchange, post office, should also be provided.

POWER

18. The power tariff and the electricity duty charged have a vital impact on the financial returns of an industrial enterprise. Before an entrepreneur puts up a Project, he would generally like to be assured that there are no periodic upward revisions of his power bill, which may have the effect of upsetting his earlier calculations. In view of this the Committee would like to emphasise that a firm and definite assurance

should be given on behalf of the State Government and the Haryana Electricity Board that there will be no upward revision of power rates for industrial use during the next seven years. This single step could be one of the decisive factors, which the industrialists could take into account while deciding upon the location of their projects.

19. A major problem of industries in Haryana is the frequent interruptions in the supply of power to industrial units. Units operating on the basis of 'continuous' process are particularly affected. The situation has improved considerably in the recent past, but the Haryana State Electricity Board needs to take more vigorous action in this direction.

20. As regards concessions, Punjab, U.P., Andhra Pradesh and Orissa have reduced the tariff on new industries. Subsidy of 25 per cent in tariff and complete exemption from electricity duty for a period of five years is being given in Punjab at the focal points. For industrial units in other areas, electricity duty has been reduced from 20 per cent to 15 per cent for a period of 5 years. Andhra Pradesh gives a subsidy of 10 per cent in case of medium and large scale industries and 12½ per cent in case small scale industries. Orissa Government gives subsidy to the extent of 12 per cent of the power bill, where capital investment on the project is upto Rs 25 lakhs. In Haryana, there has in fact been an increase of 20 per cent in power tariff recently, which places the State in comparatively disadvantageous position *vis-a-vis* the adjoining Punjab State.

21. Considering the concessions given by the various other States, and also the fact that the bulk of power in Haryana is hydro-power with comparatively lower operating costs, the Committee recommends that :—

- (a) Complete exemption may be given from electricity duty for a period of four years in developed areas, seven years in developing areas and ten years in specially backward areas like district Mohindergarh. This should apply to all new units and units involving substantial expansion.
- (b) The surcharge on power tariff to the tune of 20 per cent imposed recently be reduced by half i.e. it should be brought to 10 per cent, this concession being applicable to all new units and units involving substantial expansion. This reduction may also be given for a period of four years in developed areas, seven years in developing areas and ten years in specially backward areas like district Mohindergarh.
- (c) In order to encourage self-generation of power, interest free loans should be given upto 80 per cent of the value of the

generating sets against the security of the set itself, recoverable in 20 years, in annual instalments, the first instalment being payable after one year from the date of disbursement, The balance 20 per cent should be treated as subsidy.

- (d) Special tariff should be fixed for electro-chemical industries, where power forms the principal raw-material.

SALES TAX

22. The incidence of sale tax charges has a direct bearing on the volume of trade in any particular area, and even a seemingly small difference in the incidence in any two adjoining areas can have a perceptible effect on the volume of trade transactions. Ideally, the sales tax rates should more or less be uniform in an entire region, and some attempts have been made in this direction by the Northern Zonal Council though not too successfully. This is particularly rendered difficult because, while some States including Haryana operate on the single-point system, U.P. and some of the other States have adopted the multi-point sales tax system.

23. While an attempt should be made progressively to work towards uniformity of rates in an entire 'Zone' it is absolutely necessary to remove some of the glaring anomalies existing at the present moment. According to the present regulations, the Central Sales Tax charged on any transaction is 3 per cent, but in case the State Sales Tax is less than 3 percent, the same rate is applicable for purposes of Central Sales Tax also. Thus if the rate of State Sales Tax on any particular commodity is $\frac{1}{2}$ per cent, the rate of central sales tax charged is also $\frac{1}{2}$ per cent only. This is precisely the position in respect of sales tax on non-ferrous items like sheets and circles which are used in a large quantity by the Jagadhri industry.

