

MINUTES OF THE SUB-GROUP MEETINGS
HELD BY THE NMCC

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01. First Meeting of the Sub-group on Leather & Leather Goods Sector held on 25.01.2005

1. Dr. Amit Mitra, Secretary General, FICCI made a presentation on The Indian Leather Industry highlighting the growth strategies for increased competitiveness and bringing out the Opportunities/Potential of India vis-à-vis China. Over the last five years, India's share of leather exports has remained around 2.3 percent while countries like China and Brazil are averaging around 18 percent and 3 percent respectively. Dr. Mitra suggested that development of production systems to meet challenges of quality, efficiency, logistics, pollution etc. over the entire value chain; building market intelligence and range of products; emphasizing on managerial aspects; moving to higher return generating productions; production of standardized products; right-sizing of leather sector; mechanizing processes in the 2nd stage of production and technology upgradation/application are some of the key strategies for increased competitiveness. He also suggested in promoting clusters. He also pleaded for the release of Rs.400 crore Integrated Leather Development Programme as envisaged in the 10th FYP.

2. Chairman, NMCC expressed that the Common Minimum Programme of the Government had laid emphasis on the need for sustained growth in GDP of 7-8 percent per annum, which cannot be possible unless consistent double digit industrial growth is ensured. While contribution of Industry to GDP has remained stagnant at 26-27%, more importantly, the contribution of manufacturing has remained constant at around 17% of GDP over the last 15 years.

3. Secretary, DIPP informed the group that out of the Rs.400 crores Leather sector development fund earmarked for the Tenth Five Year Plan, Rs.290 crores for modernization and technology upgradation is expected to be cleared soon and Rs.110 crores worth projects are currently under implementation.

4. Mr. O.K. Kaul, President of Tata International Ltd. brought out the need for large scale investments in the range of Rs.100 - 150 cr. by industry players if scale is to be achieved. He also brought out that specific focus is needed on the livestock development.

5. Mr. M. Rafeeq Ahmad, Chairman, CLE expressed that tanning sector needs large investments. He suggested that while modernizing foot-ware and tanneries is paramount, India can concentrate on niche markets of Europe where the order quantity is small but variety is large.

6. Mr. M.M. Hashim said that major investment made since 1975-95 because of the environmental issues. He also said that 95% of the machines are being imported and only 5% are made indigenously.

7. Mr. Adarsh Gupta, Chairman, Liberty Shoes Ltd., focused on 3 sectors, viz., domestic, institution or government sector and export sector.

8. Mr. K.C. Lakhani, Chairman, Lakhani India Ltd., expressed that skilled manpower needs to be developed for ensuring the growth of the sector. He suggested that a comparative study of this sector in China and India needs to be carried out to understand China's success in leather sector.

9. Dr. R.A. Mashelkar, DG, CSIR expressed that NMCC has rightly identified this specific sector to start with, as there is a large untapped domestic demand in this sector. He stressed on the need for a paradigm shift in technology induction in this sector.

10. Dr. T. Ramasami, Director, CLRI informed the sub-group that they have drawn-up a roadmap for footwear industry. He echoed the suggestion of DG, CSIR that a footwear mission as well as a technology mission need to be created.

11. Mr. S. Audiseshiah, ED, CLE said that while plans can be drawn-up to double the export of leather & leather goods in 4 years, backward linkages in terms of storage, collection, etc. needs tackling.

12. Mr. Ravi Parthasarathy, CMD, IL&FS expressed the need for associating local industry associations in forming clusters. He explained the approach being taken by IL&FS in the work on 4 clusters identified by the Textile Ministry.

13. Mr. Anupam Dasgupa, Secretary, SSI briefed on fiscal issues that have been taken up with Finance Ministry.

14. Mr. V. Govindarajan, Member Secretary, NMCC while summing up suggested that a smaller taskforce could look into investment issues and cluster issues. It could also examine how to tackle technological and environment issues facing the sector and at the same time also suggest market development strategies.

15. The following points broadly emerged in the discussions:-

- (i) There was a need to formulate schemes whereby recovery percentage of hides and skins is improved substantially not only to meet the projected demand but also to provide incomes and gainful employment to people from disadvantaged sections in the rural areas;
- (ii) There was need to urgently implement the NLDP programme envisaged in the 10th Plan and to expand the programme with much larger investment for modernization in view of the potential available for export as well as in the domestic market. Cluster approach should be encouraged.

- (iii) Design and development needs added emphasis and for this purpose funding is necessary. Technology development needs emphasis.
- (iv) Transfer of technology, particularly those relating to environment should be adopted by the industry should be encouraged.
- (v) In order to increase focus, mission mode should be adopted for achieving the targeted increase in production for both exports and domestic market and
- (vi) The needs of Small Scale Units require further study and a meeting for this purpose would be separately called.

02. First Meeting of the Sub-group on IT Hardware Sector held on 28.01.2005.

1. Chairman, NMCC said that the Common Minimum Programme of the Government had laid emphasis on the need for sustained growth in GDP of 7-8 percent per annum, which cannot be possible unless double digit industrial growth is ensured. While today the industry is stagnating around 17 percent of the GDP, the effort must be to increase this to around 32-35 percent. IT Hardware sector is one such area identified by NMCC and the need now is to identify strategies/ actions/ steps that would not only step up the domestic demand in this sector but also make it a globally competitive sector.

2. Dr. Amit Mitra of FICCI made a presentation on the Indian IT Hardware Sector. He brought out that the global production of electronic hardware in 2003 was US \$ 1430 billion of which the share of ICT and related components was more than 80%. Current employment of 1.5 million in this sector could be stepped up to 5.5 million by 2010 if the sector receives appropriate support.

5. Mr. Gopal Srinivasan of TVS Electronics Ltd. mentioned that the estimated size of Indian market is currently Rs.20,000 cr. and this market with 3 million computer sales in 2003-04 can see increases up to 10-12 million PC sales by 2010 as per the MAIT- Ernst & Young Report. He suggested that copying the Chinese approach may be inappropriate in the Indian context and considering that Indian is strong in embedded design.

6. Mr. Ajai Chowdhry of HCL Infosystems Ltd. briefly outlined the growth & transformation of his company over the years. He suggested that while sectors like Auto, TVs, Mobile phones are witnessing local manufacturing, similar approach should be insisted upon in the IT hardware sector. In this context, the entire value chain of PC manufacture should be considered.

7. Mr. Vinnie Mehta of MAIT made a presentation on the sector and put forth the following suggestions for the consideration of the sub-group on IT Hardware:

Immediate	Short term	Medium term
Uniform 8% ED on all IT products.	Kick start hardware - attract investments from Taiwan	India standards
Uniform 4% VAT on all IT products including imports	Create Volume through strategic projects <ul style="list-style-type: none"> • Education • Health • Agriculture value chain 	Project ICs <ul style="list-style-type: none"> • Designs • Manufacturing
Reform & stabilize EHTP <ul style="list-style-type: none"> • Address 54/2004 • No CST/LST on DTA transaction 		

8. Chairman NMCC observed that software and IT hardware appear to have been dealt with as two separate entities. Secretary/IT offered to submit a paper to Chairman on the subject. Chairman also mentioned that there is a need to rework IT Policy.

9. Mr. Kiran Karnik of NASSCOM mentioned that while potential demand exists in the country, real demand needs to be clearly worked out. In this context he cautioned the price sensitivity of IT segment and suggested the lessons from cell phone industry could be useful. He was of the opinion that while fiscal measures may bring in certain relief to the industry, there has to be a clear focus on bring down prices. He expressed that our value appears to be in software and design development rather than in setting up a manufacturing plant.

10. Ms. Uma Reddy of Hitech Magnetics brought out that the labour laws and technology (skill upgradation/ training) are the cause for concern in the contribution from SSIs and suggested building incubators for SSIs.

11. Lt. Gen SS Mehta (Retd.), Principal Advisor, CII suggested that IT segment including the cyber space should be called 'info-structure'. As 95% of the future prototyping is going to be virtual, India needs to factor this into its plans for IT sector.

12. Mr. Brijesh Kumar, Secretary, IT mentioned that they have been closely working with the industry in identifying those aspects that are impeding the growth of the sector. On the issue of cyber security he

informed the sub-committee that the aspect is getting due attention by the National Security Council.

14. Mr. Anwarul Hoda, Member, Planning Commission informed the Sub-committee that the Investment Commission is considering the development of 5-6 economic regions with specific incentive packages in the country for kick starting investments in the economy.

15. The following points emerged from the discussion:-

- (i) that the IT Hardware industry had not grown at a pace commensurate with its potential and the need of the country. Therefore, it is necessary that corrective as well as promotive actions are taken expeditiously if the Industry were not to lose to import pressure;
- (ii) penetration of PCs and other IT equipment in India was very low when compared with China and South East Asian countries. However, with increase use of IT, the situation could change with appropriate policies;
- (iii) the projected demand for hardware by 2010 is about 73 billion and if the domestic industry were to capture a substantial part of it, an additional four million jobs can be created.
- (iv) the existing tax structure requires revisiting in order to eliminate anomalies and to provide level playing field for the domestic industry;
- (v) the whole gamut of policy initiatives suggested in the draft IT Hardware Policy would need to be considered and implemented expeditiously.

03. First Meeting of the Sub-group on SMEs - Financial & Venture Capital sector held on 04.02.2005

1. Dr V Krishnamurthy, Chairman, NMCC mentioned that SMEs have been playing an important role in the manufacturing sector. While a lot of emphasis has been placed on this sector over the years, a number of issues still remain unresolved. One major concern appears to be the lack of lending support to this sector by the banks. He expressed that the sub-committee should deliberate on the issues needing immediate attention.

2. Ms. Uma Reddy, Proprietor, Hightech Magnetics, Bangalore made a presentation on the SSI sector and brought out that this sector with 3.5 million SSIs and a gross output of Rs.7,42,021 crs. and 20 million employment is facing severe competition and lacks avenues for technology upgradation in addition to lack of access to adequate working capital which is given only on an incremental basis and not related to project specific requirements and suggested that a separate cell in

technical institutions be created to support SSI with R&D. Ms. Uma Reddy further expressed that SSI sector needs a level playing field and suggested that 'Delayed Payment Act' needs to be implemented soon.

3. Mr. Vivek Bharati, Advisor, FICCI expressed that the main issue is that of lack of implementation. In his presentation on reasons for sickness in SSIs, he brought out that as per a study by Ministry of SSI, shortage of working capital led to sickness in 48% of SSIs. While the banks are grappling with high levels of NPA's, he brought out that loan disbursement from SIDBI has comedown from Rs.6964 cr. as of end March 2000 to Rs.4414 cr. as of March 2004. He was of the opinion that growth in SME sector is possible only if there is a strong linkage between SME and large enterprises.

4. Mr. Anil Bharadwaj, Secretary General, FISME brought out that as per the latest Census published by Ministry of SSI, registered units are only 1.4 million and a downward trend is witnessed in the registrations. He felt that large foreign banks could be attracted to fund this sector and gave the example of USA where 4500 private equity funds are supporting the SMEs in USA.

5. Mr. V P Chopra, President, FASII felt that as the progress of extending loans under the Credit Guarantee Fund Trust for small industries is not proceeding apace, it may be made mandatory for the member banks to avail the scheme in its full perspective.

6. Mr. V Govindarajan, Member Secretary, NMCC pointed out that the aspects that need deeper examination in the sector include (a) operation in a hassle free environment (b) disbursements not being commensurate with the needs (c) improvement in direct financing from institutions like SIDBI (d) venture capital funding issues (e) request for suggestions of RBI for improving the lending.

7. Mr. Anupam Dasgupta, Secretary, Dept. of SSI & ARI pointed out the need for a clear definition of 'medium enterprises' in the Indian context. He suggested that the Banking Division must clearly bring out what it expects from SSI ministry and SSI industry.

8. Mr. Vinod Rai, Addl.Secretary, Banking while responding to various issues identified by SSI representatives assured that the insistence of the banks for collateral from SSIs while submitting BGs would be examined.

9. Chairman, NMCC expressed that without an active support of banking sector to SSI sector, contribution of manufacturing to overall GDP cannot be raised from the current level of 17 per cent. He also suggested that RBI needs to place special attention on SSI related issues with a view to providing a better operating environment.

10. Mr. G Srinivasan, CGM, RBI explained that the limit of priority sector lending of 40 per cent set for banks has been met with by most banks except for two.

11. Mr. Anupam Dasgupta, Secretary, Dept. of SSI & ARI expressed that in the last instance, 85 items were de-reserved and the question of entire de-reservation in SSI needs consideration. He suggested that this could be done either in one stroke or in 2-3 strokes. On the subject of equity participation, he was of the opinion that SSI sector is witness to partnership arrangements rather than a company arrangement and this may come in the way of encouraging equity participation from lending agencies.

The following points emerged from the discussions: -

- (i) any suggestions from Banking Deptt./ sector as to the requirements from SSI Ministry/ SSI Associations in order to enable the Banks to lend more freely to SSIs ;
- (ii) issues relating to making SIDBI more effective instrument in providing finance to SMEs (SSIs) ;
- (iii) to review the lending by banking institutions to small scale sector including the working of 'Credit Guarantee Fund Trust' ;
- (iv) issues of technology upgradation and common test centers ;
- (v) venture capital funding ;
- (vi) request for suggestions of RBI for improving the lending.

12. Chairman, NMCC suggested that a small group comprising Mr. V Govindarajan, Mr. Anupam Dasgupta and Mr. Vinod Rai could separately meet in the immediate future to discuss the issues in detail and work out a specific agenda for action.

04. First Meeting of the Sub-group on Textiles & Garments Sector held on 23.02.2005

1. Chairman, NMCC expressed that the Common Minimum Programme of the Government had laid emphasis on the need for sustained growth in GDP of 7-8 percent per annum, which is not possible unless consistent double digit industrial growth is ensured. He further stated that NMCC is examining those areas in the economy where unlocking of the potential would not only raise the contribution of the sector but also increase employment potential. One such important area is Textiles & Garments where India not only has a comparative advantage but also the potential to generate employment. He observed that while several hurdles facing this segment have been removed, Ministry of Textiles is working on bringing about further improvements.

2. Mr. Vivek Bharati, Advisor, FICCI made a presentation on 'Competitiveness of the Indian Textiles industry post MFA'. He brought out that as per the world trade data, clothing is expected to grow at 9.6%

CAGR compared to Textile growth rate of 5.8% CAGR and hence clothing could be the focus area.

3. Chairman-NMCC mentioned that there are enough indications that this sector is getting a close look by the government. What is needed is a debate on the road map for next 5 years.

4. Mr. Vikram Rao, Group Exec.President, Grasim Industries Ltd. suggested that the focus must be on what could be done in the next 6-12 months period. Further, a medium to long term plan of 5 yr. time horizon could be considered.

5. Mr. A Sakthivel, Chairman-AEPC mentioned that achieving the export target for 2010-11 is feasible. He suggested that Industry would be willing to provide employment upto 200 days in a year as against the envisaged 100 days by the government, provided flexibility in The Contract Labour Act is made possible. Other suggestions made included: increase in working hours to 60 hrs. a week from existing 48 hrs.; amendment to The Factories Act (1948) to allow flexibility of working hours as well as night working for women; clear exit policy/ route for entrepreneurs; grant of Income Tax benefits that enable 50% tax deduction in respect of profits from export of apparels ; mandatory working of customs clearance cells for 24x7x365 ; initiation of discussions with US and the EU on 'Zero-for-Zero' tariff liberalization limited to textiles & clothing sector ; ensuring that the level for 'graduation' is set at 15% to ensure that Indian exports remain eligible for GSP benefits for atleast next 2-3 years.

6. Mr. Rajendra J. Hinduja, Executive Director, Gokaldas Exports (P) Ltd., suggested that three aspects that need immediate attention include, (a) Focus on Man Made Fibers (MMF), (b) Flexible labour laws which allow enhanced working hours, enhanced over time, etc. and (c) extending tax holiday in EOU till 2015.

7. Mr. Vikram Rao, Grasim Industries Ltd. brought out the need for taking appropriate action consequent upon Sri Lanka and Bangladesh having successfully negotiated duty free access to the US markets in the post Tsunami scenario.

8. Mr. Naishad Parikh, Group Director, Arvind Mills Ltd., emphasized that there is an urgent need to focus on bilateral trade in the back drop of duty free access of US markets to Sri Lanka and Bangladesh.

9. Mr. VK Ladia, Chairman, Indian Cotton Mills Federation (ICMF) suggested that the sector has to be made more attractive if investments are to flow and towards this, there is a need for ensuring a stable 5 year fiscal policy for the sector which does not allow frequent changes.

10. Mr. Mukul Kasliwal, Member-NMCC brought out that an integrated approach on the part of various players in the sector including the government is necessary if growth aspirations are to be met with.

11. Mr. DL Sharma, President & Executive Director, Vardhman Spinning Mills Ltd., mentioned that the technology levels in this sector have remained subdued due to various reasons. To tap the emerging opportunities, he suggested that import of plant & machinery be allowed at zero duty for a certain period.

12. Mr. O.P. Lohia, MD, INDORAMA Synthetics, mentioned that India with a per capita consumption of textile fibre at 3 kg compared to the world average of 6 kg itself provides evidence of further growth potential in this sector. He was of the opinion that accent should not be only on exports, as the domestic market segment needs equal attention. Chairman-NMCC brought to the attention of all members that the mandate of NMCC is to look at improving the competitiveness of the sector covering both domestic as well as export.

13. Mr. Anees Noorani, MD & Vice Chairman, Zodiac Clothing Co. Ltd. brought out that the duty draw back in January 05 was reduced by half when the recommendation made by the industry was to double the same.

14. Mr. Bibek Debroy, Member-NMCC suggested the need for bring out more clarity on specific issues, especially those related to labour laws and employment and need to recognize that discretionary fiscal concessions are out. On the issue of employment figures related to organized and un-organised segments in Textiles & Garments, he expressed the need for bring out better clarity.

15. Mr. R Poornalingam, Secretary, Textiles observed that the Ministry along with the industry & related associations is confident of seeing the increase in contribution of textiles & garments to GDP raise from the current level of 4% to 8%. Further, he felt that the targets for growth of the sector from current \$ 35 billion to \$ 85 billion by 2010 comprising exports growth from \$ 13 billion to \$ 50 billion and domestic growth from \$ 22 billion to \$ 35 billion should be feasible in the context of various measures under way.

16. Dr. Ashok Sahu, Labour & Employment Advisor, Ministry of Labour & Employment, mentioned that a cabinet note is being made ready on the subject of modifications to Section 51-66 related to employment of women between 7 p.m and 6 a.m as per The Factories Act, 1948. He also was of the opinion that the Chapter V-B of ID Act, 1947 as well as Section 10 of The Contract Labour (Regulation & Abolition) Act, 1970 need a relook. He suggested that government could consider forming a 'Group of Ministers' (GOM) so that clearance of requisite recommendations on various labour related issues could be speeded up.

17. Mr. Vivek Bharati, Advisor, FICCI suggested that Textiles & Garments sector could be treated like IT outsourcing as conceptually they deal with manufacturing outsourcing.

18. Mr. K T Chacko, DGFT observed that the trade related issues raised by the members are getting due attention and that they are working on a proposal aimed at bringing down the high incidence of transaction costs (import-export documentation related).

19. Dr. Shiv Kumar, Member-NAC mentioned about the note put up by NMCC to NAC identifying the areas that are going to be examined in detail, particularly with reference to building competitiveness and generating employment. He expressed that there is a need to closely study the profile of 35 million employed today (as mentioned in FICCI presentation) and compare the same after adding 12 million by 2010 with a view to understand the impact on other segments like Handloom , etc.

20. Mrs. Gauri Kumar, Director General, National Institute of Fashion Technology observed that education & training form an important part of any long term agenda for the sector's growth.

21. Chairman, NMCC observed that the industry has to invest adequately in building India Brands. He also suggested whether a new mechanism like forming a "Mission" could be considered.

22. Mr. Naishad Parikh, Group Director, Arvind Mills Ltd., observed that co-existence of three models, viz. DTA, EOU and SEZ may not be in the interest of Textiles & Garments sector. He felt that considering the CD advantage, it would be advisable to be in an EOU rather than in a DTA.

23. In conclusion, Chairman-NMCC reiterated the need to think big in textile & garment sector as this is a clear focus area of the government. He assured the industry and associations, full support of NMCC in realizing the road map for textiles & garments sector.

24. The following points broadly emerged in the discussions:-

- (i) Considering the potential that the sector offers, industry must think in terms of achieving a break-through rate of growth and come out with suggestions on what needs to be done by the government, the industry and the associations.
- (ii) There is a need for creating a level playing field between cotton and synthetics. Fiscal rationalization is necessary to place both cotton and polyester on the same footing.
- (iii) Labour law reforms including increase in working hours; modifications to Section 51-66 of The Factories Act, 1948 related to employment of women between 7 p.m and 6 a.m as per; re-look Chapter V-B of ID Act, 1947 as well as Section 10 of The Contract Labour (Regulation & Abolition) Act, 1970; amendment to The Factories Act (1948) to allow flexibility of working hours; clear exit policy/ route for entrepreneurs; grant of Income Tax benefits that enable 50% tax deduction in respect of profits from export of apparels ; mandatory

working of customs clearance cells round the clock for 365 days a year; abolition of textile committee cess are some measures essential to realize future growth potential in this sector.

- (iv) Any unit exporting 90% or more should be given same treatment as that of a unit in EOU/ SEZ. Further, exporters to be allowed the EXIM Scrip route in lieu of all industry drawback.
- (v) Import of plant & machinery be allowed at zero duty for a certain period.
- (vi) To meet the growing skill & manpower needs of the textile & garment sector, it is necessary that ITI's are enabled to include textile related training also. Necessary upgrading of skills at higher levels including additional seats, at engineering college level should be taken up.
- (vii) To enable quicker clearance of requisite recommendations various issues, it was felt that government should consider creating quicker decision making mechanisms including, if necessary, forming a 'Group of Ministers' (GoM) for specific purpose.
- (viii) Consequent upon Sri Lanka and Bangladesh having successfully negotiated duty free access to the US markets in the post Tsunami scenario, there is an urgent need to focus on bilateral trade with US.

