

## G. Seventh Meeting of the NMCC held on 18<sup>th</sup> Dec. 2006.

Dr. V. Krishnamurthy, Chairman, NMCC welcomed the members and initiated the discussion by stating that the NMCC is seen as an instrument for identifying the problems of manufacturing and finding suitable solutions. Over the period, the confidence level of interaction between the NMCC and the industry associations has improved, not only with three Apex industrial associations but also with various other industrial associations across the country. He said more and more administrative Ministries are also now looking up to the NMCC to solve their problems which involve issues related to other Ministries and multi-layered decision making. Chairman, NMCC made the following points:

- The NMCC has been involved in drawing a comprehensive picture of the manufacturing sector's growth process. Lack of data in investment etc. is a problem confronting the analysis of the manufacturing sector. CMIE has been selected and assigned the task of providing data and analysis on a regular basis.
- The recent manufacturing sector growth has moved away from the slow growth phase to that of a double digit (11% plus) growth path. According to Dr. Rangarajan, Chairman, PM's Economic Advisory Council, the present growth is demand-led rather than investment-led. However, one needs the details to find out what has been happening to the manufacturing sector as a whole to appropriately intervene in a time-bound manner.
- The members need to deliberate on these issues, viz. what drives the manufacturing growth, why the demand has been growing, and also to assess the situation of the manufacturing sector in a holistic way. The important issue is how to sustain the high level of manufacturing growth. There is a higher level of confidence regarding the manufacturing growth, but, there is no reason for complacency. For enhancing manufacturing competitiveness which is essential for continuous growth of the sector, a number of actions are needed, to improve all segments of manufacturing.
- The NMCC has been following up closely the six thrust areas identified by the HLCM viz. Food Processing Industries, Textiles & Garments, Skill Development, Electronic & IT Hardware, Skill Development and Problems related to the SMEs. The NMCC, during its course of engagement with various sectors have gone into the details of issues confronting the industries to bring forth the suitable remedies to be addressed in a time-bound manner. These are being processed at the Empowered Sub-committee specially constituted for the purpose.

- The NMCC's has initiated its engagement with the States as part of the NSM. Four States have been taken up on a priority basis and the NMCC has been involved in evolving a competitiveness strategy for the States by interacting with two states frequently viz. Punjab & Bihar. The issues highlighted during the interactions in general are regarding power, labour, transaction cost, reduction in tariff, skill development, and general problems of the SMEs. Regarding power more efficiency in management is needed; on labour, flexibility needs to be introduced, and on transaction cost, more harmonization of the local taxes needs to be introduced.
- Skill development is another thrust area where awareness has to be instilled from the lower level to the highest level to bring forth a mass movement for skill development as it is one of the greatest bottlenecks prevailing in the system. The NMCC has been approaching this issue on a priority basis at all levels of skill developments. The NMCC has been dealing with the IITs, IIMs, & the industries to explore and design a Visionary Leadership Management Programme (VLMP) to cater to the needs of the high end of the industry, which will commence in 2007. There is general complacency regarding the larger issue of manpower/skill base development in India. However, more prioritized efforts are required to train the skilled workers as required by different sections/trades of the manufacturing sector. This is important in the changed scenario of new trades/skills requirement globally (more than 4000) which have a role to play to improve the productivity.
- Problems related to the SMEs is another thrust area. The NMCC has been involved in finding solutions to the various SMEs related issues through a holistic cluster development approach. In all these efforts, the NMCC has been able to go forward with the support and cooperation of the members. He mentioned that the NMCC has been engaged in implementing the valuable suggestions of the Members and this has resulted in some progress in the respective sectors. He requested the members to continue the support through their active involvement for bringing in more improvement in the manufacturing sector. He then requested the Member Secretary to further discuss the agenda items.

The Member Secretary, NMCC made the following observations:

- The progress of the NMCC's work since the last Council meeting and the status of operationalisation of the NSM has been dealt in the agenda items 1 & 2 respectively. The Government has adopted the NSM and has entrusted the NMCC to implement it. The HLCM has been formed to implement the priority areas identified as a part of the operationalization strategy. An Empowered Sub Committee (ESC) has

been set up for streamlining the decision making process of the HLCM for expediting the implementation. Six sectors have been prioritized in the HLCM; another 6 subjects will be identified for further prioritization.

- In the ESC, the Textiles and Garments and Food Processing Industry sectors have moved quite a bit in terms of action plan and prioritization of issues, implementation/decision making etc. The second aspect of operationalization of the NSM is through undertaking various studies conducted on manufacturing competitiveness in specific areas. The NMCC is working on a monitoring mechanism of the manufacturing sector which would provide a set of indicators on the performance of the manufacturing sector which would be useful for taking corrective steps.
- The NMCC is trying to develop both low-end and high-end type of skills for the manufacturing business. There exists a widening gap between the number of professional engineering graduates and those from the polytechnic diploma holders. Monitoring is very important with regard to vocational training and the high level skill development. He said the problem is acute in getting quality skilled workers especially in technical areas. The NMCC has been involved in this area actively and has had several meetings with Secretary higher education. The efforts are to give special attention to skilled development programmes in quantity and quality especially during the 11<sup>th</sup> Five Year Plan period. The MHRD has agreed to prepare an action plan regarding the issues on the polytechnic and engineering level programmes. Regarding the VLMP, he mentioned that the programme is being given final touches by the experts

The 7th Council meeting discussed the following 5 Agenda items.

The first agenda item: Progress of the work since the last meeting of the NMCC on August 18, 2006. The following are the highlights of the agenda item:

### **1. Ports & Shipping**

In order to review the status of action taken on the issues discussed in the previous meetings and the plan of action for (a) development of new ports and increasing the capacity of the existing ones; and (b) improving the performance of the existing ports, the Chairman, NMCC took a meeting of the Ports Et Shipping sector on 21.8.2006. It was agreed that 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 and 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.

## **2. Food Processing Industries**

A review meeting of the NMCC sub-Group on Food Processing Industries was taken by the Chairman, NMCC on 23.8.2006. It was agreed that Food Processing Ministry would prepare a basic paper / strategy/ document covering the points discussed in a 10 year timeframe 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.

The Ministry of FPI has prepared the action plan for the growth of the food processing sector which was discussed in the Empowered Sub-Committee meetings of the HLCM. After discussing preliminarily the proposals in the first ESC meeting, the 2<sup>nd</sup> ESC Meeting considered in detail the various decisions required on the issues involved pertaining to the growth of this sector. After further consideration in the 3<sup>rd</sup> Meeting of the ESC, appropriate recommendations will be placed before the HLCM for approval. A separate Agenda Item No.3 is put up on the Action Plan for the Growth of the Food Processing Industry Sector.

## **3. Textiles and Garments**

A review meeting of the Sub-Group on Textiles and Garments was taken by the Chairman, NMCC on 24.8.2006 to take stock of the work done in the above areas since the last meeting held on 24.5.2006. After detailed discussions it was agreed that:

- For the High Level Committee meeting to be chaired by the Prime Minister, specific proposals on Garment sector and issues relating to man-made fabric will be taken up.
- The Ministry of Textiles will prepare necessary action plans with specific recommendation on these two subjects urgently and discuss with the NMCC in the first week of September, 2006.
- The action plans as discussed and finalized with NMCC would be placed before the Empowered Sub-Committee in the third week of September, 2006.
- The recommendation/decisions of the Empowered Sub-Committee would be put up to HLCM before end of September, 2006.

The 2<sup>nd</sup> Meeting of the ESC considered the action plan prepared by the Ministry of Textiles and the issues were further discussed by Member Secretary, NMCC with Secretary, Textiles on 6.12.2006. The Ministry of Textiles is accordingly preparing a revised action plan for the consideration of the ESC. A separate Agenda Item No.4 is put up to consider the Action Plan for the growth of Textiles Et Garments Sector.

#### **4. Skill Development**

4.1 In order to review the status of action taken on the issues discussed in the previous meetings and to identify issues in this sector to be taken up to the HLCM, a meeting was taken by the Chairman, NMCC with the Secretary, Ministry of Labour and Employment on 25<sup>th</sup> September, 2006. Shri Y.P. Shamra, DG, E&T, Ministry of Labour and Employment made a presentation on the Skill Development Programme. It was agreed that the Secretary, Labour to send relevant material relating to the proposals to the NMCC for study and a meeting would be called after which the final paper would be taken to the Empowered Sub-Committee of the HLCM. This issue was further discussed with officials of the Labour Ministry to work out the details of the proposal.

