FICCI's 12 POINT MANUFACTURING MANDATE:

कारखाना लगाओ, रोज़गार बढ़ाओ

Targets 10% Manufacturing Growth in the Long Run

Focus on Pro-active Labour Policies To Help Manufacturing Provide 67 Million jobs by 2025

Formulate and Prioritize Workers' Housing Policy at National & State Level

Seeks Changes in Land Policies of State Governments for Manufacturing Growth

Leverage Infrastructure and Government Procurement to Stimulate Demand for Manufacturing

29 August 2013, New Delhi: Concerned over the slowdown in growth and employment in manufacturing, **Ms Naina Lal Kidwai, President, FICCI** today unveiled its twelve point 'Manufacturing Mandate' with a focus on job creation and skill development. Ms Kidwai appealed to the Government that the magnitude of the task ahead of us is enormous and we need to prioritise policies and measures which would ensure that manufacturing rebounds and creates jobs for the millions who are going to join the labour force in the next ten to fifteen years.

FICCI's Twelve Point Manufacturing Mandate suggests a 10% manufacturing growth on a long term basis with a potential to create 67 million jobs in manufacturing directly, provided some pro-active labour market policies are implemented as suggested in the mandate. With 10% manufacturing growth, we can achieve a size of $950 billion by 2025 from the current size of $ 250 billion for our manufacturing sector and take the total employment in manufacturing to 115 million during the period. While, this remains short of the targeted additional employment of 100 million by 2025 as per the National Manufacturing Policy this would be more realistic given the current economic scenario, noted Ms Kidwai.

Since manufacturing has to bear a major proportion of job creation in times to come it is important that an enabling policy framework for attracting skilled, semi-skilled or unskilled workers in the sector is provided. The Mandate suggests twelve broad areas with specific measures for the short and long term, to stimulate growth and job creation in manufacturing on a sustainable basis. These twelve areas are:

<u>Agenda Item 1</u>- Macro Economic Environment and Measures:

a) Macro -economic policies like exchange rate, monetary policy, skill development and science and technology policies should be inextricably linked to the goals and objectives of the manufacturing policy and plan

b) Easing of monetary policy required to boost investments- deeper cuts in Repo rates or cut in CRR

c) Bring down subsidies and prune non-productive government expenditure

d) Bring stability in the rupee exchange rate and aid exports which benefit from the declining rupee while looking at ways to reduce imports.

<u>Agenda Item 2</u>- Taxation:

a) Use the gap between bound and actual tariffs for hiking custom duties in case of those sectors which have decelerated in the last one year at least.

b) Threshold for investment allowance needs to be reduced from Rs. 100 crores to Rs. 10 crores to encourage investments by smaller investors also in manufacturing.

c) Recommendations of the Rangachary Committee regarding safe harbor rules for reducing transfer pricing litigation needs to be fully accepted.

d) Expedite taxation dispute resolution in a fair and transparent manner.

e) Avoid retrospective amendments in law. Retrospective amendments should be made in rarest of rare cases as suggested in the Shome Committee report.

<u>Agenda Item 3</u>- Labour Policies and Workers' Housing

a) Need for a Workers' Housing policy either at the Centre or State for the manufacturing sector. The following is being suggested:

I. The biggest impediment in providing affordable housing is availability of land in the vicinity of industrial areas and that too at a reasonable and affordable price. For this-
- ✓ Compulsory allocation of at least 20% land (of industrial belt) in or around a industrial area/industrial estate for low cost housing
- ✓ Deferred/long term payment plan towards cost of land in case the land is allotted by government or its representative agency.
- ✓ In case land is purchased directly by the project proponent, then fast track change of land use to housing.
- ✓ The land registration charges for affordable housing to be 20% of the charges as levied in other cases.

II. Within NIMZ certain minimum areas to be earmarked for workers/LIG housing.

III. Fast track pollution clearances and building approvals for such low cost housing.

IV. Appropriate PPP model and Viability Gap Funding could be considered both at centre and state level to implement these schemes.

b) On labour laws, the FICCI Manufacturing Mandate suggests specific amendments in the Factories Act, Contract Labour Act and Industrial Disputes Act to align them with the international best practices and ensure faster employment generation.

<u>Agenda Item 4</u>- Feedstock, Raw materials & Electricity for Manufacturing

a) Delays in coal linkages are resulting in cancellation or revocation of other clearances which are time bound (like ground water clearance, environmental clearance etc) for the projects. Need to bring in private participation in the coal sector; Restructuring of Coal India Limited including greater autonomy to CIL's subsidiaries.

b) Grant mining lease for the entire duration for which the mine can be operated for according to the mining plan and Forest clearance should be coterminous with the mining lease so that project proponent does not have to pay Net Present Value again on renewal of leases.

c) Some of the draft legislations/policies propose to make acquisition of land in Schedule Areas only as a last resort where most of the minerals required by manufacturing sector fall.

d) States should permit an Open Access Policy for power purchase both inter-state and intra-state using State grid network through third party sale and by paying necessary wheeling and cross-subsidy charges.

e) States should not create impediments for industrial units and enterprises to avail facility of purchase of power through power exchanges.