24. Keeping these facts in view and the rates prevailing in the adjoining states of U.P., Rajasthan and Delhi it is recommended that :—

- (a) The State Sales Tax on non-ferrous item like sheets and circles should be reduced from 6 per cent to $\frac{1}{2}$ per cent.
- (b) The State Sales Tax on woollen yarns should be reduced from 2 per cent to 1 per cent.
- (c) The sales tax on oil seeds, and sarson oil should be brought at par with that prevailing in Delhi and other States.
- (d) The sales affected to the educational institutions in respect of scientific instruments should be exempted from sales tax as is being done at Delhi.

25. Considering the concessions given by the various States and other relevant factors, the Committee further recommends that the pattern adopted by the Maharashtra Govt. whereby the amount of sales tax payable by an industrial units for any particular period is treated as a long term interest free loan recoverable after a period of 18 years should be adopted by the Haryana Government. -This should cover both the Central Sales Tax and State Sales Tax. This concession should also be given for three years in 'developed' areas and seven years in developing areas, and should be applicable to new units as well as units involving substantial expansion.

INDUSTRIAL HOUSING

26. Industrial housing is one of the spheres, which has not received the requisite attention in the recent past. This may be partly due to the fact that a proper arrangement for coordination between Industries, Labour and Housing Departments has not been worked out. The position is particularly acute in comparatively developed area, like Faridabad, where more than twenty thousands people live in Jhuggis. The handloom and carpet industry at Panipat can attract a large number of craftsmen from other areas, only if adequate housing facilities are readily available. The development of industrial complex at Sonapat would also, to a considerable extent, depend on our ability to provide industrial housing at reasonable rates quite expeditiously. The Committee accordingly feels that special attention must be paid to industrial housing and recommends that :—

- (a) Areas should be earmarked for industrial housing, while developing industrial areas and colonies. Built-up accommodation should also be provided by Government and given on lease/rent to the industrial units. It has to be ensured that proper public health facilities are duly provided.
- (b) For industries already established in the various industrial areas, Government should provide funds to enable them to construct residential accommodation for labour. It should be possible for Government to secure the necessary funds from the Life Insurance Corporation and other financial institutions.
- (c) The assistance to be provided to industry by way of loan for industrial housing should be worked out on the basis of present costs and not on the basis of costs decided upon long time back.
- (d) The procedure for assistance for subsidised housing should be streamlined so as to ensure that at least, whatever meagre funds were provided for this purpose, are duly utilised.

- (e) State Level Committee should be constituted with the Minister Incharge of Industries, Labour and Housing, the concerned officials and some representatives of industry and labour. This Committee should be charged with the responsibility of formulating policy for labour housing, and for reviewing the progress made from time to time.

TECHNICAL ASSISTANCE

27. The Committee would specially like to emphasise this aspect, as a lot will depend on technical assistance and guidance to the prospective entrepreneurs. The Committee feels that a strong technical Cell should be created in the Industries Department/Industrial Development Corporation with Mechanical, Electrical, Chemical, Electronics, and Textile Engineers, to look after the various field of industrialisation. In addition, the Department should hire experts in specialised fields on *ad hoc* basis wherever required. This cell should be responsible for a steady flow of information regarding various projects, which can be taken in the sphere of small as well as medium and large scale industries.

28. The Department should also get feasibility reports and project reports prepared, which could be given to industrialists desirous of setting up units in the State. The Government should subsidise such feasibility studies to the extent of 75 per cent in selected cases. This should be subject to the condition that in case the project is eventually implemented, the amount spent by Government on the feasibility study would be converted into Government's share Capital.

29. It is essential that the existing Common-facility Centres, Heat Treatment Centres and Quality Marking Centres, are upgraded and properly equipped and manned so as to cater to the needs of the industry at various places. It has not been possible for the Committee to go into the individual needs of the industry of towns like Ambala, Jagadhri Panipat and Sonapat. The Committee suggests that discussions should be held with the representatives of industry at these places and the necessary staff and equipment should be provided in the Common Facility Centres at these places.

FINANCIAL ASSISTANCE

30. Easy availability of loans and financial participation can go a long way towards accelerating industrial development. It is not only necessary that financial institutions take the minimum possible time for processing individual cases, but they should actively help the entrepreneurs, particularly in the small-scale sector, towards the compliance of their formalities. The fullest possible utilisation of the facilities now being made available by the commercial banks should be attempted. The recommendations of the Committee are given in the succeeding paragraphs.