4.2 With a view to identify issues in the Higher Skill Development sub-sector to be taken up to the HLCM, the Chairman, NMCC took a meeting with the Chairman, AICTE, Ministry of Human Resources Development on 5.10.2006. A detailed presentation on "Achieving Excellence and Leadership in Manufacturing" was made by Prof. Damodar Acharya, Chairman, AICTE on the current status of facilities available for Higher Skills and areas of concern, which included acute shortage of faculty; Poor infrastructure for skill development and quality education; Lack of Industry Interface; Diploma holders seeking degrees; Lack of mobility in career progression; and Lack of Supervisory Skill in Diploma Holders. It was agreed that:

- i. Some of the issues discussed in the meeting can be taken up with the Ministry and certain steps to resolve them may be formulated.
- ii. There was need to identify the priorities and to focus in the institution building. There was also need for highly trained teachers to produce quality people with skills.

4.3 This was further discussed by Chairman, NMCC with Secretary, SE&HE on 30.11.2006 in order to come up with concrete action plans for meeting the skill shortages at the level of polytechnics as well as in the higher technical institutes.

#### **5. Steel and Mines**

5.1 Chairman, NMCC had discussions with Secretary Steel and Secretary, Mines on 9.11.2006. Secretary, Steel mentioned that large capacity is getting added both in the public sector and private sector. He said that the assured availability of iron ore is important for getting fresh investments adding that the iron ore rich States want a restriction on iron ore exports.

5.2 Secretary, Mines mentioned that the issue of export of iron ore has many facets and a comprehensive assessment should be done looking at long-term adequate internal demand generation and efficiency of steel producers. He mentioned that known mineral resources are not finite and more exploration will increase the reserves and therefore, a dynamic view needs to be taken. He felt that India is not using its mineral resources

optimally and needs to open the mining sector further to ensure growth.

5.3 Chairman, NMCC mentioned that current level of mining should not be disturbed but whether it was feasible to look at restriction in future taking an overall perspective is to be considered. Member Secretary, NMCC said that an overall balanced view needs to be taken on this issue in the national interest. The demand pattern of steel needs to be studied carefully and it has to be ensured that mining sector also grows effectively.

5.4 In view of the complex issues involved, it was agreed that a full-fledged presentation by the Secretary, Mines on this issue needs to be made shortly. Accordingly, a presentation was given by Secretary (Mines) on 27.11.2006 starting with the report of the Hoda Committee on Mining, set up by the Planning Commission. A Cabinet Note is being prepared and the issue with States on the delays in granting mining concessions is being resolved. The Ministry is proposing amendments to the Mines and Minerals (Regulation & Development) Act of 1957 and changes in the Mining Concession Rules of 1960. The intervention of NMCC was solicited in expediting the process of getting approvals for the proposed change. An Appellate Tribunal is also being proposed for settling Centre-State dispute on mining issues. A detailed report on the infrastructure of mining sector is being prepared.

5.5 It was decided that there were three main issues, namely, major areas of exploration, mining leases concession and sustainable infrastructure to be followed up. There was a need to identify the implementation points and the timeframes in which they can be implemented. It was also required to prioritize the various issues and to build a plan of action. Secretary, Mines informed that a plan of action is being framed.

## **6. Empowered Sub-Committee of the High Level Committee on Manufacturing (HLCM):**

6.1 The most important development after the 6<sup>th</sup> meeting of the NMCC held on 18<sup>th</sup> August, 2006 was the setting up of the Empowered Sub-Committee (ESC) of the HLCM under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC. The Committee is intended to facilitate processing of the National Strategy for Manufacturing (NSM) prepared by the NMCC and resolving the issues that may arise in the implementation of the NSM.

6.2 The 1<sup>st</sup> meeting of the Empowered Sub-Committee of the HLCM was held on 26<sup>th</sup> October, 2006 under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC. The Committee discussed the issues relating to operationalisation of the National Strategy for Manufacturing, Action Plan for the growth of Food Processing industries sector in addition to reviewing the implementation of the NMCP and the status of manufacturing of advance technology products.

- a. The Progress in operationalisation of the National Strategy for Manufacturing(NSM) was reviewed and it was noted that:
- i. The NMCC has already written to all concerned Departments of the Government of India to take follow up action on the recommendations contained in the National Strategy for Manufacturing pertaining to them and send suitable action plans to the NMCC for further processing and decision making to the Empowered Sub-Committee of the HLCM.
  - ii. The Empowered Sub-Committee would prioritize the recommendations contained in the NSM for implementation by various Departments. Such of those recommendations which do not require much consultation and can easily be implemented would be taken up for immediate action.
  - iii. The Committee also reviewed further action in respect of the six priority sub-sectors identified by the HLCM, namely, Textiles & Garments, Food & Agro Processing, Leather & Footwear, IT Hardware & Electronics, Skills Development and Problems of Small & Medium industries, including Cluster development and bring up the issues before the HLCM at the earliest.
- b. The meeting also discussed the draft Action Plan prepared by the Ministry of Food Processing Industry for Energizing the Food Processing Sector. It was decided that the specific action points in the short and medium term would be firmed up by the Ministry of FPI taking into account the points made at the Meeting and sent to NMCC. This subject will be taken up in the next meeting of the ESC of the HLCM for decisions.
- c. The implementation of the National Manufacturing Competitiveness Programme (NMCP) was also reviewed by the Sub-committee. The Sub-Committee stressed on the need to get this programme started as quickly as possible and urged the concerned Ministries to ensure that necessary approvals are given at the earliest. It was also decided that the Chairman, NMCC would write to the Finance Minister with a request that the EFC consideration may be initiated urgently.
- d. The status of the manufacture of Advanced Technology Products (ATPs) in India was reviewed by the ESC. It was observed that the share of ATPs in India's manufacturing export basket is presently minimal. The members noted that the situation requires urgent corrective action and decided that a focused approach on Advance Technology Products should be attempted. An Expert Group for the purpose had been suggested in the National Strategy for Manufacturing (NSM). It was decided that a proposal would be taken to the HLCM for constitution of such an Expert Group.

6.3 The 2<sup>nd</sup> Meeting of the Empowered Sub-Committee of HLCM was held on 27<sup>th</sup> November, 2006 at New Delhi. The Sub-Committee discussed the issues of Action Plan for the growth of Food Processing Sector; Operationalisation of the Visionary Leaders for Manufacturing Programme (VLMP); Action Plan for the growth of Textiles and Garments Sectors; and reviewed the status of follow-up action of the 1<sup>st</sup> meeting of the ESC of the HLCM; and implementation of the National Manufacturing Competitiveness Programme. After detailed discussion the following was concluded:

- The ESC felt that the negative growth rate in the Leather and Footwear sector needs to be corrected especially when the Manufacturing sector as a whole was growing at 12%.
- With regard to getting approvals for NMCP, it was agreed that the Ministry of SSI shall expeditiously process 7 out of 10 components departmentally (SFC) and for larger components, action will be expedited to get the approvals from Ministry of Finance (EFC).
- In connection with the operationalisation of the Visionary Leaders Manufacturing Programme (VLMP), it was suggested that the follow-up with the stakeholders be undertaken to finalize the curriculum and make necessary preparatory arrangements in order to start the programme from 1<sup>st</sup> August, 2007.
- Ministry of Textiles introduced the Action Plan for the growth of Textiles and Garments sector highlighting some important indicators and suggestions for Government interventions on the broad areas of raw material, duty structure, Technology Upgradation Funds Scheme (TUFS), Textiles Parks and Brand Image. Chairman stated that the Ministry of Textiles should set for itself some milestones to strengthen this sector and approach NMCC for resolving any issues coming in its way. He emphasized that a coordinated approach is required to address the entire gamut of the problem so that Indian Textiles Industry can prosper and become globally competitive. After detailed discussions, it was decided that based on the discussions at this meeting and the inputs from NMCC, a detailed proposal for decision making will be brought to the next meeting of the Empowered Sub-Committee of the HLCM by the Ministry of Textiles.
- With regard to the Action Plan for the growth of the Food Processing Industries Sector, It was felt that the programme proposed by the Ministry of Food Processing Industries seem modest. Larger programmes would be required to achieve a growth rate of around 12%-14% in manufacturing. Chairman stated that while proposing additional policies and measures, as conceived in the programmes already proposed, outcomes should enable increase in the incomes of the farmer, reduce wastages, reduce cost to the consumers, improve exportability and generate additional employment. Using our basic

strengths, we should also work out how we can contribute to the world. Organic food was one of the areas requiring supplementary Action Plan. There is synergy between setting up the Abattoirs and Leather manufacturers as they will be in a position to access good quality leather from the Abattoir. Advance action will be required to take up various schemes proposed by MFPI this year provided it is able to secure funding. The proposals will be modified reflecting all these aspects and taken to the High Level Committee for Manufacturing (HLCM) likely to be held in December.