05. First Meeting of the Sub-group on Food Processing Industries held on 25.02.2005

1. Mr. V Govindarajan, Member Secretary, briefed them on the approach being taken by the NMCC in working on a two pronged approach of drawing up a long term strategy paper on manufacturing sector as well as examination of 10 identified sectors where immediate actions could result in unlocking of potential. This approach was based on the discussions at the First Meeting of the NMCC held on 6th January, 2005 and the advice of Hon'ble Prime Minister to the NMCC at a meeting with him later that day. He said that Food Processing has been identified as one of the sectors that have a high potential for growth as well as employment and, therefore, the NMCC has taken it up for study for further action.

2. Mr. P Murari, Adviser to President, FICCI made a presentation on 'Food Processing' and expressed that there is an immediate need to resurrect the dormant food processing industry in the country as it has a multiplier effect on income generation, employment, etc. In his presentation, he brought out that processed food accounts for 50% of

global food & agri exports of US \$ 442 billion and India's export of processed foods account for only US \$ 5 billion. He felt that 'Farm to Fork concept' covering both safety and quality aspects needs to be adopted in the country.

3. Mr. Arun Kumar, Jt. Secretary, Ministry of Food Processing Industries made a presentation outlining the genesis of FPI and felt that lack of focus over the years was the result of the subject being dealt as a ministry at times and as a department at other times. While the estimated total food market in 2003-04 stood at Rs.8,60,000 crs., wastages account for nearly Rs. 50,000 crs. In terms of Food processing growth, while agriculture & livestock recorded a CAGR of 3.7% between 93-94 and 2000-01, the manufacturing of food & beverages accounted for a CAGR of 7.1%.

4. Dr. D P Singh, Secretary, Ministry of Food Processing Industries expressed that FPI sector is characterized by a number of SSI units where economy of scale & standards have suffered. He mentioned that the 'Food Park Scheme' is under review in the Ministry & till date 47 parks have been sanctioned. He felt that there is a need for 'Mega Parks' with 1000 acres rather than the existing scheme with 30-50 acres and the issue is being taken up with Planning Commission.

5. Mr. Rajiv Dhar, Director, Indian Institute of Packing made a presentation highlighting the packaging industry status and its importance in the food processing which he felt cannot exist without the right kind of packaging.

6. Mr. AJ Tharakan, President, Seafood Exporters Association of India expressed that given the right kind of infrastructure support, the current fisheries export of Rs.7,000 cr. can be boosted multifold. He felt that India is lacking scale in comparison to countries like China, Vietnam, etc. and one of the requirements for reaching a global scale is the presence of a strong domestic sector. He felt that while the idea of 'Food Parks' is good, export oriented units will suffer unless flexibility is shown in allowing them to sell more in the domestic tariff market. He brought out the need for a 'Cold Chain' and expressed that due to lack of relevant equipment manufacture capability in the country, imports of low temperature equipment have to be resorted to which attracts import duties of nearly 40%.

7. Mr. Abhiram Seth (PEPSI), representing CII, expressed that plantation crops are a time consuming process and felt that there is a need to create a reservoir of back feed of material which can aid in growing the right kind of plantations needed by the processing industry.

8. Ms. Isher J. Ahluwalia, Member-NMCC opined that there is a need for a focused thought on FPI, given the urbanization and increasing

awareness of Indian food processing sector and a good demand growth in domestic consumption.

9. Mr. S.N. Menon, Secretary, Commerce mentioned that the Bill on SEZ looks at multi-product zones and explained the principle of operation in a SEZ. He expressed that agreements in Agriculture sector would need to be finalized by 2007 in line with WTO, after which the sector will have a 10 year implementation period when necessary regulatory & competitive environment would need to be established. Thereafter, no protection would be available for the sector.

10. Mr. L Mansingh, Secretary, Deptt. of Consumer Affairs expressed that while supply chain management is beset with a number of issues, it has to be market driven. The Ministry is examining the need for dismantling of 'Essential Commodities Act'. At the same time, while Cabinet approval has been received for revamping the 'Weights & Measures Act', necessary Bill on the subject is under preparation. APMC draft model act prepared by the government is under discussion with various states.

11. Mr. PN Kaul, Vice President, AIFPA expressed that adequate market exists for food processing and large corporates would need to overcome their reluctance and come up with large investments in the sector.

12. Mr. P M A Hakeem, Secretary, Animal Husbandry & Dairying felt that one area that has not been tapped to its full potential is the 'Dairying Sector', where exports are limited to only Rs.100-150 crores p.a.

13. Mr. P K Hota, Secretary, Health and Family Welfare assured the industry players and associations, that his Ministry would be providing the needed support. He however, agreed that there is a need to improve on the 'Inspection' methodologies being currently adopted.

14. Dr. DP Singh, Secretary, Ministry of Food Processing Industries expressed that CFTRI requires to become more industry friendly.

15. In conclusion, Chairman, NMCC observed that the sector is highly fragmented and needs consolidation. He suggested that Mr. P Murari, Adviser to President-FICCI could consolidate a list of issues needing specific attention along with Mr. V Govindarajan, Member-Secretary, NMCC and Secretary, Food Processing Industries so that NMCC could take further steps in the matter.

06. First Meeting of the Sub-group on Auto Components Sector held on 15.03.2005

1. Chairman, NMCC expressed that the aim should be to increase this contribution to a level that matches that of some of the East Asian economies. He further stated that NMCC is examining those areas in the economy where unlocking of the potential would not only raise the

contribution of the sector but also increase employment potential. One such important area is Auto Components Sector which has shown remarkable growth thus far and there is tremendous potential for tapping export markets. He welcomed ideas from the participants in identifying issues that are constraining the sector in achieving its growth potential.

2. Mr. Deep Kapuria, President-ACMA requested Chairman-NMCC to release the first copy of the ACMA-McKinsey study titled "Vision 2015 - for Indian Automotive Components Industry" and invited McKinsey representatives to make a presentation on the report.

3. Mr. Raj Kamal, McKinsey & Co,* in his presentation on their study for ACMA brought out the following:

- Opportunities exist in Auto components sector but they are challenging. While the domestic market size is small, competitive intensity is rising steadily in lieu of falling trade barriers & structural disadvantages (e.g. power, indirect taxes).
- Domestic market is likely to grow at ~ 10% p.a over next 10 years but will lag behind China (In 2015 Indian domestic light passenger vehicle production is expected to be 1/4th the size of China). Small domestic market will impact on realizing export potential.
- Over the next decade, even with car prices remaining stable inspite of additional costs associated with electronics, emissions, safety, etc. there will be pressures to achieve 20% cost reduction to retain current car price levels. This reduction is expected to happen in mechanical parts where India has the advantage.
- Five fold growth potential exists - from current size of US \$ 6.7 billion (2004) to US \$ 33-40 billion (2015) comprising of US \$ 20-25 billion in exports and US \$ 13-15 in domestic consumption. The potential is only realizable if key barriers are removed. At the same time global auto components market is expected to grow by 3% p.a to US \$ 1.65 trillion (2015) from US \$ 1.20 trillion (2003).
- Of the US \$ 1.65 trillion market (2015), theoretically addressable market by India would be 42% or US \$ 700 billion.
- In terms of job creation, employment is expected to grow from 0.85 million (2003) to 3.25-3.95 million by 2015 comprising 0.9-1.15 million direct and balance indirect employment. Also the share of auto components in GDP could go up from 1.1% to 2.5%. Further, Auto components exports could become the 3rd largest behind Apparel and Pharmaceuticals.
- Govt. needs to treat auto components industry as a 'Strategic Sector' and create supporting infrastructure & validation facilities as well as regulate indirect taxation. Czech Republic example was cited.

- Govt. could consider creating infrastructure around at least three auto parks in north, south and west India.
- Trained manpower is expected to be a major hurdle. Manpower requirement gap is expected to increase to 290,000 by 2015.
- Realizing the growth potential is dependent on an investment of US \$ 15 billion (2015) or US \$ 1.5 billion p.a. over next ten years. The industry at best can invest US \$ 0.5 billion p.a.

4. Mr. Jagdish Khattar, President-SIAM was of the opinion that without the presence of a strong domestic market, export aspirations cannot fructify. According to him, OEM's see a large opportunity in India. He advocated the need for bring back a country specific auto policy that encourages a particular segment and can not only offer certain protection but also create a huge domestic demand for the product.

5. Mr. Chandramohan, Chairman, Twenty First Century Battery drew attention to the need for creating strong domestic players and felt that investment in R&D needs to be stepped up.

6. Chairman-NMCC pointed out the need to bring down costs to retain competitiveness and at the same time increase investment to capture market potential. However, he felt that in spite of the sector being manned by astute managers, apparent investments are not being seen. Further, he observed that the industry should be contributing in the renewal of ITI's.

7. Mr. Deep Kapuria, President, ACMA observed that while the western world is exhibiting a flattened demand, ASEAN and South-East Asian regions would witness increased demand potential.

8. Mr. N Srinivasan, DG, CII brought out the four challenges facing auto components sector as (a) Scale (need to look at both small cars as well as two wheeler segments) (b) Technology (need to do a lot more in R&D) (c) Skills (issue related to re-skilling and governance of ITIs) and (d) Strategic/ Brake-through Management (need to look at refashioning manufacturing).

9. Dr. HAC Prasad, Sr. Economic Advisor, Dept. of Economic Affairs expressed that it would be prudent to list out specific needs form the government.

10. Mr. Vivek Bharati, Advisor, FICCI expressed that without a rapidly growing domestic market, scale cannot be achieved in the Indian context. He felt that if exporting means more risk to the industry players, then necessary steps could be identified to mitigate such risks.

11. Chairman-NMCC expressed that ACMA could study Thailand auto industry to draw necessary lessons.

12. Mr. Jagdish Khattar, President, SIAM drew attention to the adhoc approach being adopted at the moment in respect of emission & safety standards. He advocated the creation of an independent road safety board that can suggest necessary safety standards for the auto sector and opined that industry would be willing to work in tandem with the safety board.

13. Dr. Surinder Kapur, Member-NMCC expressed that in the context of domestic vs export effort, there is a need to closely look at the SEZ model. He felt that flexibility in labour in SEZs could support the industry. He mentioned that auto components cannot change its orientation from being manufacturing driven to that of R&D driven unless the main auto industry also becomes R&D driven.

15. Mr. Bibek Debroy, Member-NMCC pointed out that there would be no way to bring down the incidence of indirect taxation to a level of 15% as being perceived. He pointed out that special dispensations, priority lending status, etc. are not feasible prescriptions for auto component segment.

16. Mr. Priyadarshi Thakur, Secretary, HI & PE mentioned about his department's interaction with ACMA & SIAM and expressed that government is enthused about the high potential envisaged in the auto component sector. He referred to the National Auto Testing and R&D project being implemented at a cost of Rs.2000 cr. over the next 6 years in 3 centres & 2 sub-centres. These centres are expected to be self-sustaining and day to day running would be with the industry.

17. Mr. Deep Kapuria, President, ACMA made a presentation on the status and prospects of the auto components industry.

18. Mr. AK Taneja, Vice President, ACMA mentioned about the huge disconnect that exists as outsourcing is going to be a reality but investments to the tune of US \$ 1.5 billion p.a. may not happen. He felt that FDI would have to flow into this sector.

19. Mr. DK Jain, Project Director, UNIDO project, Ministry of HI&PE briefed the sub-group on the ACMA & GOI initiative through UNIDO for dealing with quality-cost-delivery issues in auto components sector.

20. Mr. Anwarul Hoda, Member-NMCC hoped that the vision of US \$ 20:20 billion is acceptable to the entire industry. He sought ideas from the members on SEZ and SAP complexes especially on the aspect related to enhancing the limit of 30% sale in the domestic tariff area.

21. Shri V. Govindarajan, Member-Secretary, NMCC said that there are two different issues - one of having SAP's with similar facilities as SEZs and the second was treating EOUs as virtual SEZs. He said that SEZs legislation is yet to be approved by Cabinet and the Parliament and hence applying same principles to SAP's would have to await it. However, the idea could be pursued. The reason for demand of treating EOUs as virtual

SEZs has arisen at this stage because of the sunset clause regarding EOU with a terminal date of year 2009 and also the strain imposed by the FTA signed with Thailand. Hence this needs to be addressed.

23. Major issues that emerged during the meeting were:

- In spite of a five fold growth potential that exists for the auto components sector, commensurate investments of US \$ 1.5 billion p.a. may not materialize as the industry would only be in a position to chip in 0.5 billion p.a. Attracting FDI and new investments would be a major challenge that needs to be addressed.
- Availability of trained manpower to cater to the rising demand in this sector is expected to be a major hurdle. The Australian example could be studied.
- Without the creation of a strong demand in the domestic market, export realization may not fructify. For creating a strong domestic market, there is a need to adopt a country specific auto policy on the lines adopted by other countries like Japan, Brazil, Thailand, etc.
- Scale of operations cannot be achieved without a strong domestic demand and policies for increasing domestic demand should be considered.
- Industry specific needs for operating out of SEZs/ SAPs would have to be worked out keeping in view the competition from Thailand arising out of the FTA recently signed and the sunset clause for EOUs.

07. First Meeting of the Sub-group on Capital Goods Sector held on 16.03.2005

1. Chairman, NMCC said that India had built up a good capital goods industry base and to a large extent met the needs for which such a base was set-up. The present need is to further build on the design & manufacturing capabilities established in the country. He welcomed suggestions from the sub-group in identifying constraints faced by the Indian capital goods sector so that a road map can be developed to enhance the competitiveness & growth of the Indian capital Goods sector.

2. While welcoming the timely idea of holding such a consultative exercise, Mr. S Dutt, Secretary, Defence Production brought out the recent growth trends in various sub-segments of CG sector where certain segments are not showing healthy growth trends in spite of the buoyancy in the economy.

3. While on the subject of policy related to import of second hand machinery, Mr. A M Naik, Member-NMCC expressed that in place of a

policy favouring un-restricted import of second hand capital goods & plant that effects the demand for indigenous capital goods, the policy could be made restrictive, especially with a cap on certain minimum residual life of second and machinery. Mr. Jamshyd N. Godrej, Member-NMCC was of the opinion that placing restrictions may not be helpful especially from the user's point of view.

4. Mr. AM Naik, Member-NMCC while submitting a detailed note on 'Making Indian Capital Goods Competitive', highlighted the following;

- Core issue relates to the policy that encourages zero customs duty for oil & gas, power (mega power, nuclear & hydal power projects), specified road projects, etc., while the domestic industry continues to attract sales tax, entry tax, octroi & other local levies & duties. This type of negative protection is not witnessed in any other country which has an established capital goods industrial base.
- It was expressed that in place of present CD rates of 0%/5%/10%, rationalization in terms of two slabs is needed. Further, such rationalization should be undertaken well before compliance with WTO provisions.
- Purchase preference to PSEs is considered an anomaly in current deregulated environment. Govt. could consider a one time restructuring package for non-competitive PSEs. Recent case of Nuclear Power Corporation issuing a circular in favour of 'Purchase Preference' was also mentioned.
- Continuation of inverted duty structure is a cause for concern. Example of KRIBCO tender was cited.

5. Mr. Ashok K Puri, CMD, BHEL brought out that 75% of the ordering in capital goods sector is out of the domain of purchase preference applicability and the applicability is also limited to central PSEs alone.

6. Mr. S Niyogi, DDG, CII brought out that the recent growth figures related to CG sector at 13% gets reduced to only 2.5%, if growth related to transport equipment is discounted. He felt that this aberration in the IIP structure needs an examination in the context of defining capital goods.

7. Mr. S Dutt, Secretary, Defence Production observed that manufacturing contribution of 17% to GDP needs to be improved upon. Given the zero duty policy in certain user industries, the focus should be on finding ways to enhance the growth of CG sector.

8. Mr. AM Naik, Member-NMCC observed that domestic CG sector has the highest employment potential. For every crore of revenue earned, the employment potential is 8-10 times and for every crore invested; the employment potential is 20-25 times compared with a commodity production industry.

9. Mr. Jamshyd N. Godrej, Member-NMCC opined that even in the context of zero duty, only a win-win situation will work between the user sector and the CG provider segment. Main focus should be on enabling the CG sector to become more competitive.

10. Mr. V Anbu, ED-IMTMA brought out the SME sector dealing with CG sector is disadvantaged as MODVAT credit is not available. He suggested that a 'Manufacturing Technology Upgradation Fund' on the lines of fund created for Textile Industry be considered for enabling SMEs to become technologically competitive.

11. Mr. MS Zahed, CMD, HMT observed that there should be a specific policy aimed at stimulating the demand for machine tools.

12. Mr. S Dutt, Secretary, Defence Production observed that technology is going to be the key issue for the future. He mentioned about the 'Offset' policies being practiced in several countries which ensure that manufacturing & technology transfer takes place into the country of import of equipment. He also mentioned about the CII-Defence seminar on 'Offset' planned for 17 March 05.

13. Mr. Ashok K. Puri, CMD, BHEL observed that several anomalies still exist in the duty structure. While the product import has zero duty, the technology import attracts duties. Similarly while raw materials like steel, aluminium, etc. attract duty, the finished equipment import is permitted at zero duty. He also suggested that in critical futuristic technologies where pilot scale work has been carried out within the country, govt. should fund the large investments needed in scaling up such projects to commercial scale.

14. Mr. S Ramaswamy, President, IEEMA observed that while a large power capacity addition has been planned for X and XI plan periods, the ability of the domestic CG industry to meet such a demand is to be considered. Further, past trend of capacity additions per annum do not give confidence in realizing future plans.

15. Mr. AM Naik, Member-NMCC observed that execution of projects abroad do not permit repatriation of earnings till project completion certification is issued. This locks up earnings from such projects and places additional financing burden on domestic CG industry. With reference to Defence Sector, Mr. Naik observed that the industry is awaiting the implementation of Dr. Kelkar committee recommendations to enable a larger role for the private sector in defence production. He felt that while intent appears to be there, implementation is the main issue. He suggested that the Infrastructure monitoring committee of the Prime Minister should consist of one or two representatives from private sector.

16. Mr. S. Dutt, Secretary, Defence Production observed that repair of bulk carriers is likely to be a big business of the future where domestic CG industry could play an active role.

17. Mr. Vivek Bharati, Adviser, FICCI opined that the present need is for defining the role of CG industry as future strategy in the sector would be driven by this definition. Further, to achieve long term domination, domestic CG industry needs nurturing.

20. Major issues that emerged during the meetings are:

- Capital goods manufacturing has the highest multiplier effect on employment and, therefore, policies that encourage growth and investment in Capital Goods Industry should be put in place.
- Rationalization of duty structure is essential in CG sector to create a level playing field with imports and public and private sectors. A two slab duty structure could be considered in place of current 0%/5%/10% structure.
- Inverted duty structure needs removal. In the context of zero duty regime, only a win-win model for the user-supplier will be acceptable.
- Provision of a technology upgradation fund on the lines of textiles upgradation fund could be considered, especially to upgrade the capabilities of SME segment.
- IIP index related to Capital Goods needs re-examination in the context of inclusion of transportation requirement.
- Technology transfer to Indian CG sector must be made mandatory especially in the context of emerging new technologies/ defence equipment imports while providing access to Indian markets.
- Technology could be leveraged through 'Offset' principle practiced by many countries.
- Domestic CG industry which is totally dependent upon imports of CRGO steel faces a problem as the world capacity has been blocked by China for its needs.
- Repatriation of earnings in project exports is not allowed till project completion certification is issued. This locks up earnings from such projects and places additional financing burden on domestic CG industry.
- Infrastructure monitoring committee of the Prime Minister could consist of one or two representatives from private sector.
- Establishment of a domestic ship building capability through JV route (public-private partnership) needs further exploration.

- Fiscal incentive of tax rebate of 150% on R&D expenses to be extended to domestic CG Sector.

08. First Meeting of the Sub-group on 'Manufacturing Competitiveness Programme' held on 01.04.2005

1. Chairman, NMCC brought to the attention of the members, the Finance Minister's observations in the Union Budget 2005-06:

"Worldwide, it is manufacturing that has driven growth. In order to revive the manufacturing sector, particularly small and medium enterprises, and to enable them to adjust to the competitive pressures caused by liberalization and moderation of tariff rates, I propose to launch a new scheme that will help them strengthen their operations and sharpen their competitiveness. The scheme will be called the "Manufacturing Competitiveness Programme". The design of the scheme will be worked out by the National Manufacturing Competitiveness Council in consultation with the industry."

2. Further, he opined that in the context of emerging market conditions, while the larger companies are able to face competition, it is the small & medium enterprises that require support to enable them face challenges.

3. Mr. Anupam Das Gupta, Secretary, SSI & ARI elaborated on the status of SSI and SME sectors and gave a broad overview of the following schemes in place to improve competitiveness : (a) Credit Linked Capital Subsidy Scheme linked to technology, (b) Enabling scheme for acquiring ISO 9000 certification, (c) Small Industry Cluster Development Programme. He sought specific inputs from CII, FICCI and ASSOCHAM on target sectors so that the ministry can forge necessary linkages for the cluster development.

4. Ms. Uma Reddy, Member-NMCC opined that it would be appropriate to consider trade & location specific clusters, especially in the context of Small Industry Cluster development programme.

5. Dr. Surinder Kapur, Member-NMCC expressed that in auto component sector, ACMA in association with UNDP had prepared a 'road map' for enhancing the competitiveness in auto component small industry.

6. Mr. V Govindarajan, Member Secretary, NMCC drew the attention of the members to the need for improving the profitability of SSIs in a cluster as the initiative of developing clusters has already taken root.

7. Mr. N Srinivasan, DG, CII felt that if good linkages exist between the SSIs and their parent companies, clusters will work very well.

9. Mr. N Balasubramanian, Chairman, SIDBI advocated a comprehensive approach where in identification of industries, identification of clusters and identification of bankers is done and each such initiative be called a specific project.. According to him, SIDBI should be given a larger role in lending to SMEs.