31. An organisation should be created in the Industries Department for coordination with the commercial banks on a regular and continuous basis, and the industrial units should be enabled to secure industrial finance both for fixed assets and working capital. The Department should be able to organise a strong team, with knowledge and experience of industrial finance, which can visit various districts and can attempt coordination with Commercial banks on a 'crash programme' basis.

32. Financial help to the industrialists by the State Government should be institutionalised, as far as possible, and to this end, the limit of loan assistance given by the Financial Corporation should be reduced from Rs. 25,000 to Rs 10,000. The processing of applications upto Rs 50,000 may, however, be done by the Department of Industries, who can then pass on these cases to the State Financial Corporation.

33. It is desirable that the rate of interest charged should be utilised as an incentive for small -scale industry as well as a lever to secure gradual dispersal of industry. In this context, the following interest rates are suggested :—

(i) Loans from Rs 10,000 upto Rs 50,000

Developed areas .. Rs 8 per cent

Developing areas .. Rs 7½ per cent

(ii) Loans to small-scale industries should be given at 8 per cent, irrespective of the fact whether they are covered under the Credit Guarantee Scheme or not. The margin should also be kept at 25 per cent, irrespective of the coverage under the credit guarantee scheme.

34. According to the existing practice , the Financial Corporation secures first charge on the mortgage of land over which industrial assets are created. The land being developed by Government is given on a deferred-payment basis, which as per existing practice, cannot be mortgaged to the Corporation till all the instalments are duly paid. The facility is that the facility of deferred payments for the price of land cannot be availed of by the entrepreneurs, who might wish to secure finance from the Financial Corporation.

35. An arrangement has been devised in some of the other States whereby the first charge is given to the Corporation and the second charge is retained by the land development agency for industrial purposes, the entire transaction being covered by a tripartite agreement between the loanee, the Financial Corporation and the Land Development Agency. Another alternative is to devise an arrangement between

the Government and the Corporation, whereby, even though the Government retains the first charge on land, the Corporation is enabled to secure a legal mortgage on building and machinery and has a second mortgage on the land, with a further assurance from Government, that the loanee concerned would not be evicted during the currency of loan, without the simultaneous concurrence of the Corporation. The arrangement devised in some of the other States is that a guarantee is given by the Government to the Financial Corporation, provided the loan is otherwise approved by them.

36. The Committee considered the matter and felt that it would be desirable to adopt the last alternative given above. Committee felt that, even in case this is not acceptable, one of the other alternatives should be immediately adopted, so that the prospective entrepreneurs securing land on instalment basis can avail of the facility of loan by the Financial Institutions.

37. Participation in share-capital is undertaken by Haryana State Industrial Development Corporation, but so far as it has confined itself to the under-writing of preference shares only. The Committee feels that participation in equity capital is also absolutely necessary and the Haryana State Industrial Development Corporation should take up under-writing of equity capital as well. The facility of deferred payment guarantee for the purchase of machinery should also be made available by the State Financial Corporation.

OCTROI

38. The problem of Octroi, as far as it affects industry, has, in the recent past, assumed serious proportions. A number of industrial areas (Sonapat, Faridabad, Hissar, Panipat, Yamunanagar) fall within the municipal limits and the levy of octroi is very adversely affecting the industrial units located in these areas. The industrialists do not have adequate representation on the committees concerned, and levies by the Local Authorities are revised upwardly from time to time without a proper appreciation of the view-point of the industrial units. In fact this is one reason why new units find it profitable to shift to areas outside the municipal limits, where no public health or other facilities are available while there are a large number of vacant plots within the industrial area itself. The levy of octroi is also one of the reasons why even after a long lapse of time, the industrial areas at places like Sonapat, Panipat, Hissar, and Yamunanagar have not yet been fully utilised. It is also to be noted that if Government develops any land in proximity to these industrial areas, but outside the municipal limits, the position of industrial areas is likely to worsen further.