## 7. Operationalisation of National Strategy for Manufacturing:

"The National Strategy for Manufacturing" (NSM), has been adopted by the Government of India for implementation. Its operationalisation was discussed in the 1st Meeting of the Empowered Sub-Committee(ESC) of the HLCM on 26.10.2006 and as Action Plan was decided.

- i. The Committee also reviewed further action in respect of the six priority sub-sectors identified by the HLCM. The details are put up as a separate Agenda Item No.2.
- ii. Meetings with the concerned sectoral Ministers: With a view to facilitate early implementation of the NSM, the Chairman, NMCC met Shri Mahavir Prasad, Minister of SSI&ARI; Shri Shankar Singh Vaghela, Minister of Textiles; Shri Ashwani Kumar, Minister of State for Industry; and Shri Subodh Kant Sahai, Minister of State for Food Processing Industry.

## 8. Engagement with States:

8.1 As a part of its strategy NMCC has continued engagement with the State Governments. Chairman and Member Secretary, NMCC met the Chief Minister of Punjab on 04.9.2006 to discuss issues relating to industrialization of the State.

8.2 As a follow-up to the above meeting, the Officers from the Government of Punjab made a presentation on industrialization of the state to NMCC on 6<sup>th</sup> November, 2006. In sum it was agreed that:

- Based on the discussions held in the NMCC the State Government would prepare an Action Plan for Industrialization of the State.
- The Action Plan has to be within a framework of the State's aspirations to become an Industrial State. A goal of doubling the rate of growth of manufacturing and improving its share in the GSDP could be set within the framework.
- The Action Plan in its draft stage may be shared with the NMCC very early. This will enable the Chairman, NMCC to initiate meaningful

discussion on the subject with the Chief Minister at his next meeting during early December 2006.

8.3 The Member Secretary, NMCC met the Chief Secretary, Government of Andhra Pradesh on 10.10.2006 to discuss issues for early implementation of the NSM.

## **9. Discussion with the European Commission Delegation:**

9.1 A meeting between the NMCC and an 8-member European Commission delegation led by Mr. Vladimir Spindla, EU Commissioner for Employment, Social Affairs and Equal Opportunities was held on 24.11.2006 at New Delhi to share each others experiences and practices in different areas of Manufacturing and Skills Development.

9.2 The Member Secretary, NMCC gave a brief background about the constitution of the NMCC, its mandate, preparation of NSM and setting up of HLCM. He explained that although India liberalized its economy in 1991, its growth, particularly in manufacturing has not matched with competing countries like China, Malaysia, Singapore, etc. He emphasized on India's need to boost manufacturing growth so as to absorb the surplus workforce thrown out by the Agriculture sector without compromising on the competitiveness and productivity of the Industries. One approach is to make SMEs more competitive and productive through cluster development. Many European countries have successful clusters working and the experience of EU in this field would be extremely useful. India, in some way, similar to the European Union (EU) and faces similar challenges. So the NMCC expects to benefit from the experiences and practices of the EU.

9.3 Mr. Vladimir Spindla shared the view that EU is structurally similar to India and faces similar problems. So it can help the NMCC in its endeavour to make Indian manufacturing industry more competitive through quality, commitment and safety standards. Mr. Spindla was of the view that differences between different parts of India are more pronounced than that felt in EU. For balanced regional development he felt that the following would need consideration:

- Strengthen different regions and establish linkages between more and less developed regions.
- Exchange students between Universities of different regions. This has been under practice in Europe.
- Rural development should not stress only on agriculture. It should be done more holistically to take care of other issues.
- European Commission Delegate Member on Industrial Development can be consulted by the NMCC for further inputs on the matter.

The second agenda item: Operationalisation of the National Strategy for Manufacturing(NSM).The following are the highlights of the agenda item:

In order to ensure speedy and effective implementation of the National Strategy for Manufacturing (NSM), a High Level Committee on Manufacturing (HLCM) under the Chairmanship of the Hon'ble Prime Minister has been constituted. The HLCM is to resolve the policy issues that may arise in the implementation of the National Manufacturing Strategy.

2. In the first meeting, held on 4<sup>th</sup> August, 2006, the HLCM decided to adopt the NSM and ensure its early implementation. To begin with it was also decided that the work on the following sub-sectors may be completed on priority basis and brought before the HLCM:

- Textiles and Garments
- Food & Agro Processing
- Leather and Footwear
- IT Hardware and Electronics
- Skills Development
- Problems of small & medium industries including cluster development.

3. The HLCM also decided that an Empowered Sub-Committee should be constituted with Dr. V. Krishnamurthy as Chairman to facilitate processing of the NSM and resolving the issues.

4. An Empowered Sub-Committee (ESC) of the HLCM has been constituted accordingly under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC with Shri Ashwani Kumar, MOS (Industry) and Shri Anwarul Hoda, Member (Industry), Planning Commission as Members. The Empowered Sub-Committee is expected to:

- Formulate/review/approve policy papers and proposals for submission to the HLCM;
- Monitor the follow up on implementation of the decisions of HLCM; and
- Undertake such other actions as may be necessary in furtherance of the objectives of the HLCM.

The Empowered Sub-Committee may be assigned such other tasks by the HLCM as may be found necessary from time to time.

5. The First Meeting of the ESC of the HLCM was held on 26.10.2006 in NMCC Conference Hall, Vigyan Bhavan Annexe, New Delhi. On operationalisation of the National Strategy for Manufacturing, the following decisions were taken:

- It was noted that the NMCC has written to all concerned Departments of the Government of India to take follow up action on the recommendations contained in the NSM pertaining to them and send suitable action plans to the NMCC for further processing and taking to the Empowered Sub-Committee of the HLCM for decision making.
- The Empowered Sub-Committee would prioritize the recommendations contained in the NSM for implementation by various Departments.
- Such of those recommendations which do not require much consultation and can easily be implemented would be taken up for immediate action.
- The Committee also reviewed further action in respect of the six priority sub-sectors identified by the HLCM, namely, Textiles & Garments, Food & Agro Processing, Leather & Footwear, IT Hardware & Electronics, Skills Development and Problems of Small & Medium industries including cluster development. It was decided to take up issues as required relating to these sectors to the HLCM at the earliest and wherever possible before the end of December, 2006. In that context, the following decisions were taken:
  - a. The Textile Ministry will prepare a detailed programme which would not limit itself only to the plan funds or taxation issues but workout a framework of longer term growth and of enhancing competitiveness on a global scale early. The Ministry of Textiles will send a revised action plan to NMCC and bring the issues to the HLCM.
  - b. The Leather Sector should be covered comprehensively while preparing the action plan including both the export and the domestic market looking at the bigger picture including the employment generation by the Department of Industrial Policy & Promotion.
  - c. The IT Hardware and Electronics would be taken up based on the report of the Sub-Group and deliberations of the Task Force constituted by the Principal Secretary to PM. This needs to be pursued in line with the discussions in the meeting taken by the Principal Secretary to PM on 18.9.2006.
  - d. It was felt that Skill Development being a very important area which transcends all industry verticals lot of emphasis has to be

given. The work of skill development below the ITI level and at the ITI level both require enormous efforts given the magnitude of the challenge with such large numbers of youth joining the work force and to make them employable. Similarly, the progress on issues relating to Polytechnics and Engineering Colleges need to be pursued by the Ministry of HRD. These need to be taken up by the concerned Departments as decided in the meeting taken by the Principal Secretary to PM on 18.9.2006 and issues brought to the HLCM.