10. Dr. Amit Mitra, Secretary General, FICCI felt that the scheme enunciated by the Finance Minister is a useful insight and conveyed that FICCI supports this. He expressed that Input competition is the right issue.

11. Ms. Uma Reddy, Member-NMCC elaborated on the Canadian IDA example. She expressed that clusters need business delivery support. She felt that industry-institution link is vital for success and every association should have a separate cell to deal with SME segment.

12. Dr. SP Sharma from ASSOCHAM opined that focus on multilateral trade relations instead of bilateral trade relations may prove useful for the industry.

13. Mr. Satyananda Mishra, DC,SSI pointed out that what ever scheme is drawn-up, state governments would have to be involved, especially since power is a state subject.

14. Mr. V Govindarajan, Member-Secretary, NMCC observed that success would be dependent on how efficiently the scheme is delivered and monitored and expressed that while designing the scheme, the important elements that would require attention are:

- (i) the scheme should be simple and flexible;
- (ii) criteria for providing the assistance should be clearly spelt out;
- (iii) the agency that will disburse the assistance should be identified;
- (iv) the institutional mechanism for administering the scheme, including handholding operations during the period of operation of the scheme should be worked out; and
- (v) it should be ensured that the scheme would be WTO compatible.

15. It was decided that a small group consisting of Member-Secretary, NMCC, Secretary (SSI) and representatives from industry associations and Dr. Surinder Kapur, Member, NMCC would work out the scheme details in about six weeks time.

09. First Meeting of the Sub-group on Paper Industry held on 28.4.2005

1. Chairman, the NMCC felt that 'Paper Industry segment' has been given certain focused attention in the country's planned development. However, with the current paper production at around 6 million tones, the per capita consumption in the country is very low. He sought views from the sub-committee on issues that are constraining the sector in realizing its growth potential.

2. Mr. Rajeev R. Vederah, President, Indian Paper Manufacturers Association (IPMA) made a presentation on the status of 'Paper industry'. He brought out that the current output in the industry is 59 lac tons with a turnover of Rs.16, 000 cr. and it provides employment to 3 lac people directly and 10 lac people indirectly. Last three years has witnessed a volume growth at a CAGR of 5.5 per cent. Findings of the SWOT analysis on the industry were shared with the sub-committee. Main issues were highlighted as, inadequate availability of virgin fibre & resultant high cost of raw material including wood, non-wood and waste paper; poor economies of scale; inconsistent multi-tiered quality of product; high energy costs; and environment related problems. In respect of raw material, it was brought out that the current forest policy does not allow industrial plantation by private sector on degraded forestland.

3. Mr. N Gopala Ratnam, CMD, Seshasayee Paper & Board Ltd. mentioned about the industry production being equally dependent on wood pulp (35%), waste paper (35%) and agro-residues (30%).

4. Dr. Prodipto Ghosh, Secretary, Ministry of Environment & Forests (MoEF) cited the National Target of reaching 33 per cent green cover by end of 11th five year plan and observed that this would involve plantations of around 4.25 million ha. per year requiring Rs.70,000 cr. investment. He felt that there is a need to adopt market based approach in awarding plantation areas. He expressed that MoEF is in the final stages of developing a National Strategy on Forest Cover. He advocated the need for 'Multi-stakeholder Partnerships' (Land owners, Pvt. Investors and Local communities) in the context of afforestation and informed the sub-group that Indian Institute of Forest Management which was commissioned to develop the draft partnership deed had submitted the same to MoEF.

5. Mr. Gautam Thapar, Vice Chairman & MD, Ballarpur Industries Ltd. observed that the National Strategy being developed by MoEF is not at all oriented towards pulping and felt that the policy could be a non-starter for the industry dependent upon wood pulp. He felt that no investment would be forthcoming if wood supply is left to market pricing. He advocated for a clear policy framework by the government that supports wood pulp based paper industry.

6. Prof. Bibek Debroy enquired if the policy being developed by MoEF has any provision for dispute resolution mechanism. Dr. Prodipto Ghosh observed that no such separate mechanism is being envisaged.

7. Chairman, NMCC felt that all apprehensions by the industry must be quickly addressed before MoEF finalizes the policy document. He opined that the forest policy perhaps needs a revisit in the context of apprehensions expressed by the industry.

8. Mr. Anwarul Hoda, Member, Planning Commission enquired about how the timber requirements are being met with by the industry. It was pointed out that predominantly import route is being adopted.

9. Mr. N Srinivasan, DG, CII observed that the sector holds good potential for employment generation through its backward and forward linkages and felt that issues concerning the industry need to be addressed if future potential in 'Paper Sector' are to be realized.

10. Mr. YC Deveshwar, Member, NMCC opined that the industry must be allowed to leverage the land around the existing paper mills for plantation purpose. He made a presentation on 'Pulpwood plantations for wasteland development - an ITC model for linked prosperity'. In his opinion, pulp import and port based supply model are not right for the industry, especially in the context of investments and employment.

11. Mr. Raji Philip, CMD, HPC and President INMA cited their experience of plantations on 250 ha. at Munnar in Kerala and elaborated on the price index model linked to newsprint adopted by HPC.

12. Ms. Shilpi Das, ASSOCHAM mentioned about 600 small paper mills which are in need of upgradation. In this context, it was suggested that duty free import of relevant equipment could be considered to enable such enterprises regain their competitiveness.

13. Mr. V Govindarajan, Member Secretary, NMCC suggested that credible explanations related to each item of cost should be worked out if level playing field is sought. Similarly, proper justification needs to be worked out if a case for any preferential treatment for paper industry is sought in respect of pricing. It was agreed that papers on both these aspects would be submitted.

10. First Meeting of the Sub-group on Chemicals & Petrochemicals Sector held on 29.04.2005

1. Chairman, the NMCC said that Chemicals & Petrochemicals is one such area and its importance is evident from the fact that 'Basic Chemicals' has the maximum weightage in the IIP index related to manufacturing sector. He felt that despite all advantages, the sector has not been able to garner a bigger share in the world market. He welcomed

ideas from the participants in identifying issues that are constraining the sector in realizing its growth potential.

2. Mr. P Sinha, Secretary, Chemicals & Petrochemicals welcomed the idea of such consultations and stated that the ensuing two presentations could give an overall perspective on the sector as well as identify certain issues for deliberation.

3. Mr. Ramesh Inder Singh, Jt. Secretary, Dept. of Chemicals & Petrochemicals made a presentation on the Chemicals Sector. He brought out that the global chemical industry has a turnover of US \$ 1.7 trillion and Indian chemical industry accounts for only 2% of the world trade. Further, the size of the Indian Chemical industry is estimated at US \$ 30 billion and ranks 12th largest in the world. He drew attention to the report of KPMG which had indicated a potential of US \$ 100 billion by 2010, thereby implying an annual growth rate of 15.5 per cent. He brought out the key concerns of Chemical Sector as lack of scale; high input costs; poor quality of power & high cost of power; infrastructure bottlenecks; and lack of adequate R&D. Further, expectations from the government as well as industry were highlighted.

4. Mr. Mukesh Kacker, Jt. Secretary, Dept. of Chemicals & Petrochemicals made a presentation on 'Growth strategy for Petrochemicals Sector'. He brought out that domestic petrochemicals industry has been growing at 12-13 per cent over the last 15 years. Despite the high growth, the Indian petrochemical industry has a share of only 2.3 per cent of the global ethylene capacity. As per the demand projections worked out by the taskforce on petrochemicals, demand for commodity polymers is expected to reach 14.1 million tones and that for synthetic fibre & yarn to 4 million tons by 2011-12. He brought out that the main issue related to Petrochemicals sector was that of feed stock where relatively higher import duty on naphtha as feed stock reduces the competitiveness of the industry, while inadequate availability of natural gas and dismantling of the administered price mechanism for natural gas make the gas based crackers unattractive. It was expressed that concerns of environment pollution is likely to limit the efforts to raise per capita consumption of plastics.

5. Chairman, the NMCC observed that the industry does not appear to be investing in new cracker plants and sought suggestions to improve the investment climate. He suggested that Mr. Kacker could submit a paper to NMCC on what steps need to be taken for placing synthetic fibres on same footing as cotton textiles. Secretary, Chemicals & Petrochemicals observed that his department is in the process of formalizing a national policy on petrochemicals.

6. Mr. K G Ramanathan, President, Chemical & Petrochemical Manufacturers Association felt that India could emerge as an important player in the global petrochemical industry. He expressed that in last 5-6

years, no new cracker plants have been set up largely due to lack of clarity on a stable duty regime. He further felt that the industry is adopting a creeping expansion policy instead of setting up green field cracker complexes. He pointed out that high crude prices have effected prices of polymers and further imposition of exercise duty at the rate of 16 per cent makes plastic highly priced commodity in the domestic market and felt that ED and Sales Tax rates need a re-thinking. He was of the opinion that plastics use in agriculture as well as house construction needs to be encouraged, if per capita consumption is to be enhanced to 12 kg. He also advocated encouragement for bio-polymers.

7. Dr. R A Mashelkar, DG,CSIR observed that India's comparative advantage lies in process chemistry and world class national laboratories of repute have been built. In his opinion, while this sector is blessed with intellectual capital, he reiterated the need for setting up of a 'Global Technology Acquisition Fund' which would enable Indian industry to acquire highly technology intensive companies abroad when ever such opportunities arise. He felt that knowledge partnerships need to be encouraged and mentioned about the New Millennium Indian Technology Leadership Initiative (NMITLI). He concurred with the need to revisit the 'feed stock' policy.

8. Mr. DC Mehta, President, Indian Chemical Manufacturers Association (ICMA), cited the KPMG study which brought out that if current growth rates are maintained, the industry could grow to US \$ 60 billion by 2010 and with appropriate measures, the potential could go up to US \$ 100 billion by 2010. He advocated the need for setting up an inter-ministerial development panel for suggesting strategies for growth considering that Petroleum and Petrochemicals are handled by different ministries. He felt that since small scale sector plays a large role in dealing with end products, there is a need for enabling such units reach world class standards.

9. Mr. Rajeev M Pandia, Past President, ICMA observed that FDI could not be attracted in the commodity chemicals segment due to inadequate incentive packages in comparison to that available in other Asian economies, inadequate infrastructure, and restrictive labour laws.

10. Mr. S N Singh, Immediate past president, ICMA felt that specialty chemicals is emerging as top development field in the country where the focus is now on value rather than on volume and chemicals industry must be treated on par with Pharmaceuticals sector. In the context of R&D, he observed that tax rebates come into play only after the R&D centre gets recognition.

11. Mr. C S Gokhale, Convenor, Association of Synthetic Fibre Industry expressed that the per capita consumption of synthetic fibres in the country is 1.6 kg and consumption is 5.2 million tones. Demand growth of 5-7 per cent is largely driven by polyester. He observed that huge

potential exists for geo-textiles in the context of road making and felt that their usage must be made mandatory.

12. Mr. SC Kapur, Secretary General, Association of Synthetic Fibre Industry felt that Synthetic Fibre segment can grow at double digit levels provided policy correction with respect to cotton is effected. He brought out the differences in cost of power in the overall costing of producers in Thailand and India.

13. Prof. Bibek Debroy, Member, NMCC observed that in the context of export procedures, linkages to export incentives & subsidies cannot become a reality unless GST takes effect across the country.

14. Mr. S Niyogi, Dy. Director General, CII observed that export thrust is a must in the area of specialty chemicals. He offered to submit a copy of the report on the subject by McKinsey to NMCC.

15. Mr. P Sinha, Secretary, Chemicals & Petrochemicals offered to create a task force to work on 'Feedstock Policy' and submit its recommendations in two months time. He also agreed with the idea of an inter-ministerial panel for dealing with Chemicals and Petrochemicals. It was felt that as suggested by the Hon'ble Prime Minister, out of the box thinking is necessary to address the issue of investments in the New Cracker plants. In the context of Specialty Chemicals (Fine Chemicals) segment, he felt that batch production is advantageous. He suggested that the sub-group could meet again after 3 months by which time a blue print for growth could be developed.

16. Mr. V Govindarajan, Member Secretary, the NMCC briefed the sub-group on the steps taken by NMCC in the context of issues related to FTAs.

11. First Meeting of the Sub-group on Drugs & Pharmaceuticals Sector held on 12.05.2005

1. Chairman, NMCC said that Drugs & Pharmaceuticals is an area which has done very well so far, it has the potential to do much better. He welcomed ideas from the participants in identifying issues that are constraining the sector in realizing its growth potential.

2. Mr. P Sinha, Secretary, Chemicals & Petrochemicals while appreciating such a consultative process, stated that the ensuing presentation by the department could give an overall perspective on the sector as well as identify certain issues for deliberation.

3. Mr. G S Sandhu, Joint Secretary, Dept. of Chemicals & Petrochemicals in his presentation, brought out the following:

- (a) The world market is US \$ 521 billion with Indian market accounting for US \$ 7.5 billion (incl. exports). India accounts for

8% of world's production by volume and 1.5% by value. India's exports have been growing at a CAGR of 22.9% and reached US \$ 3 billion in FY2004. The domestic market has been growing at 8-9% p.a.

- (b) It is expected that India's total pharma market (domestic + exports) would grow from US \$ 7.5 billion to US \$ 15 billion + \$ 5 billion clinical services by 2010. Domestic market may reach a size of US \$ 8-9 billion by 2010 and exports US \$ 12 billion (incl. \$ 4 billion services).
- (c) R&D spending has also been on the increase. Mr. Habil Khorakiwala, member, NMCC clarified that R&D spending last year touched Rs.1500 crs.
- (d) Future growth is expected to be driven by global generic market. Further, increasing biotech manufacturing activities (growth rate of 16.8%) are expected to provide opportunities for Indian industry.
- (e) Key concerns of pharmaceuticals sector were highlighted as fragmented structure, quality issues related to Schedule 'M' compliance, counterfeit drugs, need for liberal fiscal incentives for R&D, weak infrastructure, etc.
- (f) Role of Government was perceived to include provision of an enabling & stable policy environment, expanding the definition of R&D to cover all cost elements for fiscal incentives, enhancing current R&D benefit from 150% to 200%, provision of funds for bio-technology and reverse pharmacology, financial assistance to industry to become Schedule 'M' compliant.
- (g) Need for quickly establishing a world class patent office was stressed. Further, improvement in regulatory infrastructure (DCGI, States and NPPA) as well as facilitating & regulating clinical trials was mentioned.
- (h) To meet the growing needs of technically qualified people, establishment of 4-5 NIPER type premier educational & research institutes (IIT model) was advocated.
- (i) Industry was advised to step-up production of generic drugs as US \$ 70 billion worth drugs are expected to go off the patent in next 5 years.

4. On the issue of number of manufacturing units in pharma sector raised by Prof. Bibek Debroy, it was clarified that registered manufacturing units are around 6,000. Earlier, Mashelkar report of Nov' 2003 also mentioned the number to be 5,877 registered units.

5. Mr. Dilip G. Shah, Secretary General, Indian Pharmaceutical Alliance while submitting a note on perspective & potential in pharma as well as a

proposed technology mission for pharma brought out the following in his presentation:

- (a) During 1999-2003, the global pharma market grew at a CAGR of 10.3%. Generics growth at +20% in 2004 continued to outpace brands growth of +8%. USA led the world wide market with a size of US \$ 219 billion and India ranks 14th behind Australia.
- (b) In terms of generics utilization, USA leads by value while countries like France, Spain, Italy and Japan could be considered as future opportunities.
- (c) Future of the Indian pharma industry lies in leveraging knowledge base, as R&D spend has increased from Rs.140 cr. in 1995 to Rs.1,500 cr. in 2005 (Est.).
- (d) Exports potential (generics opportunity) is expected to move from 15,000 cr. in 2005 to 90,000 cr. level in 2010.
- (e) In terms of Drug Master File (DMF) submissions during 98-03, India is a clear leader in comparison to China, Italy, Spain and Israel. Further, with India garnering highest approvals from USFDA for plants outside US, it is likely that USFDA would be setting up a permanent office in India.
- (f) Challenges faced by the industry include (i) competition from countries like China, Brazil and South Africa; (ii) erosion of brand equity on account of counterfeit & spurious drugs; (iii) TRIPS plus agenda of WIPO as well as TRIPS plus FTAs (Singapore, Thailand, Jordan); (iv) liberal patenting regime; (v) lack of appropriate patent offices & infrastructure; and (vi) limited pool of pharmaceutical scientists, etc.

6. Mr. Ashok Jha, Secretary, DIPP elaborated on the steps being taken on the subject of appropriate patent offices. He expressed that with the physical infrastructure having been put in place, the computerization efforts are also likely to be completed in the next three months. He opined that structural changes are needed to bring about a change in the mind set, especially in the context of patent examination.

7. Mr. Raghu Cidambi of Dr.Reddy's Laboratories mentioned that even though 25% of the generics are imported, enormous potential exists for export. He cited that India's competitive advantage lies in its large & intensely competitive domestic market as well as its extraordinary manpower & chemistry skills which could be evident from the fact that one out of every ten patents filed would have an Indian name associated with it. He felt that strong regulation is needed for establishing quality of drugs.

8. Mr. Harinder S. Sikka, President, Nicholas Piramal India Ltd. advocated the need for safeguarding data submitted for approval of

drugs. He advocated the need for a single ministry in dealing with drugs & pharma industry.

9. Mr. Suresh G. Kare, President, Indian Drug Manufacturers Association felt that price controls (pricing policy) are having a major adverse impact especially on the SME sector.

10. Chairman, NMCC enquired if medium sized companies need to be encouraged in this sector.

11. Mr. TS Jaishankar, Chairman, Confederation of Indian Pharmaceutical Industry (SSI) opined that small units must be supported with adequate finances.

12. Mr. Dilip G. Shah, Secretary General, Indian Pharmaceutical Alliance felt that no more extensions should be allowed in case of Schedule 'M' compliance as he felt that this is necessary to ensure 'quality' of products from Indian companies.

13. Mr. Ashwini Kumar, Drugs Controller General of India observed that Schedule 'M' compliance is a practice and mentioned that an adequate time of 3 years was already given to the industry to become compliant. He felt that benchmarking on best practices is essential and pointed out the need for developing appropriate benchmarks in the Indian context.

14. Mr. Habil Khorakiwala, Member, NMCC felt that the problem is one of following the quality systems and felt that process compliance is the area where short cuts are resorted to by some companies. He observed that in bio-tech field, license regime still exists. In the context of Export Oriented Units (EOUs), he advocated the route of self assessment and opined that restrictions on sale to domestic tariff area places undue burden on companies which set up EOUs with huge investments.

15. Mr. U N Behera, Joint Secretary, Dept. of Bio Technology mentioned that compulsory licensing in bio technology is being done away with and recommendations on the subject have already been sent to DIPP for notification.

17. Dr. RA Mashelkar, DG-CSIR and Member, NMCC expressed that this is one sector that India should be proud of because of its achievements. He drew the attention of the members to earlier reports submitted by various Mashelkar committees formed, viz. by Ministry of Chemicals & Fertilizers (R&D: suggestion on drug development promotion fund was accepted), by Ministry of Health (dealt with the issues of regulation and spurious drugs), by MoEF (Recombinant Pharma - looked at the issue of multiple regulatory agencies) and by DIPP (recently formed committee on 'Patentability' will be interacting with the industry). He emphasized the need for quick implementation of various recommendations contained in the reports and in particular the Report of the Expert Committee on a Comprehensive Examination of Drug Regulatory Issues, including the Problem of Spurious Drugs prepared for the Health Ministry. He agreed that human capital is

going to be a major issue and supported the need for investments to create more institutions on the lines of NIPER.

18. Mr. Anwarul Hoda, Member, Planning Commission and Member, NMCC observed that the issue of present infrastructure in patents office is a cause for concern. On the subject of support to small enterprises, he urged that clarity is needed on the exact kind of support need by the small industry segment and if needed, Planning Commission could consider a one time support. He supported the idea for 6-10 new centres of excellence on the lines of NIPER/ IITs which can support the realization of Rs.90,000 cr. potential by 2010 by way of generating highly qualified human capital. He felt that instead of price controls, market mechanism would be more appropriate.

The following issues emerged:

There was need to implement the recommendations of the Report of the Expert Committee on A Comprehensive Examination of Drug Regulatory Issues, including the Problem of Spurious Drugs prepared for the Health Ministry to strengthen regulation;

- (i) the physical, software and human infrastructure in the patent offices need to be strengthened expeditiously;
- (ii) the issue relating to data exclusivity needs to be examined;
- (iii) the role of SSI's in the sector needs clarity and if any steps are need they need to be documented and presented to the Planning Commission; and
- (iv) the issues relating to human capital including setting up of new institutions should be followed up.

12. First Meeting of the Sub-group on HRD Issues held on 13.05.2005

1. Chairman, NMCC felt that unlocking the future growth potential would be crucially dependent upon availability of adequately trained manpower as well as people with higher technical qualifications. He also echoed the sentiments expressed by NMCC members like Dr. R.A. Mashelkar and Prof. MS Ananth on the subject of need for creating appropriate human capital. He then sought suggestions from the participants.