39. Considering these factors, the Committee is of the view that a proper rationalisation of the octroi levies, and a long-term policy with regard to the incorporation of new areas within the Municipal limits would be both in the interests of the industry as well as local authorities. The loss in income due to any restrictions regarding the quantum of levy, is, in the long run, likely to be off-set materially by the additional industrial activity which could be generated in these areas. The Committee accordingly recommends as follows :—

(a) There should be an assurance from Government that all industrial areas, which are now being developed, would be exempted from the levy of octroi for the next 10 years.

(b) For industrial units located in the Municipal limits, there should be no octroi on capital equipment and building material. For new units being established in the Municipal areas, no octroi should be charged on raw-material for a period of three years.

(c) Government should assume power to regulate any levy by a local authority on industry and the schedule of levies, so determined should be uniformly applicable throughout the State. Before deciding upon any such levy, or changes therein, the matter should be considered by the high-powered advisory Committee, referred to in para 12 of the report. The schedule of existing levies should also be reviewed by the said Committee.

PROPERTY TAX

40. The Committee strongly feels that industrial property should be exempted from property tax throughout the State. As regards house tax on industrial property, this should be levied only if there is exemption from octroi as recommended by the Committee separately.

41. The Committee considered various other connected issues and their recommendations are as follows :-

42. The Committee feels that as a matter of policy only industrial areas should be developed and industrial estates should be established mostly in developed industrial areas, because only in such areas there is possibility of developing ancillary industry which could be housed in such industrial estates. With this broad objective in view the Committee recommends that an industrial estate may be established at Faridabad and another at Bahadurgarh.

43. The Committee would specially like to emphasise the necessity of making adequate arrangements for water supply in various industrial areas. While it is necessary to make such provisions for the entire area on a centralised basis, individual industrialists should also be

encouraged to have their own water supply and loan assistance for sinking of tube-wells etc. should also be provided.

44. While deciding location for Industrial areas/units. the question of disposal of effluent discharge should be duly kept in mind. Certain chemical industries and other industries like Paper, Textiles etc. have a special problem for effluent disposal and these problems have to be gone into right at the planning stage. The treatment of effluent before it is discharged into a main sewer has to be the responsibility of the industry itself and some mechanism has to be created to ensure that this responsibility is properly discharged.

45. The fee for the registration of factories has been recently enhanced. The Committee feels that all possible relief should be given to industry during the initial stages. It, accordingly recommends that the fee at least for the first three years of the establishment of any industry should be same as it was before the recent enhancement.

46. The Committee has received a number of representations to the effect that the State Small Industries and Export Corporation, which has been entrusted with the functions of distribution of scarce raw-material like iron and steel, does not either get it in time or charges very high price thereof. It is true that because of scarcity in respect of certain items, the Corporation has to face a number of difficulties. It is, however, absolutely necessary that every possible step should be taken to ensure that adequate raw-material is provided in time to various industrial units. It has been particularly represented before the Committee that handling charges of the Corporation are on the high side and the Committee feels that this aspect should be specially looked into.

47. Within the short time at its disposal, the Committee has tried to cover the broader aspects of incentives and facilities required to be given to prospective entrepreneurs for ensuring industrialisation of the State at an accelerated pace. It is hoped that Government would be able to consider these recommendations at a very early date. It will be necessary to review the progress made from time to time, and for undertaking this review, the association of industrialists would be very useful.

NOTE BY CHAIRMAN

48. I would like to express my appreciation for the co-operation and hard work put in by the members of the Committee. My thanks are specially due to Shri L. C. Gupta, the Member Secretary, without whose untiring efforts, it would not have been possible to produce this report in such a short time.

BHARAT RAM.

RAUNAQ SINGH.

D. D. PURI.

B. K. KEJRIWAL.

CHAMAN SAHNI.

M. L. MANCHANDA.

BISHAMBER DASS KAPUR.

DEVI SAHAI JINDAL.

GHANSHYAM DASS GOEL.

B. P. DHANDA.

L. C. GUPTA.

The following members agree with the report in general but feel that though Faridabad is more developed area than other areas in Haryana but it cannot be called a developed area.