- e. It is necessary to quickly work on all the six priority areas identified and to bring them before the HLCM for appropriate decisions before January, 2007 to enable timely decisions. This will also ensure policy coherence and enable feeding into the Budget and plan exercise.
- The National Manufacturing Initiative as announced by the Hon'ble President and the Hon'ble Prime Minister would be put in a framework of short, medium and long term actions with a time frame of one year, five years and 10 years respectively arising out of the discussions with the Ministries.

6. NMCC has taken necessary follow up action for implementation of the decisions taken in the First meeting of the ESC of the HLCM. Member Secretary, NMCC has written to all concerned Secretaries to take follow up action on the recommendations contained in the NSM pertaining to them and send suitable action plans to the NMCC for further processing and taking to the Empowered Sub-Committee of the HLCM for decision making.

NMCC has also intensified discussions with concerned Secretaries and other Officers in respect of the six priority sub-sectors identified by the HLCM, namely, Textiles & Garments, Food & Agro Processing, Leather & Footwear, IT Hardware & Electronics, Skills Development and Problems of Small & Medium industries including cluster development so as to take up issues as required relating to these sectors to the HLCM at the earliest and wherever possible before the end of December, 2006.

7. The 2<sup>nd</sup> Meeting of the ESC of the HLCM was held on 27.11.2006. The Chairman reviewed the progress of work on the six priority areas decided by the HLCM and the status of the follow up action of the 1<sup>st</sup> Meeting of the ESC of the HLCM. The status of implementation of the 'Visionary Leaders for Manufacturing Programme' (VLMP) was also noted. It was suggested that follow-up with the stakeholders be undertaken to finalise the curriculum and make necessary preparatory arrangements in order to start the programme from 01.08.2007.

## **Operationalisation of VLMP**

8. The National Strategy for Manufacturing (NSM) has recommended development of leaders for the manufacturing industries. Relevant extracts of the NSM are reproduced below:

- “In India there is an urgent need for more leaders in manufacturing industries at this juncture. In order to enable development of leaders, special programmes are conducted in the higher learning institutions abroad. It is necessary for Government to encourage some of the premier technical institutions like the Indian Institutes of Management and the Indian Institutes of Technology to collaborate with such institutions and conduct similar programmes in India for developing leadership in the manufacturing industry. The programmes could be designed as a public/private initiative” (Para 4.4.2 - NSM).
- “Breakthrough innovation or exceptional growth of a firm is dependent on the leadership of the firm. In India there is an urgent need for more leaders in manufacturing industries at this juncture. In order to enable development of leaders, special programmes are conducted in the higher learning institutions abroad. For example, The Massachusetts Institute of Technology (MIT) in USA provides a full-fledged programme for leadership. It is necessary for Government to encourage some of the premier technical institutions like the Indian Institutes of management or the Indian Institutes of Technology to collaborate with such institutions and conduct similar programmes in India for developing leadership in the manufacturing industry. The SMEs would, in particular, be able to utilize these programmes and groom their CEOs and other personnel in leadership qualities. The programmes could be designed as a public/private initiative” (Para 3.13.3. - NSM).

9. In the 5<sup>th</sup> Meeting of the NMCC held on 05.04.2006, Prof. Shoji Shiba made a presentation to the Members of the Council. Prof. Shiba, an International Expert on *Breakthrough Management* and *Total Quality Management*, has had a long time association with the Manufacturing sector from the Indian Industry. Prof. Shoji Shiba during his presentation to NMCC mentioned that the National Strategy for Manufacturing was an outcome of genius mind and result of disruptive action by the Government based on comprehensive data and analysis. He analysed the National Strategy for Manufacturing with a focus on manufacturing as an engine and elaborated

on the theme using the models and analysis in his own trademark way. He also described his experience with 'Leaders of Manufacturing Programme' at MIT where it has become the backbone of the USA manufacturing and suggested that similar programme can be launched in India.

10. A meeting was held on 14.4.2006 in CII with Prof. Shoji Shiba to discuss the design of the 'Leaders for the Manufacturing Programme' in which Dr. Surinder Kapur, Prof. Shekhar Chaudhuri and Mr. Rajeev Ranjan, Joint Secretary, NMCC participated. It was decided that a draft paper was to be prepared and discussed with the Directors of IIM/IIT and NMCC for further action. A Core Group was formed comprising of representatives from IIT Kanpur and Madras/IIM Calcutta/CII and after detailed interactions draft plan was prepared.

11. This issue was further discussed by Chairman, NMCC with Prof. Shoji Shiba on 22.9.2006 and again on 26.9.2006 in which Dr. Surinder Kapur, Mr. Satish Kaura, Mr. Ravi Mathur, Joint Secretary, Ministry of HRD also participated. It was decided to call a formal meeting of the concerned Directors of IITs/IIM and CII to sort out the issues and evolve a plan of action for the operationalisation of the VLMP.

12. Chairman, NMCC took a meeting accordingly on 24.10.06 with all the concerned stakeholders in which following course of action was decided:

- An Apex Committee may be constituted with Chairman, NMCC as the Chairman and with appropriate membership.
- A Sub-Committee may be formed to workout details on various aspects of the programme before putting up to the Apex Committee. Member Secretary, NMCC would convene the meetings of the Sub-Committee.
- Before the Sub-Committee can meet the academic experts would sit together and prepare an Action Plan including suggested course content by 10<sup>th</sup> November, 2006. CII would also be involved for their inputs. This meeting would be at Kolkata.
- This draft plan would be shared with NMCC by 11<sup>th</sup> November, 2006. NMCC would discuss with Prof. Shoji Shiba who is expected to be in Delhi on 12<sup>th</sup> /13<sup>th</sup> November, 2006. The Sub-Committee meeting would be fixed soon thereafter.
- The Action Plan should be so designed as to enable starting of the first programme by 1<sup>st</sup> August, 2007. It should include orientation workshop for the faculty scheduled sometime in December, 2006.

13. Accordingly, an Apex Committee was constituted with Chairman, NMCC as the Chairman and membership as per **Annexure-I**. After detailed discussions the proposal for starting the VLMP was approved by the Empowered Sub-Committee of HLCM in its 2nd Meeting held on 27<sup>th</sup> November, 2006.

14. Based on the discussions at NMCC on 24.10.2006, a meeting at IIM Calcutta was held on 7<sup>th</sup> and 8<sup>th</sup> November, 2006 where five faculty members from IIT Kanpur and two from IIT Madras along with several faculty members from IIM Calcutta (led by Prof. M N Pal, Operations Research & Manufacturing Group) participated. The agenda was to finalise the curriculum of the proposed 'Visionary Leaders for Manufacturing Programme'. The new curriculum has been worked out in line with the academic strength of IITs/IIMs. The duration of the programme is one year with 960 hours of work involved, which is almost like the regular one year diploma programme conducted for PG students.

15. A further meeting was taken by Chairman, NMCC on 13.11.2006 with Prof. Shoji Shiba and Dr. Surinder Kapur, Member NMCC based on the tentative alternative programme indicated by the institutes. Prof. Shoji Shiba mentioned that there is requirement to look at the customer needs before finalising any curriculum and the industry has to be consulted.

16. Chairman, NMCC mentioned that it has been accepted by all that the Apex Committee will take final decisions in this respect after due consultation and also after taking suitable feedback from the industry. All the stakeholders agree that this would be a very important programme which needs to be taken up and necessary preparation should be made in a time bound manner to ensure that the programme starts from 01.08.2007.

17. Another round of discussion was held on 05.12.2006 by the Member Secretary, NMCC with Prof Shoji Shiba and Mrs. Sarita Nagpal, CII at NMCC in which the draft design of the Curriculum developed by IIT-IIM Experts was discussed. A questionnaire on Nation Wide Survey about Feasibility of the Visionary Leaders for Manufacturing Programme (VLMP) in Indian Manufacturing context prepared by Prof. Shiba in consultation with CII was also discussed. It was decided that the questionnaire would be sent by CII to the CEOs/MDs of at least 100 Companies in manufacturing sector with a covering letter from the Member Secretary, NMCC. Prof. Shiba has also interacted with the faculty members from IIT Kanpur, IIT Madras, IIM Kolkata and Officials from CII, MHRD and NMCC to gather as much inputs as possible before finalization of the VLMP. The first Meeting of the Apex Committee on VLMP is to be held on 16.12.2006 at NMCC under the Chairmanship of the Chairman, NMCC in which the Curriculum and Schedule of VLMP would be finalised leading to a public announcement shortly for launching the VLMP programme.