2. Dr. Amit Mitra, Secretary General, FICCI made a presentation on 'Correcting supply & demand dichotomy/ bridging information gap/ completing markets'. Following points were made:

- a. On the supply side, while enrolment at higher secondary level is 30.5 million, the drop out rate is 66% and only 10% of students passing out of 10th std. opted for vocational stream. In comparison,

- with an enrolment of 2.3 million in vocational education, the drop out rate is 30%.
- b. In manufacturing sector, while there is a demand for two million per annum skilled manpower in the coming decade, it is observed that 83.5% of employment is generated in informal/ unorganized sector. While largest share of employment is going to be created in the unorganized sector, it was felt that majority in this segment are not exposed to vocational education.
 - c. Collectively, around 16 million educated manpower graduate annually and 4.85 million could be available to manufacturing sector against requirement of 2 million.
 - d. It was expressed that centralization of authority and multiple controls lead to isolation of technical institutes. Further, existing mechanisms to link industry & institutes are also inadequate.
 - e. A re-think is necessary as only 14.4% of the central government funds in 2003-04 could be spent on technical education.
 - f. Institutes are unable to keep pace with developments in technologies because of complex procedures involved in changing curricula and course syllabi. Further, technical institutes are not in tune with market realities.
 - g. On the subject of upgradation of 500 ITIs as centres of excellence, it was indicated that 100 ITIs have been identified and funds for upgradation are tied up (central + state funds) for 55. The chairman of the board of the ITI would be from the industry.
 - h. It was suggested that there is a need to develop a comprehensive 'National Vocational Education Qualification System' (NVEQS) and Vocational Education & Training (VET) institutes need to be set up in each state. Reform examples from Germany, China and USA were cited.
 - i. As a policy reform measure, it was suggested that state education system should be governed by a unified national framework and the sector should be liberalized under GATS for FDI.
3. Prof. Bibek Debroy, Member, NMCC felt that in respect of higher education there is still an un-utilised capacity given the large number of colleges/ universities.
4. Prof. P V Indiresan, Ex-Director, IIT, Chennai endorsed the need to adopt the German apprenticeship model where students from std. V to VIII get in alternate weeks academic education and workplace experience and by the time they are fourteen years old, they have employable skills. He pointed out that adequate linkages between manufacturing industry and engineering colleges were lacking. He expressed the need for a policy that will make it profitable for business sector to get more deeply

involved in education. He felt that the importance of linkages between industry and academia is also not understood. According to him, India has under-emphasized technology development and cited the example of USA where in spite of head start in manufacturing R&D, they had considered it important to start a number of Technology Parks. He advocated the need to build technology parks on the lines of 'Research Triangle Park' in USA which has been built on 7,000 acres with 136 organizations including 106 R&D related, carrying out research in diverse fields.

5. Mr. KK Mittal, DGE&T, Ministry of Labour mentioned that presently there are 5914 ITIs, of which 1900 are in the government domain with the rest in private domain. However, in terms of seats, they have equitable distribution. Further, 98 trades are being taught. He felt that the main concern is to make the government run ITIs demand driven. According to him, even though 450 ITIs have instituted the mechanism of Management Committees, the experience has been mixed. Upgrade scheme is currently being implemented in 100 ITIs where 70 have formed the 'Management Committees'.

6. Lt. Gen (Retd.) SS Mehta, Principal Adviser, CII expressed that in 10 years time, there could be 300 million needing employment (present unemployment 27 million). Further, five sectors with varying employment elasticity are (a) Construction (1.00) ; (b) Financing, real estate, business services, insurance (0.73) ; (c) Transport, Storage, Communications (0.69) ; (d) Whole sale, Retail trade (0.55) ; (e) Manufacturing (0.26).

7. Mr. Shekhar Chaudhuri, Member, NMCC mentioned that a lack of intention to get into manufacturing jobs has been observed in students coming out of IIMs and even if people opt for manufacturing organizations, they tend to opt for non-production jobs.

8. Prof. Bibek Debroy, cited the mechanisms that control the salaries for teachers in universities and felt that disparities lie mostly at the higher levels (Professors) in comparison to foreign counterparts.

9. Mr. Surinder Kapur, Member, NMCC expressed that while 'Push' factor in education is talked about, it is essential to focus on the 'Pull' factor as the industry is not equipped with relevant skill sets to undertake R&D in important areas.

10. Mr. BS Baswan, Secretary, SE&HE, Dept. of Education agreed with the earlier remark on teaching being viewed as the least preferred option by students coming out of colleges.

11. Dr RA Mashelkar, Member, NMCC observed that while issues covering the entire pyramid comprising IITs to ITIs are discussed, focus would have to be maintained on creating an enabling environment that would drive 'competitiveness'. He recalled the submission of Mashelkar Committee report on Regional Engineering Colleges and felt that even though few steps have been initiated in line with the recommendations,

there is an urgent need to implement all the recommendations as they concern the intellectual capital of the country.

12. Some of the issues/ action points that emerged:

- (i) at the moment there does not appear to be a shortfall in sheer numbers coming out of the institutions whether ITI, Technical Institutes, Engineering Colleges etc. But the main drawbacks at all levels generally were
 - (a) mismatch between demand and supply;
 - (b) poor quality of the persons graduating from the institutions; and
 - (c) lack of timely adoption to developments in new technology requirements.
- (ii) at ITI level,
 - (a) the current attempt of 100 ITIs for upgradation should be increased quickly to cover most ITI's.
 - (b) the German model of vocational training should be considered for adoption suitably;
 - (c) steps should be taken to re-orient curriculum to market needs quickly - a system should be found for this;
 - (d) National Vocational Education Qualification system should be examined like US/China etc.
- (iii) At the Engineering College level the recommendations of Mashelkar Committee on Regional Engineering Colleges should be implemented and applied to other colleges which are good and can be made into high class institutions.
- (iv) At the higher level, to bring in competitiveness to industry it was essential that the innovativeness has to increase. For this purpose top level research and design institutions need to be developed. A project like the 'Research Triangle Park' of United States should be thought of given the fact that India needs to move into the next level as a World knowledge power in the first Quarter of the Current Century.
- (v) There are some issues that need to be attended at all levels of education -
 - (i) more funds need to be allocated for Technical Education;
 - (ii) The quality of teachers needs to be improved. Because of low salaries, the quality of those opting for teaching has been low and that creates a vicious cycle. At least in top grade private colleges, if the controls on fees

charged and salaries paid are relaxed, the possibility of attracting better candidates would improve;

- (iii) Again, if need be, selectively greater autonomy for changing curriculum in line with demand should be allowed; and
- (iv) There need to be greater co-ordination between State Education system and Central Government for overall improvement.

13. Meeting of Sub-Group on Auto Component held on 22.05.2006

1. Chairman, NMCC said that India has emerged as global hub of automotive industry with increasingly more number of international automobile manufacturers setting up their manufacturing facilities in the country. He expressed his concern that the auto component sector is not making matching investments with such a development. He informed that automotive sector is in the priority list of the Government of India as mentioned in the last Budget speech of the Finance Minister.

2. Secretary (Heavy Industry), in his presentation before the NMCC, mentioned that the automotive industry is the most happening and one of the key sectors of the economy. The industry which had an investment of nearly Rs.50,000 crore in 2002-03 is slated to go up to Rs.80,000 crore by the year 2007. He mentioned that due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and acts as one of the drivers of economic growth. He also mentioned that the automobile sector is growing by around 16% whereas the growth in the auto component sector is around 35-40%, and hence this sector is most crucial for attaining 8% or more growth rate of GDP. Secretary (HI) mentioned that this sector can give fillip to those sectors where growth rates are not more than 3-4%.

3. He also talked about some recent initiatives taken by the Government to boost the growth of this sector:

- The Finance bill 2006 has proposed the reduction of the excise duty on the small cars (from 24% to 16%).
- Auto policy, 2002: imposition of excise duty on body building activity of Commercial vehicles, extension of 150% weighted deduction on R&D expenditure, increased budgetary allocation for R&D activities in the sector and moving towards a lower duty regime.
- The most significant initiative of the Government to put Indian Auto Industries on the global map has been the National Automotive Testing & R&D Infrastructure Project (NATRIP) at a total cost of Rs.1718 crores.

- The Development Council for Automobile and Allied Industries has drawn up a 10 year “Automotive Mission Plan” for the development of the Indian Automotive sector into a global hub. The Development Council has constituted a Task Force with a view to examining the current status and challenges and to conceptualize and document the AMP. The Task Force has identified 5 thrust areas namely (i) Demand Creation, Brand Building and Infrastructure, (ii) Export and International Business, (iii) Competitiveness Manufacturing Standards and Technology, (iv) Environment and Safety and (v) Human Resource Development. Five working groups were constituted for each thrust area for making specific recommendations.

4. Secretary (HI) also mentioned about some of the bottlenecks in implementing the recommendations made in the Review Meeting on Capital Goods and Auto Components, which was held on 31st August, 2005 under the Chairmanship of Shri V Govindarajan, Member Secretary, NMCC.

5. Joint Secretary (HI) made a brief presentation and informed that the Ministry of Heavy Industry has engaged a global consultant for implementing the NATRIP. He mentioned that there was a problem in the FTA/RTA with respect to the Auto Components.

6. The Representative from Automobile sector said that it needs to be understood why domestic automobile manufacturers and not necessarily the MNCs, are importing components from outside and not using the components produced domestically.

7. The Chairman, NMCC mentioned according to his understanding imports of auto components from China have grown and may reach to almost Rs.1000 crores in the near future but export are only about Rs.80 crores at present.

8. Mr. V. Mathur of ACMA informed that more and more Indian automobile manufacturers are importing auto components from China than the foreign ones which is a most disturbing factor.

9. One of the participants stated that there was no difference between auto component and automobile industry in India. The fact is that the local manufacturers of auto components are unable to supply to the OEMs in India, the required quality of components at competitive rates.

10. Mr. Dilip Chenoy, Director General, SIAM mentioned that they are working jointly with ACMA so that over all the industry grows as there is no conflict in the objective and growth plans of both the auto component and automobile industry. He mentioned that more than Rs.30,000 crores of investment have been committed and enumerated some of the important ones. He would be sending the detailed list to the NMCC shortly.

11. Chairman expressed his deep concern over the fact that the import of auto components from China alone is much more than what we are exporting today. He emphasized on the need of investing more in the innovation and R&D activity in the field of auto component manufacturing. He stated that the auto component industry was not keeping pace with the automobile industry and wanted an action plan to be drawn for helping the auto component industry to grow faster. He was not in favour of any protectionist approach which kills the competitiveness. Chairman, NMCC mentioned that India has come a long way from the earlier days and now the Government has officially in the Budget declared that India should become a manufacturing hub for Automobiles.

12. In sum the following points were noted for further action:-

- (i) it was noted that the current year Budget has recognized that India should become Automobile Manufacturing Hub with domestic employment as an objective. Therefore, efforts by the Department and the Industry need to act accordingly;
- (ii) there was need to ensure that the Auto Component Industry becomes competitive since it generates substantial employment. The issues relating to RTAs/FTAs and SEZs need to be studied;
- (iii) skill building is an important issue. Timely action to develop well trained technicians is at the core of the future of the Industry;
- (iv) the Industry and Government need to work for larger investments in R&D, through appropriate policies;
- (v) there is a need for putting together information on the Auto policies of competing countries. It was felt that ICRIER could be approached for the purpose. This report once commissioned would provide inputs for periodic review of policy; and
- (vi) the draft report of the Department of HI on Auto Industry would be got ready by about the middle of June 2006 and sent to the NMCC for their preliminary views.

14. First Meeting of the Sub-group on Telecom Equipment Sector held on 14.09.2005

1. Mr. V Govindarajan, Member Secretary, NMCC called for higher level skills, thereby resulting in more unemployment. The way out would be to focus on manufacturing sector which can absorb people coming out of agriculture. He felt that in manufacturing, once competitiveness is achieved, opportunities would drive investments which in turn would

drive additional employment. He cited a study which stated that for every job created in manufacturing sector, the spin off effect would account for 2.5 to 3 additional jobs. He invited Secretary, DoT to initiate discussions.

2. Dr. J S Sarma, Secretary, DoT felt that there is a growth mismatch as 53% of revenue of telecom sector goes out for import of equipment (about Rs.40,000 cr.) which needs correction. He felt that this is the kind of potential available and observed that a number of Indian companies are setting up manufacturing facilities in India. He mentioned that public sector tenders are now accessible to only those companies who have manufacturing facilities in the country. He felt that Telecom Equipment Manufacturers Association (TEMA) is a very vibrant organization and its working relationship with DoT has been good. He assured that the Ministry will be working closely with NMCC on this issue where the employment generation potential is high.

3. Mr. P Balaji, President, of India, TEMA while thanking NMCC for the opportunity extended to TEMA for interactions, made a presentation on the status and plans in telecom equipment field. He brought out the following points in his presentation. He expressed that there are around 130 public and private sector Indian enterprises plus many MNCs active in this field in the country. He felt that a level playing field has been achieved in this sector and recalled the positive encouragement received by the industry during the round table conference held in September last year under the chairmanship of Secretary, DoT. He brought out the demand pattern in this sector including the targets for 2007, 2010 and 2015.

4. He felt that cost reductions to the extent of 50-70% could be achieved in the past due to indigenization efforts.

5. Mr. V. Govindarajan observed that in order to build a strong domestic market, there is a need to create appropriate market conditions through the aegis of a policy framework that encourages growth of domestic markets.

6. Mr. J K Verma, Director, Production, ITI cited the example of shift in telecom manufacturing from Taiwan to China. He brought out that in China it takes 3 days for a finished part to emerge from the time CAD design is ready and emphasized the need for such prototyping effort in the Indian context. According to him, a whitepaper on the subject brought out 2 years earlier by DoT regarding the establishment of a National FAB at a cost of Rs.250 crores facility in the country needs consideration.

7. Mr. Bharat Bhatia, Director, Motorola pointed out that because of the huge domestic market potential, there is a need to leverage 'Hardware R&D' in India. He felt that in PSU procurement, certain long

term commitment is needed as already 5 technologies are prevailing in the telecom sector and more should not be encouraged.

8. Lt. Gen (Retd.) S S Mehta, Principal Advisor, CII felt that perhaps time has come to go in for 'offsets' in telecom sector and in this context advocated the need to look at where value addition was happening. He suggested the need for 'virtual prototyping' which also entails high speed computing. According to him there is a need for a 'National Digital Technology Plan' and felt that from the security point of view, there should be no two opinions on the need for creating domestic infrastructure in critical areas considering that embedded software would be involved.

9. Mr. Arun Khanna, Shayam Telecom Ltd. observed that there is an urgent need for a FAB facility in the country and suggested that government needs to support such a requirement.

10. Mr. V Govindarajan suggested that a base paper could be prepared with a 10 year horizon on where telecom industry should be headed and submitted to DoT so that the next step should be identified and suitable action plan evolved. This could cover various aspects like bridging gaps in R&D, Digital technology, promotion of parks, structure of duties, enabling speedier transactions, reduction in hassles etc. giving relevant statistical data. Secretary, DoT observed that he would shortly hold a brain storming session on the subject and would then revert back to NMCC on the outcome.

15. First Meeting of the Handicrafts sub-group meeting held on 15.09.2005

1. Mr. V Govindarajan, Member Secretary, NMCC said that the NMCC has deliberated and concluded that it is possible to increase the manufacturing growth rate from the present 7% to 12%. Such a growth rate is expected to create direct employment of 2.9 million which would also have a larger spin-off effect. He mentioned that the council has identified Handicrafts as an area with lot of potential to drive not only growth in manufacturing but also generate additional employment. He expressed that the concerned ministry would be driving the policy as well as overseeing implementation.

2. Mr. Poornalingam, Secretary, Ministry of Textiles observed that Handicrafts which is all about manufacturing has been clocking 25% p.a. growth in exports. However, its share in global trade is only 1.2% and suggested the need for a roadmap to improve this to 4% in 2 to 3 years as there is great potential for exports and employment. He observed that the Export Promotion Council for Handicrafts (EPCH) which is very active is also keen to take up the challenge of enhancing the share to 4%.

3. Mr. Sanjay Aggarwal, DC, Handicrafts expressed that the Handicrafts market could be split as domestic and exports and felt that different interventions would be needed to tackle various issues coming in the way of furthering growth in each of these markets. He suggested that the sub-group could first consider exports and made a presentation on the status of Handicrafts exports and issues facing the sector. He brought out that the world market for handicrafts, gifts & decoratives was US \$ 235 billion (2003) and 10 top markets including USA, Germany, UK, Japan, France, etc. account for 77.5% of this market.

4. Mr. Sanjay Aggarwal also presented certain issues facing Handicrafts sector under the following broad heads: (a) Brand image promotion of Indian Handicrafts in overseas markets. (b) Flexibility in labour laws particularly w.r.t. Contract Labour (Regulation & Abolition Act, 1970), Factories Act, 1948, Industrial Disputes Act, 1947 and Trade Unions Act, 1926, (c) Exemption in fringe benefits/ service tax, (d) duty draw-back, and (e) Treating Handicrafts as a special thrust area. Mr. Aggarwal opined that while the need is for promoting the brand, focused publicity could also be followed in US markets where participation could be ensured in all their fairs programmed round the year.

5. Commerce Ministry, Mrs. Asha Swarup, Addl. Secy & FA, Ministry of Commerce & Textiles pointed out that lack of good proposals that detail out the means for market access is mainly hindering the utilization of available funds. She urged EPCH to come up with appropriate proposals. Secretary, Ministry of Textiles while agreeing with her remarked that a Technology Upgradation Fund Scheme (TUFS) like the one initiated for Textiles may also become necessary in the context of Handicrafts sector where the focus should be on better production methods.

6. Mr. Satyananda Mishra, Addl. Secy. and DC(SSl), observed that any proposal seeking relaxation in extant policies/ laws must also focus on the 'Artisan' who is central to such policies. He also felt that there is no programme for HRD covering Handicrafts.

7. Mr. S Sen, DDG, CII pointed out that CII has been involved in helping artisans since 1995 by offering suitable training to them. Such training programmes (Korai grass mats have been carried out in Southern India for last 10 years. Further, CII in 2002 carried out a study of North-East region, as a result of which 41 handicraft products of N-E region have been identified as potential products.

8. Mrs. Asha Swarup, Addl. Secretary & FA, Ministry of Commerce & Textiles informed that Secretary, Commerce has desired that DC-Handicrafts, Ms. Laila Tyabji, Chairperson-DASTKAR and Mr. Ashok Chatterjee, Crafts Council of India should also be made members of the sub-group on Handicrafts. Member, Secretary, NMCC readily agreed to the suggestion. She opined that the market for Handicrafts must be looked at

as two distinct segments, viz. domestic market and export market for which suitable strategies have to be evolved to expand market share.

9. Ms. Maya S. Sinha, CEO, KVIC gave a brief background of the role played by KVIC especially in the Khadi segment. She felt that the focus must be on enabling an artisan develop himself into an entrepreneur.

10. Mr. Vijay Thakur, ASSOCHAM felt that more export focus must be placed on Japan. He felt that the handicraft sector should be converted to organised sector in order to ensure quality and mass production which are essentially needed for competitiveness.

11. Summing up the discussions, Mr. V Govindarajan observed that the clear emphasis coming from the Ministry of Textiles is heartening, Handicrafts sub-sector is in an ideal position to chart out its road map to attain 4% share of global trade. One area that needs immediate attention is the engagement of 'Designers' in Handicrafts sub-sector. He assured the members that NMCC would extend necessary support in all such issues where EHPC and Ministry of Textiles feel the intervention of NMCC would be desirable.

16. First Meeting of the Ports sub-group meeting held on 20.09.2005

1. Chairman, NMCC pointed out that almost every sub-sector intervention pointed to the problems being experienced at ports which was effecting the competitiveness of the sub-sectors. He cited the review meeting held with Secretary, Chemicals & Petrochemicals on 19th Sep 05 where in they had listed out the issues relating to import/ export of chemicals. A note on the subject received from the department was handed over to Secretary, Dept. of Shipping for examination.

2. Mr. DT Joseph, Secretary, Dept. of Shipping conveyed his appreciation for having been given a chance to interact with NMCC. He made a brief presentation on 'Port Sector in India - Development & Prospects'. Following emerged during the discussions:

- (a) There is an urgent need for a national level panel for co-ordination between Major Ports (12 nos.) and Minor Ports (187 nos.).
- (b) There is lack of clarity on applicability of relevant Act as The Indian Ports Act, 1908 and Major Port Trusts Act, 1963 allow expansion of existing ports, but are silent on creation of new /green field port.
- (c) Traffic at major ports increased from 281 Million Tonnes in 2001-02 to 384 Million Tonnes in 2004-05 with a growth rate of 7 per cent. Chairman, NMCC indicated that Secretary, Dept. of Shipping should spell out the goals for operational efficiencies as envisaged by the department, considering the world benchmarks.

(d) Mr. DT Joseph indicated that deeper ports and larger ships are the key for competitiveness along with ensuring hinterland (rail/road) connectivity and improving productivity.

(e) On the subject of 'Draft', Secretary, Dept. of Shipping opined that if the ports sector has to come up to international levels, it may be necessary to consider capital dredging works with government investment rather than asking Ports authorities to bear the costs.

3. On the subject of disproportionate development between west and east based ports for handling cargo emanating from the northern part of India, Mr. Partha Mukhophadhyay, IDFC brought out that the rail corridors being considered currently would throw up the options.

4. Mr. R. N. Budhiraja, Chairman, JNPT & IPA mentioned that long cycle times are currently witnessed for establishment of a port facility and cited the example of MAERSK A/S where it took 3 years to finalize the bid and 2 yrs to construct. He felt that the issue of dredging has been pending with PIB for a long time and with a cycle time of 27 months for deepening a channel; even this would take a total of 5 years. He advocated the formation of a 'Port Development Authority' to carryout all co-ordination activities for which a study by IIM Ahmedabad has been done on behalf of Department of Commerce.

5. Mr. Susnato Sen, FICCI felt that issues related to customs & procedural problems faced by exports could be examined and was directed to send a note on the subject to NMCC.

6. Mr. DT Joseph, indicated that a group has been formed to develop 'Shipping Trade Practices Act'. The draft prepared by them has been circulated for comments. He also mentioned about the National Maritime Development Policy .which was in the draft stage and would be sent to the NMCC for their comments. He informed that 100% FDI is permitted in port development and an independent authority for tariff fixation (TAMP) has been set up and issues relating to the regulatory framework are also being examined by the Ministry.

7. Mr. Partha Mukhophadhyay, IDFC pointed out that considering the expansion planned, the bottle neck would not be the Ports but it would be the distribution of goods by Railways (connectivity being planned by Railways).

8. Mr. V Govindarajan, Member Secretary observed that Dept. of Shipping may work out a plan of action with time lines for tackling both short term issues like procedures, connectivity, etc. as well as long term issues like infrastructure upgradation (which are also being taken up in the Prime Minister Infrastructure Committee) and forward to the NMCC.