<u>Agenda Item -5:</u> Land for manufacturing

a) The system of land allotment should be made totally transparent and e-based

b) States need to increase the Floor Area Ratio for optimal utilization of existing industrial land. The Centre can seek such higher Floor Area Ratio at least in their centrally sponsored/supported parks and clusters.

c) Ensure smooth land conversion process and time bound land use change notifications

d) Provide time bound permission for purchase of land

e) Follow a transparent land pricing mechanism - An independent body can design pricing mechanisms and evaluate land value as is the case currently in a few States.

f) The Centre should pass directives for building flatted factories over existing industrial estates. Post directives from the Centre, the State should take up infrastructural and administrative responsibilities to build such flatted factories along with the provisions for basic resources such as water and electricity.

g) The Land Bill in its current form needs a relook

Agenda Item -6: Industrial Corridors and Clusters

a) Lift the moratorium on consideration of new/expansion projects for environmental clearance in critically polluted areas/industrial clusters identified by CPCB- MoEF, with no increase in pollution load.

b) Accelerate the development of Amritsar-Delhi-Kolkata Industrial corridor, Chennai-Bengaluru Industrial Corridor, the Bengaluru-Mumbai Industrial Corridor and Delhi-Mumbai Industrial Corridor which can be the game changer in terms of stimulating economic activity in the country.

c) State Governments should consider upgrading of existing industrial clusters into NIMZs.

Agenda Item -7: Ease of Doing Business

a) Institutionalize a Regulatory Impact Analysis system to assess the quality and utility of any legislation over time. Cabinet Committee on Investments would be well placed to institutionalise Regulatory Impact Analysis system for assessing the existing business related legislations for legal and economic justification.

b) Single window clearance system both at the centre and State should be backed by a law/Act to make it effective with in-built provisions for time bound and deemed clearances.

Agenda Item -8: Infrastructure

a) To attract adequate private investments in the infrastructure sector, follow ‘Annuity Model’ where private investors recover their cost in a series of semi-annual payments from the Government over the concession period.

Agenda Item 9- Free Trade Agreements & International trade

a) Review the existing FTAs and till the time assessment is done Government should have a moratorium on further FTAs. India today is second in Asia in terms of its engagement in FTAs after Singapore. India currently has a total of 34 FTAs with 13 in effect.

b) Strengthen the domestic regulatory regime by upgrading existing regulations or creating new technical regulations, standards and ensuring conformity of imports to assessment procedures.

Agenda Item 10- MSME

a) Increase the limit of Government of India's scheme of Credit Guarantee Fund for collateral free loans to Rs five crore from the existing Rs one crore.

b) Once MSMEs graduate to larger size, it could continue to receive priority sector lending and other benefits for at least three years to ensure seamless growth and transition. This could be considered for a period of next five years to stimulate manufacturing activity.

Agenda Item 11- Stimulating Demand

a) Fast track implementation of delayed projects through CCI to create demand for manufacturing and add 1 per cent to GDP of the country.

b) Moratorium on loan repayment for delayed projects due to pending clearances which are being considered by Cabinet Committee on Investments.

c) Simultaneous financial closures of multiple projects.

d) Bulk tendering.

e) Preferential market for domestic manufacturers in Government Procurement should be adequately leveraged.

f) The current Government Procurement policy of the MSME Ministry provides for mandatory sourcing of minimum 20% by Government departments from both manufacturing and services MSMEs. This should be changed to mandatory sourcing of at least 20% for MSME in manufacturing in addition to sourcing from service sector MSME.

Agenda Item 12- Skill Development

a) Bring back NSDC affiliated private skill development institutions in the negative list of service tax.

b) Central Board of Direct Taxes (CBDT) has announced guidelines for weighted deduction benefits for skill development. However, following are the suggestions with regard to these guidelines from manufacturing perspective:

- Include corporates that are conducting in house training in facilities that are not approved by NCVT (National Council for Vocational Training) or SCVT (State Council for Vocational Training) under the guidelines.
- Include stand alone skill development providers under the guidelines
- Include NSDC training partners, SSC certified institute and any private institutions conducting training for the sector not certified by the NCVT or SCVT for the benefit.
- Include up-skilling activities of manufacturing sector as eligible for benefit under the guideline.

Detail FICCI Manufacturing Mandate:
http://ficci.com/SEDocument/20256/FINAL-AGENDA-26-AUG.pdf

FICCI Media Division