## **Study on Manufacture and Export Potentiality of Advanced Technology Products (ATP):**

18. The NSM has recommended that a focused approach on Advanced Technology Products is essential. Para 3.5.4 of the report is as follows:

*“A review of the existing policies relating to R&D funding, incentives for supporting generic technologies, engineering and physical sciences by the government is necessary so as to take steps to encourage better coordination of efforts with greater focus on innovation and productivity enhancing technologies. The Advanced Technology Products have a sizeable market in the world. United States alone imports about US \$ 240 bn. worth of these products annually. The share of India in this is very small and with its technical capabilities India should be able to manufacture and garner a sizable portion of this market. For this to happen, a focused approach on Advance Technology Products is essential. Hence it is suggested that special group to study the potential for manufacture and export of Advanced Technology Products should be constituted. Further, priorities should be established for supporting advanced manufacturing technologies and prototype development and design innovations need to be supported through fund sharing/ enabling establishment of references, etc. Further, a coordination mechanism on Manufacturing Research and Development should be created”.*

19. The Indian economy is continuing to grow at a healthy rate and this has created an unprecedented opportunity for the growth and expansion of the manufacturing sector. The comparative advantage that India has in terms of its large pool of experienced scientists, engineers and skilled workers can give India the potential to emerge as a major manufacturing hub for the global market. In order to achieve this, investing in innovation and technology and attention on technological innovation and the need to invest adequately in R&D to innovate in technology both by the industry and Government in order to enlarge the share of the Advanced Technology Products in manufacturing exports is a must.

20. India's share in the global exports is meagre being less than 1% which is much below the potential. Manufacturing goods form about 70 per cent of exports from India. Five manufacturing sectors, namely, Gems & Jewellery, Textiles and Garments, Engineering Goods, Chemicals, Leather & Leather Garments account for 75% of India's manufacturing exports. The share of Advanced Technology Products in our manufacturing export basket is quite limited.

21. A Working Paper prepared by the Manufacturing Policy Project titled “US-China Advanced Technology Trade - An Analysis for US-China Economic and Security Review Commission” gives a bird's eye view of the import of ATPs by the US from the countries located in the China sphere. The 10 ATP industry groups are Biotechnology, Life Sciences, Electronics, Optoelectronics, Information and Communications, Flexible Manufacturing,

Advance Materials, Aerospace, Nuclear Technology and Weapons. The following are the major findings of that study:

- China is a major producer of advanced technology products, shipping \$ 45 billion of such goods to the United States in 2004 - nineteen per cent of all US ATP imports.
- China is a major US supplier of Opto-electronics, information and communications equipment, and electronics.
- China and ten of the nations surrounding it (the China Sphere) now supply 59 percent of all ATP products imported into the US.
- The China Sphere supplies the United States with 18 per cent of all imported ATP Life Science products, 60 per cent of Opto-electronics, 77 per cent of information and equipment ATP, 51 per cent of electronics ATP, 53 percent of flexible manufacturing ATP and 67 per cent of advanced material ATP.
- The US ran a \$60 billion ATP trade deficit with the china sphere in 2004.
- The US imported \$140 billion of Advanced Technology Products from the China Sphere in 2004, which is 270 percent more than it imported from the European Union.

22. It is important to note India's position in the export and import of such products in all the 10 categories to USA during the last five years (Annexure-II). USA has imported ATP products of worth US \$520 million from India during Jan-Sep 2006 while it has exported to India US \$2,276 million worth of such products during the same period. This means India has run a US \$1.7 billion ATP trade deficit with USA during the same period in sharp contrast to USA's \$60 billion ATP trade deficit with the china sphere in 2004. In order to correct this imbalance India needs to take immediate steps in tapping the vast potentiality in this area, which has not been explored exclusively so far. India has a wealth of skilled and knowledgeable people in most of the ATP sectors. But the above statistics reveal that while India can be proud of its mass of skilled manpower and its development of IT and ITES sectors, this advantage is not being converted systematically into developing and manufacturing high value Advanced Technology Products that can be used in India or exported.

23. Accordingly, the status of the manufacture of Advanced Technology Products (ATPs) in India was reviewed in the very 1<sup>st</sup> Meeting of the ESC of the HLCM held on 26.10.2006. It was noted that the share of ATPs in India's manufacturing export basket is very minimal and the situation requires urgent corrective action. It was decided that an Expert Group for the purpose as mentioned in the NSM needs to be constituted by the HLCM. Chairman, NMCC would recommend suitable names for inclusion in the Expert Group.

24. In this context, the following issues are for discussions:
- i. A focused approach on Advance Technology Products is essential. Hence it is suggested that a special group for the purpose as recommended by the HLCM be constituted;
  - ii. Besides the experts in the 10 areas of ATP, the members of the special group should comprise of Officers from concerned Ministries/Departments of Biotechnology, Science & Technology, Commerce and Industry, Atomic Energy, DRDO, DGCI&S, Statistics & PI, IT and Communication.
  - iii. Priorities should be established for supporting advanced manufacturing technologies and prototype development and design innovations;
  - iv. A study-group may be formed for detailed identification of leading edge products from an acknowledged high-technology industry to be classified under ATP and harmonize them with the codes of the Indian Trade Classification (ITC) and National Industrial Classification (NIC)-2004 so as to build a regular database on the manufacture and trade of ATPs in all the ten fields. The US Commerce Department has already identified nearly 500 items as 'advanced technology products' out of its 22,000 items trade basket.

**The third agenda item: Action Plan for the Growth of the Food Processing Industries Sector .The following are the highlights of the agenda item:**

Food Processing Industries play a significant role in linking agricultural production with consumers. India produces about 9% of world's production of fruits, 11% in vegetables, 16% in milk, 22% in rice, 12% in wheat, 21% in pulses and sugarcane. Only 2% of the fruits and vegetables are processed in India as against 80% in USA and Brazil, 30% in Thailand and 25% in China. Wastages due to lack of processing and storage is estimated at 35% (Rs. 33,000 crores annually). It provides employment to 50 million people with direct employment to 13 million. Though it contributes to 14% of manufacturing GDP, our share in international trade is only 1.5%.

2. Some of the reasons why the Food Processing Industries have not shown high growth rates are:

- Low income and high share of basic foods in the household consumption expenditure
- Socio-cultural factors favouring consumption of fresh produce
- High cost of raw material at the processor level
- Inadequate infrastructure for post-harvest management
- High duty structure

However, some success stories like Amul, Pepsi, ITC and Hindustan Lever have been noticed where business models have successfully integrated the supply chain.

3. NMCC interacted with the Ministry of Food Processing Industries (MFPI) and with various other stake-holders in this sector to assess the requirement of policies and programmes that are necessary to give a thrust to this sector. The objective of the interactions was to align the growth of the food processing industries with the rest of the manufacturing sector so as to improve its competitiveness, enhance employment and output, increase incomes of the farmers, reduce cost to the consumers, reduce wastages and improve exportability. As a result of these interactions, an Action Plan consisting of a set of programmes and policy changes were placed before the Empowered Sub-Committee (ESC) of the High Level Committee on Manufacturing (HLCM).

4. In their Vision 2015, MFPI have concluded that the following specific targets are required for the sector:-

- ❖ Increase the level of processing of perishables from 6% to 20%
- ❖ Increase value addition from 20% to 35%
- ❖ Increase share in global food trade from 1.5% to 3%

This Vision can be achieved with an investment of Rs.100,000 crores creating employment opportunities for 14 million persons and increasing the growth rate of the Food and Beverage Industry from the present 7% to 8.73% over the next 10 years. A sub-set of the Action Plan proposing an investment of Rs.3468 in the next 5 years, which would generate private investment of Rs.20,000 crores, create additionally 2.8 million jobs and enhance the growth rate of the sector from 7% to 11.02% was considered by the ESC of the HLCM . The ESC of the HLCM felt that this sector would require even larger programmes to achieve a growth rate of around 12% - 14% in manufacturing. The ESC also suggested that MFPI should include in the Action Plan issues relating to other areas like nutraceuticals, cereals, development of ethnic food, marine products, spices, confectionary, beverages and organic food.