17. Meeting of Sub-Sector on Information Technology Hardware on 29.09.2005

1. Chairman, NMCC mentioned that IT hardware is essential for the overall development and the present growth primarily in the software sector needs to be balanced. He mentioned that China is already ahead in this matter and specific measures have to be taken to ensure that IT hardware industry also grows commensurately. A detailed presentation was made by the Secretary, IT. The highlights of the presentation are:

- Presently, hardware production is of the order of Rs.49,750 crores where as the demand of hardware is of about Rs.1 lakh crore and balance is met through imports.
- As per the Ernst and Young report the demand of hardware by 2010 could be USD 70 billion and with existing policies, Indian industry will produce USD 20 billion leaving a gap of USD 50 billion to be met through imports.
- With suitable policies initiatives, India can aim at 30% growth producing USD 48 billion.
- This is an employment oriented sector with present employment of 3.9 lakh direct jobs and 2.5 indirect jobs.
- ITA-I of the WTO implemented from 1.3.2005 has reduced custom duty to zero per cent on 217 items.
- The penetration levels in India are 15 to 20% of China in telephone, TV, PC, Internet etc.
- The constraints faced by the industry are due to high taxation, infrastructural bottleneck, inverted tariff structure, labour laws, low volume, high transaction cost etc.
- To achieve economies of scale there should be no differentiation between manufacturing for domestic market and for export and 100% DTA sales at 50% of applicable duty may be promoted.
- Recommendations relating to fiscal policy, foreign trade policy and promotion of support measures which need to be considered.
- Government was the largest buyer of IT hardware and Government procurement should be from locally manufactured goods.
- Amendments in Labour Laws are required to provide flexibility to the employer.
- To provide support to industry for filing International patents and for quality improvement and meeting International safety standards.

2. Chairman mentioned that we need to focus on how the customer would benefit at the end with these proposed changes and what would be

the beneficial impact on industry and the economy. He mentioned that if the computers are available at lower prices it would increase the usage in the industry and trade. This would result in enormous benefits in terms of productivity. Therefore, he felt that the software industry should also be persuaded to develop software for India's needs. He also mentioned that Intellectual Property generation by the Indian software sector is basically going entirely for the benefit of foreign companies and steps should be taken that the country should also get the benefit of the same.

3. Member Secretary, NMCC felt that specific items which have been mentioned in the representation given by the industries like WIPRO and HCL Info System Technology have to be also looked at. He also mentioned about the duty structure issues and on the need for mega-fab to be established and mentioned that it would be useful to work out the package in detail.

4. The Chairman, NMCC mentioned that the details of the package can be work out jointly with Department of IT so that it can be taken up with Finance Ministry at the earliest. A meeting with Member-Secretary and Secretary (IT)/Additional Secretary (IT) may be organized for finalizing the details.

18. Meeting on Leather & Leather Products held on 18.11.2005

1. Chairman, NMCC observed that Leather & Leather products segment was the first segment taken up for sub-sector intervention by NMCC on 25 Jan 05 and subsequently a review of progress in this regard was also carried out on 17 Aug 05. There was an urgent need to develop a time bound action plan as agreed in the meeting of 17.8.05 which does not appear to have been done so far. He observed that while the overall outlook appears to be conducive, the performance in the sector is much below its potential. Further, investments are not forthcoming from big domestic players. He desired that, DIPP should move briskly and among others identify the constraints and take bold steps by focusing on realizing the target of Rs.60,000 crores by 2010. He also enquired if any study was done to understand why there is a predominant leaning towards US & Europe for exports from India.

2. A presentation on the leather sector was made by Mr. Chanchal Kumar, Deputy Secretary, DIPP which brought out the following:

- a) Annual production of this sector is Rs.25,000 crores, of which exports constitute Rs.10,690 crores. Exports have been growing at 12.65 % and the sector accounts for 2.5% of the global trade. Major export destinations are EU countries (63%) and USA (12%). With a workforce of 2.5 million, 90% of the units are in the SME segment.

- b) On the subject of raw material, possibility of 'Pig' as additional source of raw material needs examination because of 13 million population.
- c) On foot ware, it was pointed out that our price realization is around US \$ 13 against global average of US \$ 6.7
- d) Vision for 2010 calls for reaching a production level of Rs.60,000 crores with export growth of 13.74% (CAGR)

3. Dr. T Ramasami, Director, CLRI said that an exercise has been carried out to map two main leather clusters in Dharavi and Agra where non-SME data was also captured. Data approximations based on the collected information led to arriving at the production figure of Rs.25,000 crores. He expressed that a national study was carried out in May'05. CLRI has mapped 22 districts in the country. In association with Ministry of Rural Development plans have been drawn up for interventions in 5 states (one in each state) at an investment of Rs.27 crore spread over two years. He further expressed that there is an urgent need to enhance the existing capacity by about 4 to 5 times in the next 2-3 years, if the export share is to be enhanced.

4. On the subject of organized rearing efforts, Dr. Ajay Dua, Secretary, IPP observed that 5 states have been identified, viz. UP, J&K, Mizoram, Punjab and Haryana where buffalo rearing farms as well as meat packaging could be considered. He also brought out that a Rs.45 crore integrated/ model project has been drawn up by DIPP for Sultanpur covering carcass collection, goat rearing, buffalo calf collection, rural meat production and leather chemical complex. It was further stated that leather development programme has been notified and people/ institutions identified for implementation. Also DIPP has taken up with MoF various fiscal benefits to be given to leather sector.

5. Secretary, DIPP mentioned that a large delegation comprising 14 major US importing organizations had visited India recently and examined the production bases in the country. At the moment they do not contemplate shifting their manufacturing bases to India but such a proposition can materialize in future. On the subject of a road map for realizing Rs.60,000 crore production by 2010.

6. Chairman, NMCC observed that a close co-ordination is necessary between DIPP and ministry of Animal Husbandry for moving from the current level of US \$ 4 billion to target of US \$ 10 billion of production in a definite timeframe.

7. Prof. A.K. Mittal, IIT, Kanpur observed that two main issues effecting this sector are supply chain and size of the industry. In his opinion, the supply chain must get rid of a number of layers where value addition does not take place. He felt that policy support is essential to

drive investments that encourage capture of lower end of the foot ware market.

8. Dr. T Ramasami elaborated on his recent visit to China and expressed that 2 large investors in China are planning large investments in India but their main concern is on the land cost comparison between China vs India and he would be submitting his detailed report shortly with his recommendations to DIPP.

9. Dr. Babu Ram, Dy. Commissioner, ICDP talked about 6.89 % reduction in the population of buffaloes in the last 5-6 years and expressed that in future this would have an adverse effect on the quality of leather availability as slaughter is banned and the adverse effect of the recent Supreme Court Judgment in this regard.

10. Dr. K Elangovan, ED, CLE, mentioned that in identified markets abroad, we are not price competitive. Plans have been drawn up to establish an India Desk in Milan, Italy to pursue market opportunities. He observed that Brazil is looking to India for partnerships. Chairman, NMCC felt that it may be a better strategy to push for better market share in Italy and ground work for such initiative could be taken through the aegis of Indo-Italian Joint Commission. Dr. Elangovan mentioned about the ICRA study that showed decline in the share of leather garments.

12. Mr SK Jain, Ministry of Commerce gave a brief status on various disbursements for the year 2005-06 aimed at promotion of exports and providing financial support. However, it was observed that this was disjointed and the 'big picture' should be kept in mind.

13. In conclusion, Chairman, NMCC thanked all the participants and said that:

- Department of IP&P should urgently finalize the details of the actions taken/to be taken along with time frames for implementation as agreed in the previous meeting on 17.8.05 to realize the vision 2010 and work according to the strategy brought out in the presentation.
- As NMCC would be taking up with M/o Finance various issues affecting overall manufacturing sector by about the 10th December 2005, DIPP could send to the NMCC by the 7th December 2005 the issues that require attention in respect of leather and other sub-sectors falling within the area of responsibility of DIPP.

19. 2nd meeting of the Sub-Group on the IT Hardware Sector held on 10.03.2006

1. The Chairman opened the meeting by mentioning that it would be useful to review the action plan based on the announcements in the recent Budget relating to IT Hardware. This sector has been put on the

fast track being identified as a priority area for growth and it would be useful to identify the further steps needed to strengthen the manufacturing capabilities of the Indian hardware sector. The feasible action plan should be there which could be monitored and in case there is still some road block some issue identified which can be taken up.

2. Secretary IT thanked the effort taken by the NMCC in this regard and mentioned that the industry is very happy with the announcements in the budget and would certainly rise to the occasion. Member Secretary, NMCC put on record the important role played by the Secretary (IT) and his team. Secretary (IT) mentioned that the Hon'ble Prime Minister has set up a task force post Budget to finalise the action plan within a short time. The main issue would be to increase the use of software for increasing productivity and for this it would be important to increase awareness in the industry and specifically about the benefits which may be derived as there is some hesitation that more transparency due to application of IT can hurt some interests.

3. Member Secretary, NMCC mentioned that in the National Manufacturing Competitiveness Programme one of the important components is ICT in manufacturing and we would like to have good synergy with all the important stakeholders like Department of IT, NASSCOM, MAIT, TCS, and Microsoft etc. to make the programme a success. He mentioned that is for the first time manufacturing sector has been recognized as the priority sector where immediate action has to be taken to realize the potential for global competitiveness.

4. Mr. R. Khare, Chairman, India Semiconductor Association (ISA) mentioned that 36 lakh jobs can be created in the next ten years through the electronic manufacturing area and Mr. Deepak Puri, Managing Director, Moser Baer Ltd. mentioned that in the CII sub-group they have given a figure of 50 lakh for employment generation by this sector in the next ten years.

5. Member Secretary, NMCC mentioned that MAIT should come up with a plan of action and send a report in a week's time. The action plan and priorities need to be considered to ensure that the objectives of growth and employment generation in the sector are achieved.

20. Meeting of Sub-Group on Auto Component held on 22.05.2006

1. Chairman, NMCC welcoming the participants said that India has emerged as global hub of automotive industry with increasingly more number of international automobile manufacturers setting up their manufacturing facilities in the country. He expressed his concern that the auto component sector is not making matching investments with such a development. He informed that automotive sector is in the priority list of

the Government of India as mentioned in the last Budget speech of the Finance Minister.

2. Secretary (Heavy Industry), in his presentation before the NMCC, mentioned that the automotive industry is the most happening and one of the key sectors of the economy. The industry which had an investment of nearly Rs.50,000 crore in 2002-03 is slated to go up to Rs.80,000 crore by the year 2007. He mentioned that due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and acts as one of the drivers of economic growth. He also mentioned that the automobile sector is growing by around 16% whereas the growth in the auto component sector is around 35-40%.

3. He also talked about some recent initiatives taken by the Government to boost the growth of this sector:

- The Finance bill 2006 has proposed the reduction of the excise duty on the small cars (from 24% to 16%).
- Auto policy, 2002: imposition of excise duty on body building activity of Commercial vehicles, extension of 150% weighted deduction on R&D expenditure, increased budgetary allocation for R&D activities in the sector and moving towards a lower duty regime.
- The most significant initiative of the Government to put Indian Auto Industries on the global map has been the National Automotive Testing & R&D Infrastructure Project (NATRIP) at a total cost of Rs.1718 crores.
- The Development Council for Automobile and Allied Industries has drawn up a 10 year "Automotive Mission Plan" for the development of the Indian Automotive sector into a global hub. The Development Council has constituted a Task Force with a view to examining the current status and challenges and to conceptualize and document the AMP. The Task Force has identified 5 thrust areas namely (i) Demand Creation, Brand Building and Infrastructure, (ii) Export and International Business, (iii) Competitiveness Manufacturing Standards and Technology, (iv) Environment and Safety and (v) Human Resource Development. Five working groups were constituted for each thrust area for making specific recommendations.

4. Secretary (HI) also mentioned about some of the bottlenecks in implementing the recommendations made in the Review Meeting on Capital Goods and Auto Components, which was held on 31st August, 2005 under the Chairmanship of Shri V Govindarajan, Member Secretary, NMCC.

5. The Representative from Automobile sector said that it needs to be understood why domestic automobile manufacturers and not necessarily the MNCs, are importing components from outside and not using the components produced domestically.

6. The Chairman, NMCC mentioned according to his understanding imports of auto components from China have grown and may reach to almost Rs.1000 crores in the near future but export are only about Rs.80 crores at present.

7. Mr. V. Mathur of ACMA informed that more and more Indian automobile manufacturers are importing auto components from China than the foreign ones which is a most disturbing factor.

8. Mr. Dilip Chenoy, Director General, SIAM mentioned that they are working jointly with ACMA so that over all the industry grows as there is no conflict in the objective and growth plans of both the auto component and automobile industry.

9. Chairman expressed his deep concern over the fact that the import of auto components from China alone is much more than what we are exporting today. He emphasized on the need of investing more in the innovation and R&D activity in the field of auto component manufacturing. He stated that the auto component industry was not keeping pace with the automobile industry and wanted an action plan to be drawn for helping the auto component industry to grow faster. He was not in favour of any protectionist approach which kills the competitiveness.

10. In sum the following points were noted for further action:-

- (i) It was noted that the current year Budget has recognized that India should become Automobile Manufacturing Hub with domestic employment as an objective. Therefore, efforts by the Department and the Industry need to act accordingly;
- (ii) There was need to ensure that the Auto Component Industry becomes competitive since it generates substantial employment. The issues relating to RTAs/FTAs and SEZs need to be studied;
- (iii) Skill building is an important issue. Timely action to develop well trained technicians is at the core of the future of the Industry;
- (iv) The Industry and Government need to work for larger investments in R&D, through appropriate policies;
- (v) There is a need for putting together information on the Auto policies of competing countries. It was felt that ICRIER could be approached for the purpose. This report once

commissioned would provide inputs for periodic review of policy; and

- (vi) The draft report of the Department of HI on Auto Industry would be got ready by about the middle of June 2006 and sent to the NMCC for their preliminary views.

21. Meeting of Sub-Group on Textiles and Garments held on 24.05.2006

Chairman, NMCC mentioned about the importance of Textile sector in terms of its contribution to GDP, industrial production, employment generation and exports. The textile sector is on the highest priority list of the Government as indicated in the budget speech of the Finance Minister. Newly set up High Level Committee by the Hon'ble Prime Minister under his chairmanship to monitor the progress of manufacturing sectors including textiles.

2. Secretary (Textile) informed that the Ministry of Textile has been discussing with the various stakeholders regarding cluster development approach. He mentioned that some sub-sectors like Handicrafts, Handlooms etc. are being kept out of cluster development programme for the time being. He informed that out of the 25 approved by the Cabinet Nine Textile Parks have already been sanctioned and 11 more are in the pipeline and hoped that the sanction in their respect can be issued in June, 2006. He also informed that a period of 2 years has been prescribed for the completion of these Parks from the date of sanction. He further mentioned that an empowered Project Implementation Committee under the Chairmanship of Secretary (Textile) has been constituted to oversee the implementation of the project.

3. Secretary (Textile) informed that the response to the Textile Upgradation Fund (TUF) was tremendous and the Ministry has received around 5031 applications as on 31.3.2006, out of which 4773 have already been approved involving the cost of Rs.38,000 crore, and over 4000 applications disbursements have been made.

5. Secretary (Textile) advocated for the creation of a corpus for branding, logos etc. and formulating appropriate marketing schemes for selling the products. He expressed that the major constraints of the sector are:

1. Labour law rigidity
2. Inadequate Power supply
3. Roads and Ports inadequacy

6. Vice-Chairman, AEPC informed that every year large number of jobs can be created in the apparel sector. He mentioned that the apparel

sector recorded the growth of 32% last year. He further informed that the sector currently employs 5 million people and there were only 14-15 training centres to provide technical knowledge to the workers.

7. Member Secretary, NMCC expressed his concern over the fact that 80% of the private ITIs are concentrated in the four southern States, Maharashtra and Orissa only.

8. Secretary (Textiles) informed that the Ministry is assessing the training needs in the textile sector. He informed that 30% of the total incentives, provided by the Government of India to the units engaged in this sector, went to the State of Tamil Nadu alone.

9. Chairman, NMCC expressed his concern over the fact that the apparel sector lacks economies of scale and there was abundance of small manufacturers in the sector. In response to this, AEPC representative informed that apparel manufacturers are employing a large number of workers but in fragmented way due to labour problems.

10. Mr. Jawahar Sircar, AS & DC(SSl) informed that the small and medium enterprises (SMEs) are getting a lot of incentives from State Governments in terms of land, power etc. He mentioned that SME Bill had just been passed and this would allow small units to gradually move up keeping economies of scale in mind.

11. Mr. K. K. Jalan, Secretary General, Apparel Export Promotion Council informed that out of Rs. 35,000 crores of export Rs. 25,000 crores worth of exports was done by only 150 players of which Rs. 8,000 crores exports are by 8 players only. He mentioned that the kind of incentives being given by the Government to the textile industry has not been extended to the clothing industry.

12. Mr. Oswal mentioned that there are three criteria in his view based on which the FDI takes place: (a) Giving technology in lieu of specific share; (b) for marketing the products; and (c) in setting their shop and manufacturing base to supply the garments to their own country to protect their share in the domestic market.

13. Mr. O.P. Lohia, CMD, Indo Rama Synthetics informed that the world over the share of man made fibres is 60% whereas the same in case of India is only 10% of the total, which necessitates the increase in the manufacture of MMF.

14. Chairman, NMCC desired that the MMF should be treated on par with the cotton fibre. He wanted that some concrete proposal should be prepared for the growth MMF sector to taking revenue implications into consideration. He wanted that the growth plans of the textile sector should be properly followed up and monitored so that they could be achieved.

15. In sum the following points emerged for further action:
- i. Textiles and Garments sector has been accorded high priority in view of the potential it has for high growth as well as provision of employment.
 - ii. In the earlier presentation specific target of achieving 8% of global trade and specific employment to be created by 2010 were mentioned. The view of NMCC has been that 8% target is too conservative in the light of opportunities available and at least 10% level should be aimed at. The Department may work towards this.
 - iii. A fact has clearly come out that while the world trade is shared at 45% by cotton based textiles, garments, the Man Made Fabric (MMF) share is round 55%. However, India's exports show a share of 85% for cotton and 15% for MMF. Since production of cotton cannot be increased by huge quantities in a short period, if the overall global targets are to be achieved a substantial shift towards production of MMF at competitive rates quickly is essential.
 - iv. Similarly, more attention needs to be paid to investments in garment sector which provides maximum employment.
 - v. It is necessary that given the investments likely to be made in the Textiles and Garments sector, the capacity of textile machinery manufacturing within the country requires to be urgently reviewed in order to increase domestic supply.
 - vi. Skill development has been identified as an important element in the development of the sector. The Department would need to come up with specific requirements in each of the States which are prominent in the Textile sector and co-ordinate with Labour Ministry in implementing the new ITI scheme launched by this Government.
 - vii. The Department may come up with a plan of action by the 20th June, 2006 in respect of all these aspect and send it to the NMCC.
 - viii. Given the high importance given by Government particularly from the point of view of employment creation, this sub-sector is likely to be one of the first to be received at the newly created High Level Committee on Manufacturing by the Hon'ble Prime Minister.

22. Meeting of the Sub-Group on Food Processing Industries (FPI) held on 24.05.2006

1. Dr. V. Krishnamurthy, Chairman, National Manufacturing Competitiveness Council (NMCC) stated that India is one of the largest producers of agricultural commodities. However, around 40% of the produce get wasted or perished because of poor logistics, bad handling and absence of Cold Chain Industry. Unlike in other countries, processed food is more costly than fresh food in India. It becomes expensive because of huge wastages and lack of scale of operations. He said that only 2% of total produce of Fruit and Vegetables in India is processed.

2. The Chairman further stated that the issue of promotion of Food Processing Industries assumes priority over other sectors for the reason that it directly ensures higher realization of income to the farmer and generation of substantial employment. The sector requires, he said, induction of high technology and huge investment to tap its potential.

3. Mr. I.P. Suvrathan, Secretary, Ministry of Food Processing Industries while agreeing with the Chairman on the potential in terms of increasing production and exports and generation of employment that the Food Processing Sector holds, stated that his Ministry was working on a Mission for the development of Food and Vegetables sector in the country. In this connection he stated that:

- (i) the first priority shall be to set up the "Food Authority" at the National level that will look into the issues of standards and quality;
- (ii) He mentioned that **Food Park Scheme** was under review in his Ministry. Till date 58 parks have been sanctioned out of which 20 are functional. He felt that there is need for 'Mega Parks' with 1000 acres rather than the existing scheme with 30-50 acres.
- (iii) He mentioned that the Department intends to adopt the same model as that of Textiles under which a common facility centre for looking into various needs such as power; transport etc. will be set up.
- (iv) The Department was also working with the CII on "Street Food Scheme" for generating employment on the lines of Thailand.
- (v) With regard to Modernization of Abattoirs he informed that due to the absence of sufficient numbers of abattoirs, contaminated meat is being supplied which is not only hazardous but also detrimental to exports and this aspect needed further action.
- (vi) He informed that CFTRI is helping in lab activities and expressed hope that other Laboratories across the country would help in enforcement of the standards with respect to Food quality & grades. He mentioned that about 50 laboratories with 100%

funding from Government of India would be set up shortly. The Secretary further stated that the Department is working on a competitiveness programme with the CII over a period of five years.

4. The Member Secretary, National Manufacturing Competitiveness Council (NMCC) informed that Bihar hardly has any industry and in the recent meetings of the Chairman with the Chief Minister of Bihar, it was clear the State Government is showing a lot of interest in food processing industry.

5. Shri Sameer Barde from FICCI stated that quality of meat produced needs to be improved.

6. Ms Indrani Kar of CII stated that major challenges being faced by the industry today are:

- (i) Affordability, higher cost and inefficient deliveries of the raw material;
- (ii) Development of efficient supply chain;
- (iii) Heavy excise duty on packaging;
- (iv) Anomaly in Taxation of convenience food. (Suggested for a uniform Tax rate across the board @ 4 per cent);
- (v) Huge investment required in Brand building;
- (vi) Lack of Organized Cold Chain. (Suggested for granting industry status to the Cold Chain industry on the lines of the Food Processing Industry).

