

**MEETING WITH SHRI NIRUPAM SEN,
HON'BLE MINISTER OF INDUSTRY & COMMERCE,
WEST BENGAL**

Ref. No. CCC-5G/05

June 22, 2005

Respected Sir,

West Bengal is going through a steady process of industrial resurgence. An objective assessment will attribute this economic buoyancy largely to the changed investor perception, which has been brought about by a stable political and social environment, backed by strong political will. Along with this stable socio-political environment, strategic location, easy availability of skilled labour and crucial inputs, are advantages that the state offers and are drivers for the steady industrial growth and rising per capita income that the state is now seeing.

According to a Current Investment-Friendliness Index (CIFI), which shows the rankings of the states according to their current investment climates, West Bengal ranks 6th among the 12 states taken into consideration. Maharashtra ranks 1st in the CIFI, followed by Karnataka, Tamil Nadu, Gujarat, and Andhra Pradesh. West Bengal is above Orissa, Chhattisgarh, Jharkhand, Sikkim, Assam and Bihar. The survey has identified IT & ITeS (1), Agri-Business & Food Processing, Retail, Housing & Real Estate, Iron & Steel, and Private Healthcare as the top 6 sectors with bright future prospects in the state. The attractiveness of Kolkata as a business destination is growing significantly.

Sir, though the state's industrial scenario has improved significantly during the last few years, it is evident that to become a leading, progressive, reform-oriented and high-growth state, West Bengal has some catching up to do.

Infrastructure

Among the constraints limiting growth in the state, infrastructure has been identified as the most serious one. Non-availability of adequate and proper infrastructure facilities makes it difficult for entrepreneurs to set up new units. The network of roads in the State, particularly, those leading to the Industrial Estates are not in very good shape, nor is the traffic management in the City. Most of the industrial estates have degenerated into industrial slums due to improper upkeep.

New industrial estates also need to be set up in potential areas but they should be equipped with the required infrastructure.

Incentives

In order to promote growth of industries, the various incentive Schemes of the State such as i) State capital investment subsidy, ii) Interest subsidy, iii) Waiver of electricity duty, iv) Employment generation subsidy, v) Remission of stamp duty and registration fees, vi) Special incentives for mega projects (with investment over Rs. 250 crore) etc should be made available to the units in an expeditious and

time bound manner which are due to large number of Applicants for a long time. It may kindly be noted that while disbursing funds to the Units, the banks consider funds available against incentives as also a part of the total funds available and non-availability of funds against incentives within a stipulated time causes serious difficulties.

Further, the processing of applications for incentives should also be made time bound to avoid unnecessary delay.

Power

Adequate power supply is a must for proper functioning of an industrial unit and a shortage of it affects capacity utilisation and adhering to time schedules for production and marketing. Power is the most important constraint and unfortunately there is little in the power policy initiatives that makes possible solution for setting up of new units. The Government may emphasize on creating Industrial Parks where the units can get immediate connection and such Parks should have provisions for bulk supply as may be required by the Units. Such facilities are available in plenty in some States.

Moreover, the electricity duty is exceptionally high which inhibits the growth of industries in the State. With the promulgation of the West Bengal Electricity Duty (Amendment) Ordinance, 2004, the electricity duty on industry is sought to be increased from 7.5% to 15%. This will compel the industrial sector to pay disproportionately higher electricity duty. The exemptions given for co-generation etc have also been withdrawn. The Ordinance needs reconsideration.

Today, the tariff for industrial consumers is absurdly high. The West Bengal Amendment Bill 2003, is contrary to the State Government's objective to attract investments to the State because high power tariff is one of the very important deterrent factors for industrial growth. Our state can ill afford such a negative impact on industrial growth and consequent creation of job opportunities.

Taxes

Ironically, at a juncture when the Industry is not doing well, it is being further subjected to certain extraordinary demands and unjustifiable taxes. Of late there has been a propensity for Municipal Authorities in various industrial areas of the State to raise exorbitant demand for property tax on land and buildings. Several units have reported such demands. The highly punitive nature of these demands are today causes for grave concern for industry. Section 96 of the West Bengal Municipal Act, 1993 does not fix a specific rate for property tax. All it mentions is that the tax shall not exceed 30 per cent of the annual value of the holding. Excessive tax will make commercial units unviable and investment by prospective investors unattractive.

Development of Urban Areas

The City of Kolkata needs to be developed. The West Bengal Government is still continuing the Urban Land Ceiling & Regulation Act. The Act has now out lived its purpose. Now, sick and closed units have large areas of lands blocked, which can be beneficially utilised for fresh Industrial / Commercial purposes. In a State like West Bengal where the supply of land is not abundant, this Act is more a constraint.

The large quantum of lands available under Urban Land Ceiling / Thika Tenancy Acts may be developed under private initiatives as it is proposed in Mumbai. The slum dwellers may be temporarily rehabilitated and after the completion of the prescribed development works, they may be allowed to reside in the residual part

of the area only after payment of stipulated amount as cost of the said activity. This, in turn, will bring revenue to the State.