5. Initially, four schemes seeking creation of Food Parks, modernization of Abattoirs, creation of Cold Chain Infrastructure and upgrading safety and quality of street food were considered by the ESC. In addition, proposals for a low and predictable tax regime and scheme for reducing financing costs of the food processing industries were also considered. Proposals were also made for setting up appropriate mechanism for suggesting changes in the policies relating to food processing industries.

6. In the Food Park scheme, creation of 30 parks as clusters in the next 5 years is proposed. As against the existing scheme, the proposed scheme would integrate the entire supply chain as well as the markets by converging the efforts of various agencies supplying inputs, technology, credit and market support. The Food Parks will be managed by SPVs where the stakeholders' interests would be balanced. An exercise reveals that as against the present grant of 25% of the project cost, 50% of the project cost relating to common facilities will enable a Food Park break even. Wherever feasible, Food Parks can function as SEZs under the extant rules. Value of production is expected to be increased by Rs. 18,000 crores and employment by 1.8 lakhs by creation of 30 Food Parks.

7. Modernization of Abattoirs promotes scientific and hygienic slaughter of animals and increase by-product utilization. MFPI have proposed an increase in subsidy from 25% to 75% of the cost of machinery and technical civil works with a ceiling of Rs. 15 crores to make an Abattoir viable. A SPV will be formed for the operation of the Abattoir. Land will be provided by the local body.

8. The existing Cold Chain Infrastructure scheme does not address end to end solution, as inadequate subsidy. As against the existing scheme, subsidy is sought to increase from 25% to 50% of the total cost of the plant and machinery and technical civil works to make the scheme viable.

9. To promote food safety and tourism through supply of ethnic food, scheme for food corner/food court/ food plaza has been proposed by the MFPI. One street each in 25 select cities and 50,000 carts in 50 cities is proposed to be funded at 25% subsidy each.

10. Proposals have been made by the MFPI for effecting changes in the tax regime and reducing financing costs of the food processing industries. Emphasis is sought to be placed on cold chain infrastructure in direct taxation, treating this sector as infrastructure. The ESC considered gaps in certain policy issues which came in the way of providing thrust to the food processing industries. These issues include securing appropriate processible varieties, need for a single market in the country for processed foods, implementing modified APMC Act, implementing Food Safety and Standards Act.

11. These proposals have been examined by the ESC and based on their decisions appropriate recommendations will be placed before the HLCM for their approval.

The fourth agenda item: A Brief on the Action Plan for the Growth of The Textile & Garment Sector - for information. The following are the highlights of the agenda item:

### **Background**

1. The Indian textiles industry accounts for 26 per cent of the manufacturing sector, 14 per cent of industrial production, and 18 per cent of industrial employment. It contributes 17 per cent of the total export earnings and 6 per cent to GDP. During the period 2004-05 to 2005-06, the domestic textile market has increased from US\$ 23 bn to US\$ 30 bn while the export market increased from US\$ 14 bn to US\$ 17 bn respectively. The textile industry has been projected to grow to US\$ 90-95 billion by 2010 (US\$ 115 billion by 2011-12). The National Textile Policy (2000) envisioned that India's share in Global export is expected to rise to 6 % by 2010 (US\$ 50 billion). To achieve the growth an investment flow of Rs.1,40,000 crore across various segments from fibre to garment is envisaged.
2. The High Level Committee on Manufacturing (HLCM) has identified Textiles & Garments (T&G) as one of the priority sectors for improving competitiveness on a continuous basis due to its high growth potential and higher multiplier effects for employment generation. The sector has been recognized as a thrust area for growth for the XI Plan due to its potential to boost productivity, investment, and employment. This subject was discussed preliminarily in the 2<sup>nd</sup> meeting of the ESC of the HLCM and the Ministry of Textiles accordingly has to submit a revised action plan to be considered by the ESC.

### **Need for a Long-term Vision**

3. In the above background, the NMCC has suggested for introducing certain policy interventions through 'an integrated action plan for enhancing competitiveness of the T&G sector' and adopting an Action Plan with a long-term vision having a Mission Mode (MM) approach for removing the constraints thereby improving the competitiveness of the industry in the immediate to short-term period.
4. The NMCC is of the view that considering the growth trajectory of the sector there is a need to design a framework to re-position the T&G industry with a long-term vision (2015) to achieve 10 per cent share of the world textile trade, from the current level of 3 per cent. Enhancing competitiveness of the T&G sector must be the key towards achieving this goal. These aspects need to be central while prioritizing the policies on various programs, schemes and segments of the T&G sector. To achieve the XI Plan targets, the Action Plan indicated that the T&G industry needs to grow 16 per cent in value

terms, stimulated by 12 per cent, 16 per cent, and 22 per cent growth of cloth production, clothing, & apparel and export segments respectively.

5. Considering the dynamic situation prevailing in the sector, the NMCC has suggested that the Action Plan needs to identify and prioritize the core issues and address each one with a perspective to enhance the overall Competitiveness of the sector. The Action Plan for the T&G sector needs to be broader in its base with a view to reposition the Indian T&G sector as a bigger player in the growing highly competitive global market. It is also important to lay out a detailed road map so that timely policy inputs can be extended for removing the constraints and providing the required growth impetus to selected segments. The Action plan needs to be further expanded to incorporate specific directions for meeting the major mile stones for achieving the growth targets in a time-specific manner.
6. The vision envisaged by the Ministry of textiles to reach US\$ 115 billion needs to be more specific by corroborating the set goals with the policy/action plan to achieve the targets. Further, to realize the vision, the NMCC has suggested that the action plan needs further delineation of its targets in a prioritized manner into segment-wise achievable growth vis-à-vis structural changes to be undertaken in the immediate to short-term period.
7. The envisaged changes include technological improvement, institutional restructuring, skill upgradation, improved training facilities etc. In order to pursue an overall development the NMCC has suggested that the domestic growth components of various T&G segments need to be re-examined vis-à-vis the corresponding export scenario so that, the suggested policy packages can be attuned to the market demand with respect to the domestic as well as the export segments. In this situation, prioritization is relevant to focus and grow in a particular segment, where Indian industry has competitive advantages in the prevailing textile chain. The competitive position of the segments needs to be identified in terms of a set of defined indicators so that the less competitive and more competitive segments, as well as products can be delineated for further follow up action. The action plan needs to examine and incorporate this aspect in its revised version.

### **Competitiveness**

8. Competitiveness of the T&G industry is the determining factor for its prospects. Though Indian T&G industry has been growing over the years, it failed to consolidate and strengthen its base in the international market due to lack of perspective and long-term policy backup. Today, it captures only a meager 3-3.5 % of the global textile

trade, whereas competitors like China has been reaping the benefits of its decade long persistent policies.

9. The expiry of ATC in 2005-quota free regime implies long-term structural changes in the sector. The post ATC situation is highly competitive as new players and products are determining the global leaders. In this dynamic situation, it is important to understand our strengths & advantages so that the policy focus can be directed to take advantage. Therefore, the NMCC has suggested that the Action Plan needs to be well prioritized with respect to segments/activities which should be realigned to attain Competitiveness in a timely manner.

### **Structural Transformation**

10. To enhance competitiveness, it is important to keep the growth momentum with innovative projects, progressive policies followed by concerted efforts from the stakeholders. To achieve the growth targets the T&G sector has to gradually undergo structural transformation to meet the desired growth targets. Policy interventions are needed for increased availability of raw material/fibre, prioritizing investment flows to certain segments as growth drivers in textile exports, ensuring increased investment and FDI, measures for reducing cost of production, enacting progressive labour laws, introducing skill upgradation and building brand equity development.
11. Indian Textile industry has dualistic manufacturing structure, with expanding decentralized small units and declining vertically integrated large-scale composite mill segment. The apparel segment consists of domestic manufacturers, fabricators and manufacturer-cum exporters with most of them falling under the <20 sewing machines category. India accounts for 20 per cent of the worlds spindle capacity (China 31 %). India has a fragmented weaving segment (mostly <20 looms) with low technology (1.7 % of shuttle less looms of the world). Fabric processing occurs at powerloom, handloom and mills, is the weakest link in the textile chain (knitted fabrics form only 15 % of the total fabric production). The decentralized fabric units account for 93 % of the total fabric production. Efforts need to be made to incentivize consolidation process in certain segments, as lower scale of operation is one of the constraints in affecting cost and competitiveness. Thus, the policy efforts need to be focused to make the scaling of operations viable and to ensure the growth. The Action Plan needs to incorporate facts to corroborate this and approach it through a policy matrix for necessary intervention.