7. Shri P.L. Kaul, President, All India Food Possessor's Association stated that the most important aspect that needs to be analyzed is the reason for lack of interest amongst the major Indian Corporate Sector as well as MNCs to respond to the aggressive campaign of the Ministry of Food Processing Industries to attract the investment in this sector. He spoke about several impediments facing this sector in its development, which include:

- (i) Lack of matching processing facilities.
- (ii) The multiplicity of Food Laws with multiple Regulatory Authorities was quoted as another major impediment that repelled the entrepreneurs and investors from this sector. He spoke about the "Food Standards and Safety Bill" pending in the Parliament.
- (iii) Inadequate representation of the Food Trade and Industry on the Food Authority.

8. Member Secretary, NMCC said that an action plan for the industry with a time frame of 5 to 10 years (as was done in the case of IT) may be

prepared in each of the areas suggested. He said that Mission mode may be adopted for implementation.

9. Chairman, NMCC informed that almost all the State Governments are interested in the development of this sector as Agriculture and Horticulture supports majority of rural people and FPI offers tremendous opportunities for employment generation as well improving the lot of the farmers.

10. Secretary (FPI) stated that improvement of supply chain and removal of middle man was necessary. He offered a "Window" to CII and FICCI for giving feedback to the Ministry of Food Processing Industries regarding any investor interested in FPI.

11. In sum the following points emerged for further action by the Department:

- (i) FPI is a priority sector for the Government as indicated in the NCMP and the Budget. Hence it was necessary for the department to come up with a credible action plan covering a period of 10 years with phasing.
- (ii) The department already has a detailed report on the sector. FICCI has also done extensive work. What is needed is to develop a clear action plan of 10 years with two phases of 5 years each for implementation.
- (iii) Almost all states are interested in this sector and they should be taken on board appropriately. Some states have already amended even the APMC Act also.
- (iv) Implementation of the Action Plan could be through Mission Mode.
- (v) The Prime Minister has constituted a High Level Committee for Manufacturing (HLCM) under his chairmanship and the Committee is likely to meet shortly. Food Processing Industry being a priority sector, it is likely to be taken up for review as early as possible. Hence the Department may speed up the action.

23. Meeting of Sub-Group on Leather, Leather Products and Footwear Sector held on 26.06.2006

1. Dr. V. Krishnamurthy, Chairman, NMCC, initiated the discussion stating that the Leather and footwear sector is identified as priority sector in Nation's development. Therefore one has to look at the status of implementation of the programme developed by DIPP and presented to the NMCC of its last sub-sector discussion on 18.11.2005. He said that a High Level Committee has been formed under the Chairmanship of

Hon'ble Prime Minister. That Committee would review the status of progress made under each sub-sector and help decisions on the outstanding issues. Talking about the Leather & Leather products, the Chairman stated that one needs to have a clear picture whether there is in place a mechanism for monitoring to the target of exports of US\$ 7 billion and taking corrective steps. He said that whatever Action Plan is prepared it should be related to achieving the \$ 7 billion export by 2010 and the total production required to achieve the same.

2. Secretary (IPP), Dr. Ajay Dua, informed that subsequent to the last meeting of the sub-group, the DIPP has drawn a programme and submitted it to the PMO which seems to have been referred to NMCC. Preliminary comments of NMCC have been received. He stated that while India is a large exporter, it is also a large importer of the Leather & Leather products. He added that the average consumption of leather in India is very low. He said that India needs 600 to 700 million sq ft. additional leather by 2010.

3. Modernization of slaughter houses and adoption of better flaying techniques in rural areas was another initiative. Secretary (IPP) informed that of late the scheme was discontinued. The Department of Animal Husbandry was being requested to revive the scheme to modernize and license slaughter houses. CLRI has developed mobile machines for flaying animals in rural areas. Initiatives to popularize it would be launched by December, 2006.

5. Dr. T. Ramaswami, Secretary, Department of Science and Technology informed that CLRI has recommended 22 districts in the country for increasing animal density.

6. The Chairman stated that the problem of meat, coordinated action plan with Animal Husbandry, FLAY Scheme etc are there. He was of the opinion that each one would require to be dealt with separately. Coordinated effort is required on the part of Ministries of Food Processing Industries, Animal Husbandry, rural Development and DIPP.

7. The Secretary (IPP) informed that it is proposed to establish larger tanning complex at Nellore near Krishnapatnam Port in Andhra Pradesh. The Government of Andhra Pradesh is being assisted by DIPP to set it up by 2007-08. However, decisions from the Government of Andhra Pradesh have not been forthcoming which is slowing the process.

8. Speaking on the issue of investment, both domestic and FDI in Leather processing, the Secretary (IPP) informed that Leather processing has been fully de-licensed and up to 100% FDI is allowed on the automatic route. He further informed that in spite of the liberal policy framework in place, the country has not been able to attract sizeable FDI or domestic investment since the environmental regulations are very stringent.

9. On environmental issues, Director, CLE informed that the Hon'ble Minister of Environment - Shri D. Raja is taking a meeting shortly to take a holistic view by involving the other related industries, like chemical, dyeing etc. including tanneries.

10. On a query from the Chairman, it was informed that the foreign investor is appreciative of the stringent environmental regulations. On the issue of setting up of new tanneries and the impediments being faced by the industry, the Chairman suggested that an advocacy role need to be played.

Footwear

11. Secretary (IPP) informed that it is proposed to increase production of leather footwear and footwear component by 60% in the next 5 years to achieve production of 1.2 billion pairs against the existing 0.75 billion pairs. It is also proposed to increase the share of non-leather footwear exports from 0.15% to 0.5% of Global Trade by 2012.

12. In order to achieve the above targets, Secy.(DIPP) informed that the initiatives taken/ planned include:

- (i) Promoting relocation of Shoes manufacturing bases from Taiwan, South Korea, Indonesia and even China.
- (ii) Exploring Romanian collaboration and investment.
- (iii) Investment Missions to target foreign markets such as USA, Canada, Japan, Europe etc. and;
- (iv) Promoting investment in manufacture of Ladies footwear and sports wear.

13. On the status of shoe industry Shri Ramaswami informed that out of 2.1 billion pairs of footwear produced in India, 1.1 billion are low cost rubber chappals. The share of decentralized sector is 7-8%. We need to raise our installed capacity of shoes to 20-25 billion pairs which is 1% of the global trade.

14. Shri Adesh Gupta of Liberty Footwear talked about the supply chain of raw material and generation of greater number of jobs in footwear viz-a-viz tannery adding that our entire focus should be export centrist - on the finished goods and not on raw material.

15. On the issue of availability of skilled manpower, Shri Adesh Gupta stated that we need to adopt ITIs adding that they have adopted one ITI in Punjab.

16. The Chairman suggested that Industry should make full use of CLRI to safeguard the technology adding that the Industry has to sustain on its own in terms of technology. He was of the view that there are 4 major leather clusters. Out of 4 at least one must exclusively look into Footwear

component. Shri Ramaswami informed that DIPP has been requested for coordinating with NID for setting up an integrated institute.

17. The Chairman advised Secretary (IPP) to establish physical targets, keep a watch and chase them. He said that \$ 7 billion exports by 2010 was the Departments target while NMCC's view was to that \$10 billion was achievable provided necessary actions are taken in time . The Action Plan should set yearly targets and outcomes and the Department should work hard towards achieving the same.

18. In sum the following points emerged for further action:

- i. That leather and products was the first sub-sector taken up by the NMCC in January, 2005 and most of the points mentioned were also mentioned then.
- ii. The Action Plan prepared by the DIPP after nearly 18 months is a beginning but requires greater focus. DIPP must workout annual targets both in terms of activities as well as production and exports and include in the Plan. The timelines in respect of the activities mentioned in the Action Plan need to be related to the target of \$ 7 billion exports by 2010 and the total production required to achieve the same. Progress of implementation should be closely monitored. Otherwise the Action Plan would only remain a wish list.
- iii. The Action Plan suffers from the fact that it is concentrating only on a part of the sector. Footwear and footwear components are an important part of the sector and need to be included in the overall programme.
- iv. It is not clear what has been the actual investment that has taken place during 2005-06 and whether it is in line with the targets. What is the employment generated? Blame can not be placed for lack of investment only on environmental regulations. There are many other aspects that need to be attended to.
- v. Mere foreign visits by officials in the name of attracting FDI will not produce results. What is necessary is to create appropriate conditions domestically to enhance competitiveness of the Industry. The Department should concentrate more on this.
- vi. The progress regarding the Rs. 290 crores project of for Tannery modernization is extremely poor and the department has to work doubly hard to implement the same since the current year is the last year of the Plan.
- vii. DIPP should take into account all these comments including those conveyed earlier to Secretary DIPP by NMCC and come up urgently with an implementation Plan.

24. Meeting of the Electronics Hardware sub-Sector held on 06.07.2006

1. Dr. V. Krishnamurthy, Chairman, NMCC, took a meeting of the Sub-group on Electronics Hardware sector on 6th July, 2006 at Vigyan Bhawan Annexe, New Delhi to review the progress of action on issues discussed in the previous meetings.
2. Chairman, NMCC, said that the Electronic Hardware sector has immense potential for growth and suggested that the global opportunities and the needs of India should be analyzed. The Indian penetration in the global market is not very satisfactory. The efforts made so far have not been sufficient and a lot more is required to be done. He emphasized the need to create enabling situation for the growth of the sector. He stated that the industry has come together and have some clear ideas about what needs to be done in this respect. He informed that the Government has set up a mechanism in the form of the High Level Committee on Manufacturing (HLCM) under the Chairmanship of the Hon'ble Prime Minister for resolving policy issues and operationalisation of the plans for the growth of various sub-sectors of manufacturing.
3. Secretary (Information Technology) - informed that the production of hardware is not keeping pace with the demand. He mentioned that Department of Information Technology has prepared a discussion paper on the conceptual policy framework to promote growth of Electronics/IT Hardware manufacturing industry. The above document has also been discussed in the PMO and the Planning Commission. He, further, informed that PMO is very actively involved on the follow up of the above issues.
4. A joint presentation "Reinventing the Electronics Manufacturing Industry in India" on the status of Electronic Hardware Industry in India was made by Shri Vivek Bharti, Adviser, FICCI on behalf of the Council of Electronic Hardware Association which consists of CETMA; ELCINA; MAIT; TEMA; CEHA; FICCI and CII with an objective to present a unified approach and the requirements for the growth of the IT Hardware sector.
5. It was the general view of the industry that in order to catch up with the global expansion, there was need to create a proper climate and system to enable the industry's growth.
6. The Chairman, NMCC stated that given the present situation, all issues can not be solved at one go. However, he mentioned that an effort to resolve as many issues as possible can be made and a mechanism to do that there is now in place in the shape of the HLCM. Efforts should be made to make sure that the industry becomes competitive.
7. The Secretary (IT) informed that his Department has been talking to Ministry of Finance and Planning Commission. The Ministry of Finance has particularly raised the following two issues:-

- (i) What makes this industry so special and why special treatment shall be given to this sector?
 - (ii) If given, the other industries will also demand similar treatment and how to compensate for the revenue loss by giving the tax exemption.
8. Shri Bharti of FICCI stated that the industry is not seeking any special treatment but only requesting for rectification of the structural problems. Most of the industries as well as the defence sector of the country is dependent on this sector.
9. The Chairman, NMCC, advised that a case has to be built for seeking restructuring of the tax rates and advised the industry not to approach the Government for charity, subsidy, protection etc.
10. The Member Secretary, NMCC, said that the question is bound to be raised on the revenue loss since budget has to be balanced and other sections including Electronic Hardware Industry need public investment in infrastructure etc. He advised the industry to work out the revenue implications. He added that priority should be given to promote the growth of the sector and employment.
11. Shri Ajay Chowdhary of HCL offered to give figures in respect of growth and investment in computers and mobile telephones since policy corrections which can form the basis for preparation of action plan for electronic items and was sure that a credible case can be made out for tax rationalization.
12. The representative of CII informed that in order to improve Information Technology penetration in manufacturing, the Confederation is working on this issue and some clusters have already been identified. There were some suggestions made for enabling domestic IT market growth which need to be followed up.
13. The Secretary (Information Technology) said that a detailed paper would be got prepared on the lines suggested by the Chairman and the Member Secretary in 7 to 10 days time and submits the same to NMCC.

25. Meeting of the Sub-Group on Skills Development held on 21.07.2006

1. In order to review the current status of the development in Skill Development Sub-Sector, Dr. V. Krishnamurthy, Chairman, NMCC, took a meeting of the Sub-Group on 21st July, 2006.
2. The Chairman, NMCC, briefly referred to the discussions held in the meeting of the PM's Council on Trade and Industry held on the previous day i.e. 20th July, 2006 and stated that there is need for industry to move faster. The Government's main area of concern is Employment

Generation and to make people employable Skill Development was essential. He also mentioned that Research and Development work is presently confined to Government only and industry has not played a big role so far in its development.

3. Mr. Surinder Kapur, Chairman, Sona Steerings and Member of NMCC, stated that a number of approvals have been granted by the Government in the Manufacturing sector and many more companies from overseas were interested to come over to India to manufacture goods.

4. Chairman, NMCC, informed the sub-group that the first meeting of the High Level Committee on Manufacturing (HLCM) is scheduled to be held on 4th August, 2006 under the Chairmanship of the Hon'ble Prime Minister. The NMCC is given the responsibility of providing the support to the HLCM. He said that upgradation of ITIs and Skill Development on which very little progress seems to have been made is likely to be one of the early items on agenda of the HLCM.

5. Mr. Kapur informed that five societies have been formed in the State of Haryana and positive results can be expected soon. He also informed that initially, there was a lot of resentment in ITIs with regard to setting up of societies but they have been able to sort out the issues coming in the way including budgetary issues and now they were able to move further smoothly.

6. Member Secretary, NMCC enquired from Shri Ashok Kumar about the plan of action drawn by the Department and whether the huge dimension of the problem was assessed by the Department and any action plan prepared to meet the situation.

7. Shri Ashok Kumar, Deputy Director General, Employment and Training, Ministry of Labour informed that the private sector is coordinating and several initiatives have been taken which include designing of Centres of Excellence. Out of 100 ITIs, 84 have been taken up in the States such as Maharashtra Gujarat, Goa, Madhya Pradesh, Tamil Nadu etc. and are functional. States like Maharashtra and Gujarat have done a commendable work in this area. There are plans for taking up 100 ITIs each year. The financing would be done by the World Bank and several State Govts. have agreed to the pattern.

8. He mentioned about the various Skill Development Programmes being undertaken like skill development through vocational training, modular employment scheme, skill development in weaving, spinning, glass manufacture etc.

9. Shri Ashok Kumar informed about the tie up with NASSCOM and Microsoft for designing programmes undertaken for training in some rural, semi-urban and urban areas. He said that they had a vision of bringing 20 million people under this Skill Development Programme by the year 2020 and in this regard, good support from the industry was also forthcoming.

10. Chairman, NMCC, stated that the proposals mentioned by Shri Ashok Kumar were no different from what we have been listening from the last two years and the initiatives taken and slated are symbolic in nature. The need of the country and the envisaged picture in the skill development is much larger and the rate at which the progress is being projected is very inadequate to meet the requirements. On an average, one ITI trains only around 150 students per year. The number is very small - five hundred ITIs in five years programme is very meager when compared to the dimension of the problem.

11 The Member Secretary, NMCC, said that these facts were not only told to the DG, ET at the previous meeting but are part of the minutes of the last meeting of the Sub-group.

12. Shri Ashok Kumar agreed that there were personality-driven problems in the States and gave an example of Uttaranchal where not a single meeting has taken place over a period of one year since the officials concerned did not take adequate interest. Shri A. Aggarwal of DGE&T informed that in the World Bank project, one of the conditions was industry consultation should be strengthened. The Pilot Project was taken up in consultation with the CII's Northern region.

14. The Chairman, NMCC, stated that discussions have been centered around upgradation of ITIs and enquired as to how many people have qualified the exams and how many would be needing such skill development for future employability and that there should be some statistical projection of the total magnitude of the problem. He asked whether the Ministry has an idea as to how to tackle the problem and what was required to be done. He stated that the problem has not been analyzed fully. The Chairman stated that he felt little more depressed at the end of the meeting. He advised that one should not fool oneself and bury things under the carpet.

15. The Chairman, NMCC, concluded the meeting by stating that in a scenario where the Government has identified this area as priority and where the PM has been reiterating the importance of Skills Development, shying away from the problem was distressing, which will do a permanent damage to the future of the Country- its economy, potential for growth. He invited the attention of the Ministry of Labour to the pathetic condition of less developed States like Bihar which have no initiative at all in such an important area. He further stated that the Ministry of Labour has an important role with regard to employment which appears to have not been realized. He desired that the Secretary (Labour) should be properly appraised of the views at this meeting and the Ministry should take urgent steps to address the various issues discussed in a time-bound manner through a concrete action plan.

16. In sum the following emerged:
- (i) While some progress has been made in respect of some of the ITI's selected under 100 ITIs scheme, it mainly remained symbolic.
 - (ii) The size of the problem is huge and the Ministry has to draw up an Action Plan urgently to meet the projected shortage of about 1 million people at the lower end of skill development, namely, short term training requirements as well as ITI level.
 - (iii) In the preparation of the Action Plan, an assessment of the training being imparted by various other ministries should also be taken.
 - (iv) The Action Plan should list activities for time bound implementation.
 - (v) The quality and relevance of the training being imparted needs to be assessed.
 - (vi) There is a clear need for a co-ordination mechanism to enable each of the stake holders to know their role and discharge the same.
 - (vii) Skill development being one of the most important requirements, the status of progress in this regard would be very shortly put up to the High Level Committee on Manufacturing chaired by the Prime Minister. It would be helpful if the Department of Labour prepared a note stating their plans for meeting the requirements of the industry in this regard.

26. Review Meeting of the Sub-Group on Ports and Ship Building held on 21.08.2006

The Chairman, NMCC, Dr. V. Krishnamurthy said that competitiveness is not only required for the growth of manufacturing sector but also for providing employment opportunities. Ports and Ship building is seen as one of these hampering factors. Road connectivity is another issue that needs to be tackled on priority basis. The Chairman advised the participants to understand the gravity of the problem adding that two things need to be looked into: (a) a development of new ports and increasing the capacity of the existing ones; and (b) performance of the existing ports to be improved.

2. Secretary (Shipping & Ports) gave a brief over view of the Shipping and Ports Sector. He said that a country like India with an annual GDP Growth of 8%, the capacity of the ports is relatively inadequate. He said that the expansion of the major ports is a priority. He was of the view

that non-major ports must also be developed to enhance their capacities. The Ministry at its own level has been reviewing this periodically. The Committee on Infrastructure is reviewing the core infrastructure issues of shipping industry and ports area periodically. He briefly mentioned about the two sub-committees set up and the Chairmanship of Deputy Chairman, Planning Commission and Secretary (Revenue). While the Sub-Committee headed by the Deputy Chairman, Planning Commission, is periodically to monitor the infrastructure development, the sub-committee headed by Secretary (Revenue) is looking into the simplification of the rules and taxation issues. International conferences are also taking place with the main thrust on: (i) Ports expansion; (ii) Establishment of New ports; (iii) Increasing Cargo-handling capacity and Port connectivity.

3. The Secretary (Shipping & Ports) informed that there are 12 major ports with an established capacity of 456 million tonnes. Out of 187 non-major ports about 57 non-major ports are doing significantly well in cargo handling of about 200 million tonnes. Expansion of major ports is a primary objective. He further informed that National Maritime Development Programme to complement the National Maritime Policy in order to enhance capacity and transport efficiency has been finalized involving 292 projects costing over Rs.55,000/- crores. In order to encourage private participation in the ports sector, Shri Mahapatra advocated for: (i) Simplification of Procedures; and (ii) Involvement of Maritime States.

4. Secretary (Shipping & Ports) mentioned about the setting up of the star houses involving major companies who could be trusted for handling cargo sector etc. by the Department of Commerce terming it as a major initiative.

5. Secretary (Shipping & Ports) then took up the issue of Shipping. He stated that one of the main problems in the sector is the aging of the vessels which is a big problem. Several vessels are drifting in the Ocean causing a serious problem and even security concern. He said that we have around 700 vessels in the country. He said that acquisition and renewal of vessels was another big issue which required heavy investment.

6. With regard to the Ship building sector, the Secretary (Shipping & Ports) informed that at present India has 23 shipyards, of which 7 are under administrative control of the Central Government, 2 with the State Governments and rest in the private sector. The present shipbuilding capacity of India is only 2,81,000 DWT which is highly inadequate. The productivity level of all the Indian shipyards is also low due to the lack of mechanization. Despite having significant demand from the domestic market, the Indian shipyard industry has suffered on account of lack of commitment, cost overruns, poor quality construction and delayed delivery and Cochin Shipyard which were in shambles in last few years are

doing quite well presently. He said that the issue of finance was not a problem of that type now and that the Ministry was trying to revive the shipyards and drawing a plan for their revival. He informed that there was a proposal to build two Shipyards of international size in the West coast and the East coast which would be the hubs and nodal points. He said that as promised in the last meeting held in NMCC, the Ministry had set up a Task Force, who has submitted its report adding that some of the recommendations of the report need to be elaborated. He further informed that private sector players like ABG, Bharti and L&T are investing in their expansion programmes. He expressed hope that the report would give a fillip to the industry and more than Rs.2000 to Rs.3000 crores will be invested in the two International level shipyard hubs in the East and West coast.

7. The Member Secretary, NMCC Shri V. Govindarajan stated that it being the high-tech area, whenever it is taken up technology transfer should be part of the approvals.

8. Shri Roy of L&T stated that improvement in this area is significant and the share of India has increased from 0.11% to 0.4% recently. India needs to follow China policy and within a span of 10 years we can acquire a share of 3%. Shipbuilding industry alone shall require Rs.100,000 Crore. It is capital intensive industry and is not entirely high tech area.