Pollution Control Act

Owing to pollution control act, the industrial units located in critically polluted areas have to stop their operation and are directed to relocate in other industrial

areas. These industries now face an imminent threat of closure. Since, no capacity enhancement is being allowed and fear of shifting is looming large, mechanization and modernization process has been stopped completely by these industries. Consequently, the industries are becoming in competitive and are bound to down their shutters in near future instead of shifting to new location due to lack of adequate finance for setting up new and modernized units. Moreover the workers of the units are reluctant to shift in new areas.

It is suggested that the government may consider formulating a restructuring policy thereby allowing these units to restructure and use their surplus land for other purposes and giving flexibility to them to shift their labour to other newer location or allow merger of these industries with the life saving units. This would save the polluting industries from extinction, as well as their potential entrepreneurs and labours.

Small and Medium Industries and Labour Problems

Even after enactment of quite a good numbers of labour policies in West Bengal, strikes, gheraos, threat to lives and go-slow in production are very much integral part of the old existing SMEs in West Bengal. Although, these SMEs still contribute about 40% of total industrial production and about 90% of total employment in India.

We feel this is the main reason of decline of total employment in West Bengal from 1980 to 2003 i.e. from 875153 persons to 873497 persons.

Other Impediments

- i) To facilitate the new units to work speedily, the procedures of converting Industrial Land into Commercial Land should be made hassles free and time bound.
- ii) Whenever any construction starts, whether within Kolkata or outside Kolkata, whether Commercial or Industrial, the local people backed by various political parties create various types of problems such as, the construction materials are to be routed through them or insist on employment of the local residents irrespective of the fact whether they are physically fit and/ or are skilled to undertake the specific jobs required for such Units.

Though the State Government is industry-friendly, and has a positive attitude, there is a need to speed up the implementation process of the industrial policies, programmes and projects. Bureaucratic hurdles have to be curtailed to enable companies to increase their productivity and efficiency. Minimum time should be taken for procuring road permits, SSI renewals, pollution renewals, etc. More and more core industries like Automobiles and Electronics should be encouraged to set up their units in the state, so that ancillary and downstream units can also come up. This will create a large number of new jobs in the state.

A more attractive package of industrial/fiscal incentives should be given to new investors. There is an urgent need to improve physical infrastructure in the state.

Geographically and locationally, West Bengal offers unique advantages to entrepreneurs. West Bengal is the gateway to the Eastern and North-Eastern region of India. And its hinterland is the nation itself. Considering the locational advantages, the Ministry of Commerce & Industry of West Bengal in collaboration with their counterparts in the Eastern and North Eastern Region can hold **Seminars / Workshops** at regular intervals involving the entrepreneurs of the region. This would open up a new vista in furthering flow of funds for investment as well as provide the necessary base for accelerated industrial development in the State.

The Chamber further recommends that **a Committee** comprising major Chambers of Commerce in West Bengal may be set up by the Ministry of Commerce & Industry of West Bengal along with

the concerned departments and other organizations. The Ministry may hold consultations with this Committee for smooth and fast implementation of the Incentive Schemes in the State. The Committee could form a Forum where problems of industries regarding infrastructure, labour laws, taxation etc, could be discussed for possible solutions.

Sir, we are hopeful that the Government of West Bengal would be able to take some bold industry-friendly steps which would alleviate the above impediments and imbibe a climate of smooth sailing for industries, which, in turn, would automatically increase the growth of industries in West Bengal.

Thank you very much.

Yours faithfully,

Pradeep Sancheti
President

Shri Nirupam Sen
Hon,ble Minister of Commerce & Industries
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Respected Sir,

I must thank you for the opportunity given to the Chamber to discuss with you various problems faced by industries in West Bengal. You had given a patient hearing and assured that the issues raised will be given valued consideration.

I would like to add the following points, which were discussed in the Meeting held on 22nd June, 2005 with your goodself.

i) *Facilitation Centre*

The Ministry of Commerce & Industries, Govt. of West Bengal, may set up Facilitation Centre to monitor all the provisions required for the promotion and development of industries in West Bengal and the Facilitation Centre should include representatives of Chambers of Commerce as permanent members. The Ministry may hold consultations with this Centre for smooth and fast implementation of the Incentive and other Schemes in the State. There could be a Forum, where problems of industries regarding infrastructure, labour laws, taxation etc, could be discussed for possible solutions.

ii) *Development of Urban Areas*

The City of Kolkata needs to be developed. The Government of West Bengal is still continuing the Urban Land Ceiling & Regulation Act. The Act has now out lived its purpose. Now, sick and closed units have large areas of lands blocked, which can be beneficially utilised for fresh Industrial / Commercial purposes. In a State like West Bengal where the supply of land is not abundant, this Act is more a constraint.

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iii) *Incubation Centre*

The Ministry of Industry and Commerce, Govt. of West Bengal, may recommend for establishing and empowering 'Incubation Centre' in Calcutta Chamber of Commerce enabling it to offer all sorts of services to the non-resident entrepreneurs who will be investing in the State. This will be single window facility where these industries will receive comprehensive range of services. The major activities will include dissemination of information, be it on policy matters, financial, fiscal, marketing, technology or infrastructure. The detailed proposal may be submitted if the Ministry so intends.

I shall be obliged if you kindly look into these vital issues and take necessary action.

Thanking you,

Yours faithfully,

PRADEEP SANCHETI

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