## **Suggested Focused Intervention Areas**

### **Raw Material**

12. Fibre related issues pertaining to the T&G sector needs to be given the due priority. The present ratio of fibre utilization is 54:37:9 (cotton, MMF, blend). The central issue is to provide the availability of required fibre. Further, the necessary condition to achieve the growth targets is to change the fibre-mix of our exports from the existing 18 % MMF and 65% cotton towards the growing global trend of 60 % MMF and the rest cotton. This is inevitable considering the correlation between increased MMF output and the growth of textile exports of some countries competing with India. While the thrust needs to be continued for supporting the Cotton Mission, its limitations are also to be realized. Hence, the new policy directions need to be explored for improving the fibre availability, changing the fibre-mix of production as well as exports etc. based on emerging domestic and international market.
13. The success of the intervention must result in significant increase in MMF availability, considering the limitations on improving the productivity of the cotton, which is highly dependent on scarce natural resources. To improve the cotton availability to the extent possible the Technology Mission on Cotton needs to be continued, after reviewing the quantitative and qualitative progress of the same. Hence, concerted efforts are immediately needed to improve the availability of man-made fibre at reasonable price and adequate quantity so that its consumption for domestic as well as its share in the export mix can be increased. It requires a two pronged policy approach; firstly, the fiscal distortions in the fibre front need to be re-looked for further reducing it in a progressive manner.
14. The low scale of operation has been affecting the capability of the Indian T&G industry, as only 4 percent of all fabric woven is in the organized mill sector, and only 5 per cent of all processing is in large units, and only few garment manufacturers have turnover above US\$ 100 million. The CAGR of Indian fabric imports in the last four years is 33 per cent and most of it is being imported from China due to lower prices, lesser lead time and most importantly the inability of the Indian manufactures to fulfill the demand of garment units. Therefore, it is important to have certain degree of consolidation especially in the spinning and processing segments. Hence, the NMCC has suggested that the Action Plan needs to address the consolidation issue and the related policies need to be intertwined to achieve this goal of scale advantage. Considering the importance of fibre related issues, the NMCC has suggested that to achieve a bigger share in the international T&G market it is time for examine the issues with a perspective towards formulation of a comprehensive fibre policy

(natural & manmade) to boost the growth. The Ministry has tentatively agreed to this and asked for some more time to examine the intricate issues through a detailed study to meet the aim.

### **Apparel & Garments**

15. The Indian US\$16 billion domestic apparel and Garment industry targets a growth of more than US\$ 40 billion over next 3-4 years. The NMCC has identified this segment as the growth engine of the T&G industry. It has the advantages in terms of its low investment-high employment potential, environment friendly and can generate large employment in rural areas and has increasing prospects for both in the domestic and export markets. Presently the apparel exports are estimated at US\$8.2billion. The central issue in the segment is lack of scale effect; fragmented operations are encouraged to circumvent labour laws. Consolidation is the key for growth in this sector. Hence relaxation/amendment and also introduction of progressive labour laws considering its future growth potential and prospects for employment (female) generating capacity. The cluster development programs like the SITP, efforts needs to be focused to incorporate more garment units as envisaged the in a garment-led growth strategy of NMCC. This segment has higher employment potential and greater value addition prospects with lower investment requirements.
16. The Action Plan indicates that by 2011-12 the clothing sector would produce 18.97 billion pieces worth value of Rs. 2,90,300 crores. The export market would be 6.00 billion pieces at US\$ 34.02 billion (1,53,100 crore) and the domestic requirement would be 12.98 billion pieces with value of 1,46,200 crore. Twenty four lakh machinery will be required for producing 18.97 bn pieces. Further, annually about 14.5 lakhs stitching machinery would be required to meet the target, whereas currently the industry has 9.5 lakhs stitching machinery. The NMCC has suggested the plan needs to be further modified to include the well defined approach and action plan to arrive at the annual targets vis-à-vis the investment requirement for creating infrastructure, training institutions, skilled workers, marketing etc.

### **Technical Textiles**

17. Technical Textiles sector though emerging is a high profit area for India having high growth potential in export as well as domestic market. The Global market for technical textile is estimated to be US\$93 billion currently and is expected to grow to US\$ 127 billion by 2008. Though an Expert Committee headed by Secretary Textiles has recommended for focused attention for the technical textiles, the Action Plan does not elaborate on this high potential area in textiles. The committee has suggested this sector has a scope to go up to US\$ 127 bn and Rs. 30,000 crore in International and domestic markets by

2010 respectively. In 2005 the market for Technical Textiles products in India was estimated to be US\$ 6.7 bn and is expected to reach US\$ 12.4 bn by 2010 at a CAGR of 11.25 percent. The development of this highly potential area requires a holistic approach with coordination, special support schemes, R&D, and most importantly creating awareness for encouraging the use of technical textile items by industry and individuals. The NMCC has suggested the Action plan needs further incorporation of a road map and action taken by the Ministry on developing new and emerging areas viz. technical textiles, textile technology, machinery innovation, nano-textiles etc.

### **Textile Machinery**

18. Indian Textile machinery sector has been a neglected area. Special schemes are needed for development of textile machinery sector. The sector is heavily dependent on imports of textile machinery. The imports of textile machinery during 2006-07 are estimated at Rs. 6080 crores as against the indigenous production of Rs. 2800 crores. Further, steps are also needed to increase the capacity of domestic textile machinery manufacturing and reducing the cost of capital (textile machinery) for augmenting capacity in domestic production.. Urgent capacity need to be created for meeting part of the annual requirement of the stitching machinery.

### **Investments**

19. The Plan indicates that the total investments have recorded a growth of 71 per cent over the previous year to reach Rs. 18,450 crores in 2005-06. But the status of the unorganized sector in terms of investment, technology, etc. is not forthcoming. The Action Plan points out that the XI plan has envisaged an investment of Rs.1, 50,600 crores spread across spinning, weaving, knitting, processing and garmenting sectors.
20. In this context the NMCC has raised the issue that the Action Plan needs to specify the investment rate in various segments to corroborate the plan support for augmenting the growth dynamics. It is also to be examined why fresh/new investments are not forthcoming in the emerging, new, competitive areas/segments so that the special policy schemes can be made to attract the same. The meager FDI flow into the T&G sector also needs to be examined with a view to identify the segment-wise policies to be followed up to specifically attract Textile FDI. It is important to attract new investments in the potential wearing/apparel segments

### **Textile Upgradation Fund Scheme (TUFS)**

21. The TUFS needs to be extended for increasing the investment in certain new, emerging, and competitive sectors. Textiles Ministry

has taken the position that TUFs has delivered hence the need to continue the same. The Ministry has agreed to re-visit the TUFs as suggested by the NMCC so that the investment can be prioritized into the required and new and emerging areas. The review of the ongoing TUFs scheme needs to be expedited to understand the changes taking place in terms of investment, employment etc. in various segments since the inception of the scheme. Efforts need to be put forth in the Action plan to include garment sector for adequate proportion of investment under the TUFs, as per its growth prospects. The NMCC has suggested the Action Plan needs also to examine how much of the above TUFs investments have gone into new projects (green field) and for upgrading the existing ones. The ministry has agreed to provide the details. It is indicated that only 1 per cent of our looms are shuttle less as compared to 80 per cent in Taiwan and Korea and 62 per cent in Pakistan.

### **Cluster Development & Textile Parks**

22. In the cluster development programs like the SITP, efforts need to be focused to incorporate more garment units as envisaged in a garment-led growth strategy. The slot allocation in the cluster needs to be based on well-defined parameters identified in a transparent and participatory manner. This is important considering its higher employment potential and the greater value addition prospects with respect to the lower investment requirements.
23. It can maximize the benefits like benchmarking of quality, processing, standards, common facilities in designing, R&D, technology, effluent treatment etc. 23 clusters of textile SMEs have been identified and the programme is coordinated by Cluster Development Agents. On the STIP scheme 26 parks have been sanctioned. Considering the success, the Action Plan indicates for creating additional 50 SITPs.
24. The NMCC has suggested to incorporate the present status of the earlier sanctioned clusters and the above 26 SITPs for substantiating the success rate of the schemes. The highly fragmented large number of unorganized small and medium scale units makes an ideal case for cluster development approach in T&G sector. In the Cluster development schemes of SITP more agencies need to be involved and backward areas considered for locating the clusters and efforts taken for involving local entrepreneurs.