RAUNAQ SINGH.

B. K. KEJRIWAL.

CHAMAN SAHNI.

M. L. MANCHANDA.

B. P. DHANDA.

ANNEXURE-A

A summary of the major incentives offered by various State Governments

A. TAX CONCESSIONS

Maharashtra—

- Sales Tax .. (i) Cash refund of sales tax paid by the industry on raw materials purchased by it and on finished goods to the extent of 8% of the capital of the industry, in a year.
- (ii) In the under-developed areas, tax refund is given in the shape of long term interest free loan repayable in three annual instalments starting from the end of 18th year. This concession is given for six years from the start of production.

Octroi

- .. Exemption from the payment of octroi on raw materials, capital equipment and buildings materials for a period of six years to the extent of 1.6% of value of capital equipment and building material imported by the industry.

Bihar—

- Sales Tax .. No sales tax on raw materials for 5—10 years from the date the unit goes into production. Exemption from multi-point sales tax at the first stage of sale from the manufacturer is also available.

Haryana—

- Sales Tax .. For an initial period of 5 years from the date of licence or registration of unit sales tax on raw materials purchased and on finished products will be refunded subject to a prescribed maximum. No new taxes on the purchase of industrial raw materials during the next 5 years. This facility is given only at the focal points.

Mysore -

- Sales Tax .. Government considers grant of concession in sales tax rate for the first two years from the date of production in regard to new industries.
- Octroi .. Government considers granting relief from payment of octroi duty to certain new industries for five years.

Orissa

- Sales Tax .. Cash refund of sales tax paid on raw-materials given for initial period of 5 years of production.
- Octroi .. Exempted for new units and also for expansion and renovation of existing units.

Andhra Pradesh—

- Sales Tax .. Refund of sales tax on raw materials machinery and finished goods granted up to certain prescribed limits.

Assam—

- Sales Tax .. Government will bring down the local sales tax to the level of neighbouring States' sales tax or the Central sales tax when a purchaser prefers to buy manufactured goods from outside the State due to differences in tax rates. Exemption of sales tax on purchase of raw materials is also under Government's consideration.

Madhya Pradesh—

- Sales Tax .. Concessional rate of 1% *advalorem* on all items of machinery and raw materials purchased during Fourth plan period.

Octroi

- .. New industries are exempted from payment of octroi on plants, machinery and raw materials.

Punjab—

- .. Purchase and sales tax including inter-State sales tax will be refunded for a period of 5 years to new and expanding units at focal points.

Rajasthan—

- Sales Tax .. All machines purchased for setting up certain specified industries like textiles, ceramic, cement, etc., are exempted from sales tax. A nominal rate of 1% sales tax levied on purchase of raw materials.

Octroi

- .. All plants and machinery old or new are exempted from payment of octroi duty.

Gujarat—

- Sales Tax .. Concessional rate of 1% *ad-valorem* on all items of machinery equipment and raw materials purchased during fourth plan period.

Octroi

- .. Exempted for 5 years for new industries.

B. LAND AND BUILDING

Maharashtra—

In under-developed areas, developed plots are offered on concessional terms like no rent for the first 2 years 50% of the economic rent for next three years and full economic rent only from the sixth year. In industrial growth centres choice factory sites are available at concessional rates and in some areas ready-made factory sheds are also available on easy hire-purchase terms. There is a scheme for advance supply of building materials on loan from a revolving stock.

Bihar—

Factory plots in specially developed areas will be offered to entrepreneurs on long term lease at a token annual rent and the cost of acquisition and development of land will be recovered in convenient instalments within 3 years.

Industry could purchase from a Government revolving stock building materials against cash payment on no-profit no-loss basis.

Haryana—

At the focal points, areas will be acquired and sold out on no-profit-no-loss basis and price will be recovered on easy instalments. Land on similar conditions will also be given for the establishment of subsidised industrial houses and residential colonies.

Mysore—

Government lands, wherever available are either given to industrialists on payment of occupancy price (i.e. market value or even less) or leased out on payment of rent. Government also acquires private land for entrepreneurs under the Land Acquisition Act, when-ever necessary.