9. Chairman, CSL informed that they had exceeded the 10th Plan target of 4 lakh DWT by doing 12 lakh DWT of which 10 lakh was exported. In India, there is 30% different in taxes if manufacturing was to be done for Indian owners which were very high. He said that the issue was to decide as for whom we are manufacturing - for export or for domestic use. He said that in his opinion, target of 500 ships every 5 years should be made adding that the business model needed to be changed depending on the user's requirements.

10. Chairman, NMCC, wondered that if 70-75% of components are imported then it would be difficult to control the manufacturing cost and if ancillary development is not there, it will be further difficult to do so.

11. In his response the Secretary (Shipping and Ports) informed that the Ministry has drawn the following 5-Point Programme for re-inventing the Ship Building Industry:

- Set up two major Ship Building yards in West coast and East coast with private sector participation for which the blue print has been prepared and requested for NMCC's support in implementation of the proposal.
- To support private sector investment for expansion of shipyards in a big way.
- To support public sector shipyards for creating capacity.

- Mega alliance be created between public and private sector for ancillarisation.
- Correction of imbalances in economy including taxation issues.

12. In response a query from Shri S.N. Roy of L&T as to who would own the two major yards, Secretary (Shipping and Ports) stated that they not so far fix up any plan on this issue and they were open to all options - it could be PSU, or jointly with the private sector in PPP mode.

13. The Chairman, NMCC, advised L&T to be part of the proposal since it is no more a private company in view of its shareholdings and investment in strategic sectors and basically there is no wall between the private sector and the Government.

14. Shri Mahapatra stated that the Five-point Programme, if implemented, and using the alliance between private and public sector, there could be perceptible change in the scenario which will bring in major benefits and will transform the Ship Building industry radically.

15. On a query from the Member Secretary, NMCC about the deep sea ports, Secretary (Shipping and Ports) informed that by the year, 2012, India would need a capacity of 1500 million tonnes and the contribution of major ports will have to increase manifold. The major ports capacity can go up 800 million tonnes and the balance will have to come from non-major ports. Presently we can add another 400 million tonnes adding that in the next five years, 3 or 4 deep sea ports were being proposed.

16. The Chairman (NMCC) stated that the Ship Building is not the Industry which can be built on the boom period. The sector needs focused growth and development in a sustained manner.

17. Shri S. Hajara, CMD, SCI stated that India ranks 15th in the Ship Building sector and it is not a very satisfactory rank. He said that unless we get a level playing field and FDI comes into sector, the sector will not register growth.

18. Shri A. Tewari, CMD, HSL said that ship repairs is an important manufacturing sector.

19. Member Secretary (NMCC) said that the five-point programme indicated by Secretary Shipping in respect of ship building needs to be made into a full-fledged proposal. He also briefed on the HLCM established under the Hon'ble Prime Minister and the Empowered Committee under the Chairman (NMCC) where Secretary (Shipping & Ports) would also be a member and that a clear cut programme incorporating all the issues in terms of a specified time frame should to the Empowered Committee, who will filter the issues and try to resolve at its own level and further if necessary brought before the HLCM.

20. Secretary (Shipping & Ports) informed that they will come to the Empowered Committee in a comprehensive manner and would also bring the fiscal imbalances in this sector before the Empowered Committee.

21. In sum it was agreed that:

- a) A detailed proposal for ship building sector on the basis of the five-point programme outlined by Secretary (shipping) would be prepared and discussed at the meeting to be called by the NMCC in about two weeks; and
- b) The proposal relating to deep sea ports for supporting State level minor ports will be prepared for discussion and taking up with the Empowered Group thereafter.

27. Meeting of the Sub-Group on Food Processing Industry held on 23.08.2006

1. Shri P.I. Suvrathan, Secretary, Ministry of Food Processing Industries stated that the Ministry of Food Processing is looking for the areas that need to be accorded priority in terms of technical expertise. He said that a review of the areas in which focus and thrust is required can be taken after 5 years and mid-course corrections could be made.

2. Chairman, NMCC said that there should be a planned and organized methodology for food processing with Agriculture being the strength of India. He said that there is vast scope and potential for its expansion adding that the objectives should be clearly defined and prioritized. He said that there was a need to address the issue of 40% wastage along the entire value chain i.e. from the harvesting stage to the processing stage and the need to reduce this wastage so as to enable the farmers to have more money for their produce. He felt that objectives must eventually benefit the farmers and anything done must be linked to the farmers. He stated that the schemes of Ministry of Food Processing Industry would have greater weightage and importance if these objectives were met. He said that there was a need to have well defined objectives and a multi-pronged approach to deal with these aspects since all these issues are inter-linked. He emphasized that in short there were two larger objectives: (a) Growth of manufacturing sector; and (b) generation of employment.

3. Member Secretary, NMCC Shri V. Govindarajan stated that there are two areas to focus on in the preparation of the Action Plan by the Ministry: (i) set of activities which would result in the growth of manufacturing in Food Processing Industry from the present level to the desired levels and (ii) generation of employment in this sector to be quantified with downstream projects.

4. Secretary, Food Processing Industry made a presentation indicating details of the thrust areas in Food Processing, Initiatives taken by his Ministry and proposed Model of Food Park etc. Secretary, FPI said that we need to identify the areas where the government can help adding that there were 8 to 9 Ministries working in this field and there was lot of overlap. These are critical requirements which should be addressed. He mentioned that as per vision 2015 for FPI prepared by Relso Indiathe total food consumption (2003-04) amounts to Rs.8,60,000 Crore of which the processed foods consumption was Rs.4,60,000 Crore. The amount of Value-added foods was Rs.1,80,000 Crore.

5. Secretary (FPI) then raised the issue of poor conditions of abattoirs and said that no worthwhile modernization has taken place in most the abattoirs adding that the private enterprise driven concept may work here. He said that integrated model abattoirs are not available presently. He mentioned that modernization of abattoirs was imperative and it is an area of high priority.

6. Secretary (FPI) then raised the issue of street food which was another neglected area. He said that this area if reformed would impact the common people most since large number of families were involved in this sector and it would have a far reaching impact.

7. Secretary (FPI) also touched upon the area of organic food and said that there was no clear cut policy in this area. In this regard it is necessary to work with APEDA, Department of Commerce and Ministry of Agriculture since this area also has huge potential.

8. Dr. Prakash, Director, CFTRI pointed out that the global market of Nutraceuticals was US\$ 100 billion and India has the great potential to achieve US\$ 40 billion but it was utilizing just 0.5 % of it. This he said needs to be looked into. He said that in the 11th Plan at least efforts should be taken to showcase some achievements.

9. Shri Bharati, Adviser, FICCI stated that a new administration is going to be in place and emphasized on the need for development and facilitation because it is essential that besides regulation, development must also be focused on.

10. The Secretary (FPI) said that the other important area was taxation. He said that the Minister for Food Processing Industry was very interested in having a SEZ model and had taken up the matter with Ministry of Finance.

11. The FICCI representative said that the large players in the Food Processing industry sector have not been successful as the big industries do not find it viable.

12. Member Secretary, NMCC said that it happens in a variety of other industries as well where the energy costs of processing are high.

Secretary, FPI said that they needed to have advance action in the areas of: (i) Food Park; (ii) Abattoirs; (iii) Street food; and (IV) Laboratories.

13. It was agreed that Food Processing Ministry would prepare a basic paper / strategy/ document covering the points discussed in a 10 year time frame and with specific action oriented blue print for next 5 years and send it to NMCC with in 10 days. This will facilitate its consideration by the Empowered Committee of the HLCM and appropriate follow up.

28. Review Meeting of the Sub-Group on Leather & Leather products held on 09.04.2007

1. The Chairman NMCC welcomed the participants and said that the Leather & Leather products sector is one of the thrust areas of the NMCC identified for focused intervention for enhancing the employment, growth and export prospects. In fact, he said that it was a little over two years ago that the need for urgent action was pointed out to the DIPP in view of its importance. He said everything needs to be done to improve the performance and prospects of the sector so that it will be able to make its presence even more in the international market in the immediate future.

2. Secretary, DIPP said that 97 per cent of the Leather & Leather Products manufacturing units are in the SMEs; most of them do not have backward linkages and are constrained by raw material supply.

3. Secretary, DIPP, said that there is 200 million sq. ft. shortage of finished leather and the gap is widening every year between the demand (2 billion sq. ft) and supply (1.8 billion sq. ft.). India is the second largest exporter of footwear in the world.

4. To address the raw material issue the Animal Husbandry Ministry has formulated an action plan for Rs. 3,000 crores and submitted to the Planning Commission as part of Eleventh Plan Proposals. It mainly consists of the following:

- (i) Raring of male buffalos
- (ii) Modernization of rural and mobile slaughter houses.
- (iii) 50 Caracas collection centers

5. Secretary, DIPP said the Department of Food Processing has formulated a programme for modernizing 50 Urban Slaughter Houses for Rs. 800 crores. He said the DIPP has formulated setting up of 10 new leather parks including 3 exclusive tannery parks, one for leather machines and 6 leather products parks on the SPV model during the 11th Plan. The setting up of common effluent treatment plants is being pursued.

6. Secretary, DIPP said the lack of flexibility labour laws, as in the textile sector is one of the major concerns affecting the growth of this

sector. Equal opportunity need to be given for women. Contract labour system need to be introduced by amending labour laws section 59 and 62. He said for Skill upgradation.

7. There are Plans to develop new areas of production, viz. the North-East which has high local availability of hides and skins. The new investment policy being announced recently has offered 30 per cent subsidy with no limits for investment in the NE.

8. Secretary, DIPP said proposals for development of leather on Mission mode have been approved by the CIM and the approval of the Ministry of Finance is being sought. He said this would give functional flexibility for developing leather sector.

9. Shri. M. Amin, Chairman CLE said that the low growth of leather industry is a matter of concern. The main problems facing this sector are:

- (i) Availability of raw material. Trading houses can import wet blue leather, stock in bonded warehouses with the option of re-exporting 25% of the material imported.
- (ii) To have large tanning capacity in selected clusters. The leather parks scheme may take some time to fructify. In the meanwhile modernization of the existing capacity is urgently required. The limit on the assistance on modernization needs to be raised from Rs. 50 lakhs to Rs. 1 crore including the building cost.
- (iii) Skill upgradation through ITI's and CFTI's Training centres for short term courses should be opened near the clusters by the CLE.
- (iv) The components segment need to be strengthened (A component park initiated by the DIPP is coming up in Chennai).

10. Shri. Rafeeq Ahamed said that the confidence level of leather sector is already high , especially in the footwear sector. Investment in the leather sector is expected to increase.

11. Dr. Chadramauli from the CLRI said that the leather sector faces constraints in raw materials, both in terms of quantity and quality. He said there is a supply side issue as mostly hides is taken from male buffalos, which are limited in population.

12. Shri. Jawhar Sircar agreed that the SSI sector has not contributed to the growth of the leather sector. He said Indian has the advantage in goat skin, which needs to be fully exploited. He said the Tata project in West Bengal in this area can be expanded into a Mini Mission in the country.

13. Chairman said that Dr. Ramaswami, DG CSIR, had mentioned that technology has been developed by the CSIR for meeting very stringent

norms on environment for the leather sector. He said there exists indigenous technology for tanning and processing which is eco-friendly and this technology needs to be disseminated.

14. Dr. A. Amudeswari, Scientist from CLRI said under the CSIR- India leather programme technology policy interface, technologies are being developed for safely undertaking tanning process. The CLRI has developed a technology for bio processing of leather.

15. Member Secretary, NMCC summed up the discussion with the following action points:

- (i) As already suggested in earlier meetings, a vision for this sector for the next ten years is to be developed and a set of programmes and policies identified and worked out to achieve the required vision. The outcome of this exercise can be placed before the Empowered Sub-Committee for their recommendations to the HLCM presided over by the Prime Minister. It will help if quick action is taken by the DIPP for decisions by the ESC and HLCM.
- (ii) On the supply side, the entire supply chain starting from rearing of animals to export of leather products should be assessed with reference to the targets set by the vision for this sector. Programmes in co-ordination with relevant Ministries should be finalized. These programmes can also become part of the package for approval by the HLCM.
- (iii) The non-leather footwear should be given due importance in the programmes and policies since the market for these products are extremely large. The footwear component sector also requires to be strengthened.
- (iv) A more rigorous statistical system should be developed for collection of production data relating to this sector, particularly from the unorganized leather sector in order to ensure that programmes and policies are based on reliable statistics.
- (v) While Mission mode is recommended, it should be ensured that selection of the Mission Leader is done carefully keeping in view the qualifications, experience and leadership qualities.
- (vi) Skill development is an important element and the programme for development of skills in this sector should be an integral part of the overall Government programme.

29. Minutes of the Meeting of the Sub-Group on Public Sector Enterprises held on 10.04.2007

1. Dr. V. Krishnamurthy, Chairman, NMCC, emphasized the significance of Public Sector Enterprises in the Indian Economy. PSEs contribute significantly to GDP, Employment, Foreign Exchange Earning and R & D in industrial sector. In the present volatile competitive market conditions, PSEs have to be more and more competitive domestically and internationally for their survival and self-sustainability.

2. Dr. R. C. Panda, Secretary, M/o Heavy Industries & PE made a presentation on Strategies for Public Enterprises to meet competitive market conditions. In his presentation, Dr. Panda highlighted the objectives of Public Sector for rapid economic development and industrialization, employment, export and balanced regional development. He analyzed the main components of Industrial Policies of 1948, 1956, 1991 and National Common Minimum Programme to explain the shift in focus from developmental objective to social safety net. Out of 245 Central Public Sector Enterprises, 157 are profit making, 58 are loss making, 10 have not furnished information and 20 CPSEs which are mainly of strategic importance are under construction.

3. Shri S K Roongta, Chairman, Steel Authority of India Limited, also agreed to this view of Chairman and stressed the need for reversing the image of public sector. Secretary, M/o Heavy Industries and Public Enterprises said that as the country is opening up to the WTO regime, the PSEs have to face stiff competition from domestic and international companies. He further explained that PSEs can be internationally competitive only if they are competitive locally.

4. Dr. Panda highlighted the issues impacting the competitiveness of CPSEs such as cumbersome purchase procedures, outdated technology and lack of autonomy in decision making. He also emphasized that R & D is vital to increase competitiveness in the long run. He suggested three remedial policy measures:

- (i) A suitable National Technology Transfer Policy,
- (ii) Access to Capital at right time and
- (iii) Corporate Governance with necessary motivational rewards.

5. Shri S H Hazara, CMD, the Shipping Corporation of India Ltd said that the main bottleneck in decision making is in Merger and Acquisition. In the present system, CMDs are not even allowed to fix a meeting abroad on their own.

6. Chairman, NMCC asked the Secretary, HI & PE to make out a list of issues to be taken up immediately at the highest level for sorting out the problems being faced by the PSEs. He also advised all the participants not to shy away from projecting the right image of the public sector.

7. Member Secretary summed up the discussion with the following points:

- (i) Role of the public sector in this changed economy should be clearly defined.
- (ii) Some identification of role in economic terms needs to be done.
- (iii) On competitiveness, public sector should be projected against the private sector by suitable benchmarking.
- (iv) Major initiatives need to be taken to tackle the procedural problems.
- (v) Public sector autonomy with necessary checks and balances needs to be put in place.
- (vi) R& D, Profit and Technology issues are to be addressed in an integrated way as profit alone would not be indicative of the competitiveness of a PSE. Long term competitiveness can come only through constant improvement in productivity and through innovation for producing new products.

30. Review Meeting of the Sub-group on Ports & Ship Building held on 11.04.2007

1. The Chairman NMCC, Dr. V. Krishnamurthy welcomed the participants and said that the growth of the Ports and Shipping sector is crucial for increasing the competitiveness of most of the Manufacturing sectors. He said that special efforts are being made at various levels to address the infrastructure constraints including those related to Ports, Shipping, Roads, and Power. He urged all the concerned to take immediate action to facilitate adequate capacity creation in ports, shipping and ship building sector to cater to the accelerating manufacturing growth. He wanted the Ministry of Shipping to come out with a blueprint to go ahead with various schemes including that of developing ports, ship building etc. in a time-bound target oriented manner.

2. The Member Secretary highlighted the issues raised in the earlier meeting on 21st Aug. 2006 and requested the Secretary, Dept. of Shipping to give details on the action taken. He said that considering the importance of this sector, it has been agreed that the Secretary (shipping) will prepare detailed proposals for the shipbuilding sector on the basis of the suggested five point programme.

3. Shri A.K. Mahapatra, Secretary, Shipping and Ports (S&P) said that many positive developments have taken place since the last meeting at NMCC, viz. the capacity of 12 major ports has increased by 52 million

tonnes(MT) from 456 to 508 MT; the traffic handled has increased by 10 percent (from 423 MT in 2005-06) to 464 MT in 2006-07 compared to the target of 465 MT; the capacity of non-major ports is 220 MT taking the total port capacity to 738 MT, which is comparatively low, considering the momentum created by GDP growth of 9 per cent. He said the projected port capacity by the end of the 11th Plan is 1.5 billion tonnes, which is achievable, considering the growth of infrastructure and the 10 per cent growth targeted in the 11th Plan. He said this would need the combined active efforts of all the stakeholders including the private sector.

4. The Secretary, S&P said that efforts are progressing to increase Port capacity by adding 3-4 major deep sea ports and the active involvement of all the maritime States. He expressed optimism in meeting the ambitious target of 1.8 billion tonnes, if the Major ports are able to increase capacity from the existing 508 MT to 1000 MT, followed by minor ports from the existing 228 MT to 820 MT. He said the efficiency of ports is sub optimal and is a matter of concern.

5. The Secretary, S&P pointed out that for two decades, ports had no major plans for upgrading the machinery and equipments. He invited the NMCC's attention and requested to intervene in refining the procedures, especially the investment procedures in ports and shipping. He said an Empowered Committee can be formed involving inter-ministerial groups for speedy decision making, as the existing mechanism involves long delay.

6. Shri Mahapatra argued that the need of the hour is block approvals for major investments in Ports and Shipping, similar to the Finance Ministry's approval for acquiring 12 vessels. He said that spending capacity needs to be increased from the current level of Rs. 3000 crores per year to at least Rs.15,000 crores per year. To achieve this the private sector needs to be encouraged and the State government's role also has to be taken up with due consideration.

7. The Secretary said that, Port connectivity is a major concern affecting the performance, and the minor ports have been identified where connectivity is urgently required. He requested the NMCC's intervention for formulating suitable policies for improving connectivity to non-major ports through laying rail and road networks. He said that in Shipping Indian tonnage is not satisfactory. He felt that the private sector's role in Shipping has not risen with the market. He urged for an action plan for upgrading the internal efficiency of the shipping companies.

8. The Secretary requested the NMCC's intervention in getting extension to the shipping subsidy from the Finance Ministry, which is ending by Aug. 2007. On Taxation front he pointed out that in the case of hired ships there is no taxation, whereas ships built in India are being taxed, which needs to be looked into.

9. Shri Vivek Bharathi, Advisor FICCI said that for improving the connectivity, Viability Gap Funding (VGF) procedure could be adopted. Capt. J.S. Gill, representative of ASSOCHAM, said a study is needed to understand the trade movements so that port capacity and connectivity can be provided accordingly.

11. Shri K. R. Palta, Vice President of L&T said that the private sector has been investing heavily in this sector which is expected to go up further, provided adequate investor friendly environment is created by providing support and incentives as in the case of certain competing countries. With the permission of the Chairman, Shri D.K. Goel, Head-Strategy (Shipping), L&T gave a brief presentation on the prospects of the shipbuilding industry and the scope for India. He said that the climate is ripe for investing heavily in shipbuilding industry, as its prospects moves in cycles. The shipbuilding industry expects a CAGR of 42 per cent during the 11th Plan, which has an employment potential of about 2 lakh and has export orders accounting for 68 per cent.

12. Member Secretary said that activities and programs are to be planned on a long-term basis and are to be followed up and monitored for better performance of the sector, which is required for enhancing the competitiveness of the manufacturing sector. He said the issue of connectivity is crucial and a plan of action needs to be formulated to approach the issue of connectivity especially that of the identified minor ports.

Summing up, the following issues have been identified for urgent attention to ensure rapid growth of the sector:

- Special programmes need to be drawn up by the Department including port-wise funds required for various activities.
- A monitoring mechanism needs to be put in place to oversee the implementation of the action plan on a time line basis.
- The details of estimates of investments for ensuring connectivity to minor ports including dedicated freight corridors to be worked out for follow-up on a time bound manner.
- The issues in ship building to be delineated by the Department including continuation of the subsidy regime (on the lines of the February policy) and taken up on a priority basis for intervention of the NMCC/Government. The programme should not be on an incremental basis but should aim at a breakthrough in shipbuilding with the future in mind.
- The procedural aspects regarding the spin-off of technology in the case of shipbuilding will need to be taken up at the appropriate level for further action.

- The details on investment to be made for Dredging Corporation of India (DCI) for upgrading as well as simultaneously creating capacity. Possibility of encouraging private sector dredging needs to be explored.
- The Department needs to come up with details on plan of action regarding the major ship yards to be established in the East & West coasts on a time line basis.

31. Minutes of the Handicrafts Sub-Group Meeting held on 09.05.2007

1. Chairman NMCC said that the handicrafts sector, which is highly decentralized and mostly cottage based, is one of the thrust sectors identified by the NMCC for focused intervention through policies and programs for enhancing growth and competitiveness. He said in this context the envisaged programmes and policies should be designed to incorporate the diversity of traditions and the variety of ethnic cultures prevailing across the country. He said for the harmonious growth of the sector it is important to know how the sector is positioned and what are its prospects and problems.

2. Chairman pointed out that lack of adequate data is a serious problem, which limits information on the status of the handicraft sector. Similarly information on type of artisans and the respective skills is important for identifying the skill availability and development. He suggested that a balanced approach should be followed allocating funds for economic and social programmes as the ultimate goal is the overall development of the sector. He wanted efforts to be made to improve the tools and implements used by the artisans thereby increasing their productivity and leisure time. He said that the handicraft sector should adopt programmes for substantial growth rather than having incremental growth approach.