Orissa—

To attract industries in important industrial areas, Government has decided to charge different concessional rates of premium for leasing out Government lands. Government lands in other places are available at 50% and in some cases at 33- $\frac{1}{3}$ % of the market rate. Premium will be realised in 5 equal annual instalments.

Andhra Pradesh—

Liability on account of assessment of land revenue or taxes on land, used for setting up an industry, will be limited to the amount of such taxes payable immediately before the land is so used. Also concessional rents are charged for use of industrial estates.

Assam—

Industries Department will develop land with infrastructure facilities and will allot the same to parties on long-term lease, outright sale or on hire-purchase basis on easy terms.

Madhya Pradesh—

Land at concessional rates is provided by the State Government to new industries on long term lease in industrial areas. Land in areas near the big towns would be available at 1 Paise per Sq. foot and the rent would be 1/10th Paise per sq. foot.

Punjab—

Industries Department will acquire land at certain selected growth areas for sale to industries. Price of land will be recovered in easy instalments: initial payment will be 10% of price and the balance 90% will be recovered in 6 equal annual instalments.

Rajasthan—

Government has reserved and set apart large areas of land at selected places in the State for allotment to Industries on long lease and on attractive terms. Infra-structural facilities are also provided by Government. Where no land is available in an Industrial area or no industrial area has been declared, there is a provision for a conversion of agricultural land into industrial areas.

Himachal Pradesh—

Government gives selected land to Industries on the basis of 10 per cent of the cost to be paid initially and the balance of 90 per cent in 90 years.

Kerala—

Government will help industry in choosing proper sites.

C. FINANCIAL ASSISTANCE

Maharashtra—

The State Industrial and Investment Corporation of Maharashtra (SICOM) has been specially set up to assist industrialists. SICOM has a variety of flexible financial schemes. It offers underwriting support for capital issues, guarantee for financial assistance from other financial institutions and long-term loans. The corporation has also evolved a capital participation scheme to assist small and medium industries.

Bihar—

Facilities such as underwriting of shares, equity financing, grant of loans and guarantee for loans in suitable cases are available both from the State Government and Bihar State Financial Corporation.

Haryana—

Government underwrites/participates in the share capital of selected industrial projects direct or through Industrial Development Corporation.

Orissa—

Government gives financial assistance by way of participation in share capital loans, Government guarantees, etc. State Financial Corporation also provides loans and underwriting facilities.

Assam—

Government may participate in the share capital of private/Public joint stock companies. Government will also assist industries in getting loans from commercial banks.

Madhya Pradesh—

State Government follows a liberal policy in respect of financial assistance available to industries from Madhya Pradesh Finance Corporation.

Punjab—

Government underwrites share capital upto 20 per cent of the paid-up capital of new companies.

Rajasthan—

Government guarantees loans negotiated by large and medium scale industries from various financial institutions. State Financial Corporation also provides financial assistance.

Himachal Pradesh—

Loans upto 60 per cent of total capital investment may be advanced by Government. In more deserving cases this limit will be raised to 85 per cent.

Kerala—

Government provides guarantee for raising credit from financial institutions.

D. ELECTRICITY TARIFF

Maharashtra—

The State Electricity Board offers rebate for all new industries in the under-developed areas having a load of more than 200 KW so as to bring its tariff on par with Tatas' tariff in Bombay.

Bihar—

Power supplied on no-profit no-loss basis to electro-chemical and electro-metallurgical industries.

Haryana—

Special concession will be offered to power based industries and to encourage self-generation of power. No State duty would be levied on new generating capacity

for next 5 years and suitable subsidy will also be granted on capital cost of generating equipment at the focal points.

Mysore—

For new industries, a rebate of 5 per cent, 3 per cent and 2 per cent respectively in the first, second and third year of commencement of commercial production allowed on the total power bill. Special rates will be given to power based industries.

Orissa—

A rebate of 12½ per cent on the power bill will be granted to all new industries and for expansion of existing units involving a capital investment upto Rs 25 lakhs for five years.

Andhra Pradesh—

Subsidy to the extent of 10 per cent for medium and large scale industries and 12 per cent for small-scale industries is granted.

Assam—

A limited scheme of power subsidy for small industries is in existence.

Madhya Pradesh

Power costs of a large variety of small and medium industries commencing production in Fourth Plan will be subsidised for a period of 5 years. Cases for concessional tariff to units with a power demand of over 4000 KW will be considered on merit.

Punjab—

In 'Focal points' specially selected for industrial development, no electricity duty will be charged from new units and expanding units on additional power consumed after expansion for 5 years. For power based industries at 25 per cent subsidy on the prescribed rates will be granted for 5 years. Self-generation will also be encouraged. Interest-free loan for the purchase of generating sets.

Rajasthan—

Electro-chemical and electro-thermal industries are exempted from payment of electricity duty while other industries have to pay a nominal rate of 1 paise per unit. Some specific concessions are also there for new industries and expansion of existing industries in electricity duty.

Gujrat—

No duty on power consumed for 5-10 years.

Himachal Pradesh—

Cheap electricity will be made available to industries.

Kerala—

For power intensive industries and for industries in the underdeveloped regions, Government will consider granting a suitable rebate in electricity duty.

E. WATER SUPPLY

Maharashtra—

Industries which lift water from public water sources and are required to pay royalties for the same will be exempted from payment of such royalty.

Bihar—

Water will be supplied on no-profit-no loss basis wherever industries lift water from Government sources.

Mysore—

For water drawn direct from a river or nala, the rate chargeable is Rs 350 per M.Cft. and for water drawn from an irrigation reservoir or channel the rate chargeable is Rs 700 per M. Cft.

Orissa—

Where water is required by industries from Public Health Department of the State Government it will supply water to industries, on no-profit, no-loss basis.

Andhra Pradesh—

Exemption from payment of water rate on water drawn from sources not maintained at the cost of Government or any Local body.

Madhya Pradesh—

When an industrial unit established during fourth plan makes its own arrangements for pumping and supply of water no charge will be levied on water consumed. Reasonable charges will be levied when water is drawn from Government Schemes.

Rajasthan —

Concessional water rates are charged to the industries which draw water from Government irrigation projects. The rates charged are 25 paise per 1,000 cft. for industrial purposes and 20 paise per 1,000 cft. for drinking purposes.

Gujrat—

Concessional rates are charged for water drawn from notified rivers.

F. PREFERENTIAL TREATMENT IN GOVERNMENT PURCHASES

Maharashtra—

Thirty three percent of Government purchases are reserved for new industries through Central stores Purchasing Organisation at the lowest tendered price in the open competitive tender.

Bihar—

In all State purchases, preference will be given to products of industries located in Bihar.

Haryana—

Additional marginal price preference of 2½ per cent will be allowed in the purchase of products of industries set up in 'growth points' over industries in other areas of the state.

Mysore—

Thirty three per cent of State purchases are reserved for new industries through Stores Purchase Department at the lowest price tendered in the open market.

Orisa—

Price preference up to 15 per cent is allowed for many products of small-scale industries in the State.

Assam—

Price reference up to 15 per cent is allowed for the products of local small-scale and cottage industries and up to maximum of 5 per cent for 5 years in the case of local large and medium industries.

Punjab—

Price preference of 15 per cent for small industries and 5 per cent for large industries is allowed. For industries in "focal points" an additional price preference of 2½ per cent for a period of 10 years is allowed in both the cases.

Rajasthan—

Small-scale and cottage industries are entitled to a price preference of 15 per cent over large and medium industries while local large and medium industries are allowed a price preference of 5 per cent over products of such industries situated outside the State.

Himachal Pradesh—

All Government purchases are made from the local industries and the purchases are made from outside only when these units are unable to meet these requirements.

G. OTHER FACILITIES

Most of the State Governments have liaison machinery in New Delhi to support the applications for licensing of industrial units within their respective States and to render other services that may be necessary. Many State Governments also contribute towards cost of feasibility study and provide assistance for technical training facilities.