3. He informed that India has the natural advantage in terms of resources and human capital to develop the handicraft sector. He cautioned over a skewed development trend by which experiments are remaining symbolic rather than multiplying and spreading to different areas.

4. Shri. Sanjay Aggarwal, Development Commissioner (Handicrafts) made a presentation by giving a brief overview and highlighting the issues pertaining to the sector. He said employment in the sector is about 67 lakhs, which has been estimated by assuming a 3 per cent annual growth based on the 1995-96 data. The NCAER has done the handicrafts census in 1995-96. He opined that in the carpet segment, India is considered as a world leader having about 33 per cent of global market share in 2007.

5. The DC (Handicrafts) informed that currently the World market for handicrafts, Gifts and Decorative (G&D) items is about US \$ 235 billion, of which handicrafts accounts for US \$ 35 billion in which India's share is 1.2 per cent i.e. US \$ 3 billion.

6. He pointed out that the Handicrafts vision for the next five years envisages that 80 lakhs employment can be generated in the sector by the year 2011-12, and the sector can achieve a global share of 2.8 per cent. The production is being estimated as Rs. 82,000 crores and exports of Rs. 44,000 crores. The cluster development is the focus and in 100 clusters survey has been done for intervention.

7. He said that the focus is being given to training, design development, market intervention operations, and export market development and from information collected regarding training programmes in top 10 engineering institutes, it is found that the NID and NIFT are having short-term courses of 3 to 6 months and the IIT Kanpur is having courses on design in development of glass and leather areas. He said in the new approach, a resource centre based crafts are being developed, for instance the metal crafts of Moradabad. The focus is on developing technology, marketing, and good practices and linking them with e-kiosks.

8. Member Secretary, NMCC observed that the basic problem pertaining to the handicrafts sector is that of lack of authentic data, hence immediate programs are needed to address this crucial issue. He said providing employment is the best way to eliminate poverty rather than giving doles etc. Hence ample employment opportunities need to be created. He enquired about the new clusters being developed and required designs are available. He said the sector should identify and promote suitable programmes or courses on design and development for the handicrafts sector.

9. Shri. A.K. Singh, Secretary, Textiles said that the export figures are based on actual data whereas the domestic consumption is based on the assumption from the NCAER data. He said the various schemes undertaken by the government being implemented are those with less emphasis on capital intensive production process. The focus is on giving more value addition. Some of the schemes are also focused on training and imparting design skills and marketing capabilities. He said a cluster level approach is being adopted for developing the handicrafts sector.

10. Shri. Sutanu Behuria, AS & FA, Ministry of Textiles, said that while the employment is estimated to grow at the rate of 3 per cent and production is projected to grow at the rate of 20 per cent, hence there seems to be an indication of capital intensive production structure, which is not a good trend for the handicrafts sector, which is basically labour intensive in nature.

11. Shri. Rakesh Kumar, Executive Director (Export Promotion Council for Handicraft) said that 80 per cent of the departmental stores in Europe, the G&D items are being preferred than the handicrafts. He said efforts are required at the NMCC level to include the G&D items in the handicrafts list.

12. Shri Rizwan Khan, R.K. International, Saharanpur said that handicrafts product speak for itself and in wood carving area people are getting good employment and wages.

13. Shri O. P. Prahladka mentioned that there is a dearth for hardwood designs and labour laws are against self help groups.

14. Shri S.Sen, Coordinator Development Projects from CII said that the low income prevailing in the handicraft sector is due to the intermediaries and problem exists in marketing of the handicrafts products. He said they are involved in training youth in the Bell metal in Kerala and in another programme along with NEDFI in the North East, raw material is not a problem and focusing on traditional products, 61 products have been developed with design support from NIFT Delhi.

15. Shri Chetan Bijesure, from FICCI said they are involved in an artisan skill upgradation programme along with DFID, with an objective of providing sustainable design interventions.

16. Shri V.B. Gangurao, Dy CEO, KVIC said that in the North East Region, the census on artisans reveal that the problem areas are traditional tools, raw material processing , and middleman. The KVIC is developing a special package for the North East Region especially for marketing and technology development. On training and skill development, KVIC has 44 training centres all over India and it has tie up with 100 accredited training centres. It has also tie up with IGNOU for awareness generation programme on pottery

17. Shri Jawhar Sircar, AS & DC (SSI) said that the handicrafts sector and the KVIC units can benefit in terms of funding from the cluster development programme of the SSI as some of the schemes have similar packages. He pointed out that only top layers of the SSIs are taking benefit in the case of technology etc.

18. Member Secretary in his concluding remarks pointed out that as there exists huge potential for the handicrafts sector for both in the domestic and export market, revamped programmes and schemes are to be prepared for increasing the production with innovative design and high quality inputs. It has been agreed that the D C (Handicrafts) would initiate steps immediately for undertaking an All India survey for collecting basic statistics on handicrafts and formulate suitable schemes and programmes for augmenting the production and employment opportunities of handicrafts with respect to traditional and modern items (gift &

decorative) and those having export demand based on the findings from studies undertaken recently and linkages to the production centers.

32. Minutes of the first Sub-Group Meeting on Textile Machinery held on 10.05.2007

The Chairman, NMCC said that the Textile Machinery(TM) Sector is an important segment of the textiles and garments (T&G) sub-sector which is one of the thrust areas identified by the NMCC for focused intervention. He said the T&G has been given the highest priority in the HLCM headed by the honourable Prime Minister and it is believed that India can play a significant role in the global market through enhancing the growth and competitiveness of T&G sector. He observed that the textile machinery industry needs to understand the circumstances which prompted the government to allow import of the second-hand machinery despite having a protected regime for over more than 40 years. He said that it is of great concern today that the TM segment, which once had contributed about 85 to 90 per cent towards the domestic requirement, has a much lower share today, though enough time has been given for its technological and in-house R&D development, it failed to give the desired results.

2. Chairman, NMCC said that though the domestic textile machinery sector is performing profitably, it is not able to meet the growing internal demand. He mentioned that in the domestic market, there are many competing players in the composite mill segment, which could generate ample potential demand for both textile machinery and machinery parts. He suggested that the mindset of the TM manufacturers need to change and they have to come out and face competition, if they want to reverse the present trend in the case of textile machinery production.

3. Chairman, NMCC has suggested that for revitalizing the textile machinery segment, incremental and temporary support approach will not be adequate, as it will only give short term solutions. He said that it needs to be understood that in the long run, India cannot depend on import of textile machinery, as a big country, it has to sustain the growing demand from the efficient domestic sources.

4. The Member Secretary, NMCC said that the NMCC has been engaging with the T&G sector through bringing out long-term action plan for enhancing the competitiveness of the sector. He said that the discussions at various levels, have pointed out that, the issues relating to the textile machinery sector is very crucial, and needs to be addressed appropriately. The issues highlighted include, the availability of modern machinery, the lack of domestic capacity in the textile machinery segment and the vision for healthy growth of the textile machinery segment. He said the capital goods industry argues that, the existing policy encouraging import of old

and second-hand textile machinery has been hampering the growth of the domestic TM segment. He said, it has been decided that, to solve the issues pertaining to the TM segment, a coordinated approach of various Ministries involved, such as the Textiles, the Heavy industry, the Small-scale industry and the Finance Ministry is essential for identifying the critical areas and formulating specific policy interventions. He raised concern over the current lower (15 per cent) share of the textile machinery segment in the domestic market and asked the concerned industry to come out with reasons for this state of affairs and solution for increasing the domestic share. He said that continuance of a liberal import policy could further reduce the prospects for a vibrant textile machinery segment; hence stakeholders need to come out with concrete steps to addresses issues in a prioritized way. He felt that the existing TUFs is not adequately addressing the issue of technology upgradation of the TM units, which are the real needy lot for technology upgradation. He suggested that the industry should come forward with specific suggestions and programmes for incentivizing the Joint venture initiatives for attracting investment in the TM sector. He said for a harmonious growth both textile machinery and textile & garments sector has to grow in tandem.

5. Dr. R.C. Panda, Secretary, Heavy Industry, & Public Enterprises said that there is no doubt that India is in need of advanced technology for developing competitiveness in various industry segments. But, with increasing import of machinery every year, a lot of unwanted and junk machinery items are also being added up. In order to regulate the situation he suggested a strict and vigilant monitoring mechanism should be put in place to check the age and level of technology embedded in the importing machinery.

6. Shri Bishwanath Sinha, Director, Ministry of Textiles said that the key issue is modernization of various segments of the T&G sector. He said the ambitious TUFs introduced in the year 1999 for technology upgradation has picked up only since 2004 onwards.

7. Shri V.K. Mutreja, Advisor (Technical), Department of Heavy Industry said that the policy for supporting import of textile machinery through subsidies will have a negative impact on the domestic segment.

8. Shri. D.K. Nair, Secretary-General CITI said that though investment in the textile machinery segment is taking place in the recent period through joint ventures and collaborations, the waiting period for textile machinery exits. He said the domestic capacity in the T&G sector has doubled during the last three years, but the consequent investment has not gone into the textile machinery segment.

9. Shri Sudhir Sharma, Vice-President Marketing, Voltas Ltd. said that in the T&G sector all segments like spinning, weaving, and knitting need technology upgradation and sector-wise approach need to be followed for

policy intervention. He said an action plan for achieving segment-wise competitiveness is to be prepared for addressing the wide gaps existing in the spinning and weaving segments.

10. Prof. S.M. Ishtiaque, IIT, Delhi said maximum efforts are needed for manufacturing textile machinery domestically as the ratio of import to that of domestic production is 4:1. He said in knitting, processing, we are not doing well and the gap is widening. The important aspect is the lack of an efficient R&D back up and with strides in innovation in the global front, the domestic R&D lag is increasing. He said though the TIFAC led R&D initiative in textile machinery has taken some lead, but with the launching of the subsidy linked TUFs, the momentum has slowed down. He said the need of the hour is to seek permanent solution for a domestic textile machinery segment, as the Joint Venture only give temporary relief. He suggested that the authorities need to put in place some restrictions on importing second-hand machinery like allowing it only in the case of SMEs.

11. Shri J. K. Sharma, Joint Secretary, Ministry of Textiles said that restricting the import of textile machinery and allowing the import of TM only for the SMEs would lead to further fragmentation of the T&G sector and which is not a positive development for enhancing competitiveness through economies of scale.

12. Shri S. Chakraborty, Secretary, Textile Machinery Manufacturers' Association (India), said that the need is to have sectoral approaches, like specific interventions in the spinning and weaving.

13. Summing up, Member Secretary, NMCC said it has been agreed unanimously that in order to revitalize the textile machinery segment a comprehensive policy need to be formulated immediately. The consequent programmes and schemes for enhancing the TM segment will be initially designed by the TMMA and the CITI and which will be further fine tuned in a meeting to be held at the NMCC with all the concerned stakeholders including the main industry players and the Textiles and the Heavy industry Ministries. The textile machinery segment is in dire need of advance technology and know-how for meeting the potential demand, hence it is imperative to continue the import of advanced machinery with a calibrated approach with an appropriate regulatory mechanism for ensuring the age and the level of technology being imported. The issue will be taken up by the Heavy Industry Ministry with concerned authorities. The weak links in the TM segment is the investment in innovation and R&D, special incentive packages need to be developed for attracting investment. Similarly concerted efforts will boost the development of textile machinery clusters, which will give the impetus for supporting the SITPs and the T&G sector as a whole.

33. Meeting of the Sub-Group on Skill Development held on 14.05.2007

1. Dr. V. Krishnamurthy Chairman, NMCC, indicated the need to address the issue relating to creating semi-skilled manpower in a number of sectors in manufacturing in the country, as we are likely to have a huge shortfall in these skills.

2. Shri V. Govindarajan, Member Secretary, NMCC said that the focus of this meeting would be on skill development for imparting skills to mostly school dropouts for a short duration of 2-3 months and make them employable. He pointed out that there are three important issues which need to be looked into:

- a) Identifying the dimension of the problem i.e. estimation of the requirement.
- b) Nature of the structure to be instituted to address the problem and the sequence of the process to be undertaken.
- c) Evaluation of the possibility of implementing the solution through PPP mode.

He indicated that Shri R. Gopalan, Chief, NMCC has worked out a model to create semi-skilled labour force from the school dropouts, on which feed back from the participants is requested. He emphasized that as this is a national issue, it could be handled only by the combined efforts of the Government, Industry and other stakeholders.

3. Shri R. Gopalan, Chief / Joint Secretary, [JS(RG)], NMCC, made a brief presentation of the model for Skill Development, pointing out that the following issues before the participants for their valuable suggestion and feedback.

- Shortage of skilled / Semi - skilled manpower especially in Textile and Leather Sector.
- Various activities which are required in attempting to create semi-skilled work force.
- Different players who would be conducting skill development programmes are:
 - (a) Enterprise / industry association at the facility owned or controlled by them.
 - (b) Private sector institutions
 - (c) Enterprise / industry association and private institutions in the catchment areas.

4. He also explained the role of various players involved in the training viz. enterprise/industry associations, Apex body of industry through its

field offices, District Coordinator, Project Officer DRDA, State Coordinator and the concerned administrative ministry.

5. The State government would develop and maintain a website providing the details on those who are trained including their names, addresses, acquired skills etc., so that the industry interested in employing them can easily access them.

6. The Chairman, NMCC said that the model proposed by JS (RG) for skill development is in a nascent stage and requested comments of the various stakeholders to make this model operational. He pointed out the significant role played by skill development in achieving competitiveness.

7. Shri A. K. Singh, Secretary, Textile thanked the NMCC and appreciated its effort in taking up this complex issue which is extremely important. He said that if this problem is sorted out, it could not only enhance productivity and competitiveness, but also address the social issues created by unemployment. He enquired, whether NMCC is planning an action plan and programme in common for various Administrative Ministries for addressing the issue of Skill Development or whether each Ministry can chalk out its own action plan under the overall coordination of NMCC. He also said that his ministry has evolved an action plan and programme for creating semi-skilled labour force for the Textile Sector and offered to give a presentation on the action plan next week.

8. Member Secretary indicated that each Ministry is already involved in such activities and altogether 16 ministries are involved in the activity of Skill Development, apart from the Ministry of Labour. However, as a country, we have not identified skill development as a crucial problem, and the need to focus on solving the problem. Therefore, a uniform vision is important. However, it may be necessary to create a Mission to review and monitor such training programmes. The Ministry of Textiles could propose the structure and schemes for skill development as part of their proposals to the ESC/HLCM, addressing the elements proposed in the presentation.

9. Shri I. S. Gahlaut, Director, CII, indicated that skill development can be implemented on a PPP mode where the role of the Mission would be to act as a facilitator, provider of funds and agency for monitoring, while, the private sector would carryout training, assessment, quality control, certification and reporting to the state and national level authorities.

10. Shri A. Sakthivel, President, Tirupur Exporters Association and Managing Director Poppy's Knitwear (P) Ltd., indicated that the requirement of skilled manpower for the textile industry is different from that of the other sectors, since, in this sector, a number of sub-sectoral activities are involved.

11. Shri Mukhtarul Amin, Chairman, Council for Leather Export (CLE) expressed that the shortage of skilled and semi-skilled manpower is a serious problem in the leather industry. According to him, this problem can be addressed on a PPP mode.

12. Shri Mukhtar Ahmed, General Manager M/s. Farida Prime Tannery gave a presentation on Leather Footwear Sector at Ambur, Tamilnadu. He highlighted the present status of the Leather Footwear Industry at Ambur, which employs about 50,000 direct work forces.

13. Smt. P. Sivakami, Special Commissioner, Employment & Training, Government of Tamil Nadu, referred to the CII report on the skilled manpower requirement in Tamil Nadu and informed that around 15 million jobs will be required in the next 10 years in just 8 sectors. ITIs, private ITCs and industrial schools turn out 80,000 to 1,00,000 skilled manpower per year against the requirement of 15 million in the next 10 years.

14. Shri Y.P. Sharma, Director (Training) Ministry of Labour informed that craftsman training scheme for ten trades (8 in textiles and 2 in leather) is under operation having a capacity for training 45,000 persons. They proposed to introduce four more courses by August 2007.

15. Shri R.C.M. Reddy, Managing Director IL&FS informed that they are conducting training programme for 30,000 trainees by way of part funding from the Ministry of Rural Development.

16. Member Secretary, NMCC, underlined the need for a practical solution to the problem of skill development. A number of efforts are underway to train persons, including the format of training indicated by the Government of Tamil Nadu. A large number of different types of institutional arrangement will be required to produce the requisite number of trained persons. Individual ministries would be required to administer the different types of training.

17. The Chairman, NMCC observed that sustaining the growth in manufacturing at the present level of 12% - 14% is not feasible without the availability of manpower with the right skill set. He underlined the fact that at a very high level, the Hon'ble Prime Minister has been reiterating the importance of skill development. He expressed that the way forward would be through pooling of ideas and in this connection, he looked forward to receiving suggestions from the stakeholders.

34. Meeting of the Sub-Group on ICT in Manufacturing Sector held on 15.05.2007

1. Dr. V. Krishnamurthy, Chairman, NMCC said that adoption of ICT Tools in manufacturing sector is one such area identified by NMCC, which can play a significant role in achieving the desired growth and

productivity. He further expressed his concern that the use of ICT in manufacturing is minimal. Manufacturing industries have to adopt most modern production techniques and tools to keep pace with global challenges and opportunities.

2. Member Secretary, NMCC informed that NMCC is engaged in devising programmes and policies for more IT penetration in Indian manufacturing sector to make them competitive in the present global scenario. In this regard NMCC has initiated two programmes for enhancement of ICT application in manufacturing sector:

- a) The first programme is in the name of National Manufacturing Competitiveness Programme (NMCP) of about Rs 900 crores for SMEs. ICT is one of the center pieces of the component of the NMCP. Ministry of SSI is implementing this programme mainly for Small and Medium Enterprises, this programme was devised one year back and is now in advance stage of finalization.
- b) The second programme was taken as pilot project with Microsoft in the name of Project "Vikas". Under this programme a National Portal on manufacturing are planned to be developed besides selection of three clusters at Ahmedabad, Tirpur and Pune for ICT intervention at cluster level. Based on the feed back another three clusters would be taken up. Apart from above NMCC is also exploring the various ways to enhance the IT penetration in Indian manufacturing sector.

3. Shri M. M. Nambiar, Additional Secretary Department of Information Technology said that common facility centre can be created for enhancement of productivity of manufacturing sector. DIT has also a programme in the name of "vendor on line registration programme" to address the problem of Small and Medium Entrepreneurs by way of registration of software service providers through on line website and make it available to the prospective organizations looking for their services.

4. Chairman, NMCC said that there are mainly two dimensions of the problem, the first is that the majority of software developed in India are used for enhancing the competitiveness of manufacturing enterprises abroad and the second is the standard software available may not be suited for the applications in Indian context. He requested Shri Kiran Karnik, President NASSCOM to look into this matter. One more aspect highlighted by him is the availability of IT hardware at affordable price, for which a strong manufacturing base for the production of IT hardware is required.

5. Shri M.M. Nambiar, Additional Secretary, DIT informed that in the next two years the e-governance project will be extended to many other

services also with sufficient corpus, which will generate substantial demand for IT hardware.

6. Shri Kiran Karnik, President, NASSCOM mentioned that Indian software industry is very keen to develop solutions for domestic industries especially manufacturing sector for enhancing their competitiveness. To begin with he suggested that we may think of introducing “knowledge base manufacturing” at present, which may be further extended to “Core manufacturing” as well in future. He suggested few sectors like Automobile, Textiles, Gems & Jewelry etc. for starting this concept and gave an example, how software / IT application can help diamond cutting industries to extract maximum from the rough diamond by optimizing proper design to be adopted for cutting and polishing before hand.

7. Shri Asit K. Barma, Vice President Satyam Computer Hyderabad, expressed that India is No. one in IT services. This capability can be used in the entire value chain right from design to manufacturing. India is far ahead of China in terms of quality. He further informed that his company has signed an MOU with IIT Madras, for research and development in the various fields.

8. Shri Ajay choudhary, CEO HCL, expressed that it is the right time to take up this issue and the idea of taking up this issue is to compete with China and how IT can be used to enhance the competitiveness. He emphasized that NMCC can take up the issue of ICT penetration in SMEs and this can be introduced in the entire value chain. To kick start he proposed to establish design centre, Tool Rooms etc. and suggested cluster approach for addressing these issues. He further emphasized that the design is one field where maximum value addition is possible by utilizing IT services. NASSCOM can play an important role in compiling this information and make available through portal or otherwise. The other issues concerning SMEs are the educational connect wherein local institutes can be roped in to provide information and other ICT related services and its benefit.

9. Chairman, NMCC expressed that with more adoption of ICT several thousands medium size software company will come up to cater for their need and hence it will help in growth of IT sector as well, and hence win-win situation for all.

10. Shri Rajdeep Sherawat, Vice president, NASSCOM expressed that each cluster is having their own set of problem and business model. The real challenge is to develop solution as per their customized requirements.

11. Shri Manoj Soni, Director Business Development Oracle India (P) Ltd., expressed that SME can implement ICT solutions by considering the cost, their core business and adoption of best practices in the industries.

12. Shri Prakash R.L., CFO, Tally has informed that SME sector needs standard package which is either maintenance free or needs very little occasional maintenance as they can not afford to employ the costly software professionals and informed that their organization is already having 80,000 registered SME users of their products.

13. Shri Jawhar Sircar, Additional Secretary & DC (SSI), has expressed his concern that they are in this field for more than one year and now are preparing an action plan for implementation. He suggested constituting a task force / Committee who can suggest various ways and means to implement this issue.

14. Member Secretary proposed a coordination meeting amongst various stake holders and to set up a task force as proposed by DC (SSI) to look at, and suggest improvement to various schemes, activity ideas etc. for better operationalisation of the programmes.