### **Skill Development**

25. The Skill development in the T&G sector needs special attention, as improving the productivity and quality of the products is crucial for attaining competitiveness. The overall skill development in the sector is gaining attention in view of the severe skill-gap in various high-end

segments of the sector. As pointed out by the NMCC, the strategy need to be for extending skill upgradation for the existing workers as well as ensuring adequate high skilled supply of workers from various technical institutions pertaining to the sector.

26. Though the Action Plan has estimated the requirement of 50 lakhs skilled persons in various segments it did not reveal the means of providing the same through an organized skill development and training programme. The NMCC is of the view that the Action Plan needs to launch a nation-wide program to assess the Skill-Gap in the T&G sector through a Comprehensive Skill-Gap Survey.

### **Transaction Costs**

27. The high transaction cost affects the competitiveness of the T&G sector adversely. The NMCC has suggested that the Action Plan needs to incorporate the prevailing transaction cost in T&G related activities across the country by updating the data through a study. It also needs to identify the appropriate authorities for resolving issues and devising policy interventions especially for the T&G units.

### **Employment**

28. It is indicated that the big leap in T&G sector growth is expected to create an additional 12 million employment opportunities-5 million skilled, and the rest in the semi-skilled segments. Presently, the Textiles sector provides direct employment to about 35 million people, and more than that in terms of indirect employment spread across various related sectors. The organized cotton/man-made fibre textile industry employs 9.5 lakhs and the cotton sector provides sustenance to millions of farmers, by providing livelihood for about 40-50 million persons. The woolen textile industry employs about 1.2 million workers across various activities. The handloom sector provides 6.5 million jobs directly and indirectly. The Action plan needs to be further supported by detailed examination/studies of the expected employment growth in various segments.
29. Increased exports of T&G has provided spurt in employment growth. China's growth in employment is noticeable. The nature of the T&G activities is such that employment growth could be seasonal. In this context the NMCC has suggested that the action plan needs to identify the year-wise employment targets; envisaged & attainable in various segments viz. spinning, processing, weaving, apparel etc both in the organized & unorganized categories to reach the growth targets. This is important in the context of the impending technological advancement/automation waves likely to sweep in certain segments of the sector. The Ministry has agreed to provide the detailed plan of action in this direction.

30. The Action Plan indicates that 38 per cent of the total employment in garment sector is accounted for female workforce. Therefore, the NMCC has suggested that the action plan needs further incorporation of information on the details of female employment (age, education etc), their skill availability across various segments.

### **Labour Issues**

31. Labour related issues viz. introduction of flexibility in deployment, adhering suitable working hours etc are important for the dynamic growth of the Textile, particularly the garment sector. The garment sector is mostly dependent on cycles of high demand which needs to be delivered at short notice. Growth in the garment sector depends on progressive labour reforms. The flexibilities are needed for hiring with a minimum 100 days of employment, raising daily working hours (from 9 hrs. to 12 hrs.), and treating export activity in the textile as a public utility service. The issues pertaining to labour may not be a problem in the situation of ongoing overall growth and expansion, especially with respect to the major players/units in the sector.
32. The ways and means of accomplishing the labour reforms it by sensitizing the concerned stakeholders and policy makers need to be expedited. The NMCC is of the view that the issues of introduction of labour reforms, amending labour acts needs to be amicably settled by taking into confidence of all the concerned stakeholders. It can be expedited by sensitizing authorities by sighting the information from the industry on job loss incurred local industry and advantages gained by competing countries, who had progressive labour reforms like contract labour, flexible working hours etc. The NMCC has suggested that the Action Plan needs to be further extended by incorporating mechanisms for introducing quality standards, better processes, social audit etc. for further improving the working conditions of the workers. The Ministry has indicated that a common compliance code for social audits etc. are being put forwarded in the case of textile clusters, this will be elaborated in the revised action plan. Efforts are also on for improved labour welfare schemes which can be included in the revised Plan.

### **Revised Action Plan**

33. In the discussion on the Textiles & Garment Action Plan with the NMCC the Ministry was totally in agreement with the various suggestions put forward by the NMCC for enhancing the overall competitiveness of the Sector. It has been agreed that the Ministry of Textiles will expeditiously incorporate all the necessary modifications and come out with a revised Action Plan at the earliest for the consideration of the Empowered sub-Committee of the HLCM.

The fifth agenda item: Future Work Programme of the NMCC .The following are the highlights of the agenda item:

1. The NMCC's main objective is to function as an inter-disciplinary and autonomous body to serve as a continuous forum for policy dialogue to energize and sustain the growth and competitiveness of the manufacturing industries. To accomplish this the NMCC has evolved a National Strategy for Manufacturing (NSM). The NSM's recommendations elaborates the specific initiatives to be undertaken for enhancing the competitiveness of the select sectors both at the national level and sector/industry levels. In addition to the operationalisation of the NSM as mentioned in detail in the Agenda Item No.2 some of the other work being undertaken and planned at the NMCC is described in the following paragraphs:
2. The programmes considered during the NMCC's last meeting include;
  - i. Third National Manufacturing Competitiveness Survey of Indian Firms undertaken by Indian Institute of Management, Ahmedabad.
  - ii. Monitoring of the Indian Manufacturing Sector to be done by Centre for Monitoring Indian Economy (CMIE);
  - iii. Assessing "Competitiveness of Indian Automobile Industry" to be conducted by the Indian Council for Research on International Economic Relations (ICRIER); and
  - iv. "Labour Intensity and Employment Potential of Indian Manufacturing" being done by ICRIER
  - v. Analyzing Productivity and Export Competitiveness of Indian Manufacturing Sector by National Productivity Council (NPC).
  - vi. Encouraging ICT in Manufacturing - Project VIKAS with Microsoft

These ongoing works are under various levels of completion and are being closely monitored by the NMCC for the required feedback.

- i. Third National Manufacturing Competitiveness Survey of Indian Firms**
3. The Indian Institute of Management, Ahmedabad (IIMA) has been conducting "National Manufacturing Survey", i.e., a detailed survey of manufacturing firms in India for the last ten years to understand the role of their managerial practices and technologies in enhancing the competitiveness. The first survey was undertaken in 1997 to understand actions of Indian firms to increase their "productivity on the shop floor" while the 2nd Survey was in 2001 focussed on "coordination of the supply chain".

4. The NMCC has decided to sponsor the third survey with an emphasis on “innovation and technology”, to understand the R&D details of the firms in line with the NSM of the NMCC. The survey is expected to help the Indian firms competing worldwide to become part of global supply chain as well as galvanizing with the global research and development networks. The survey will also help in Mapping of Innovation activities across sectors; Product, Process & Practice Innovations; Hurdles to Innovation ; Drivers of Innovation; Government policies that support & create obstacles; etc.
5. The survey will develop an understanding of the role of managerial practices and technologies in enhancing the competitiveness, the key drivers in building a competitive firm as well as help in identifying patterns of manufacturing practices that lead to competitiveness, and energize policy initiatives that will facilitate the adoption of these practices and process and provide ways to reduce costs and enhance re-activeness in global markets ( i.e., how to reach global customers with focused products & services with low cost, quick response, appropriate quality levels and high level of sensitivity to the needs of the customer).
6. The methodology to be followed is to cover eight industrial sectors with a sample of about 560 firms and the survey will be conducted by an external agency with the help of IIMA and the NMCC. A final report with the inputs like analysis of the nature and extent of competitiveness of Indian firms, of drivers of competitiveness, hurdles to innovation and competitiveness, policy implications etc., will help in building a database of firms with a time-series data nature. The IIM A will be finalising the questionnaires shortly and proceeding with the survey in consultation with the NMCC.

#### **ii. Monitoring of Indian Manufacturing Sector**

7. Competitiveness is Central to the robust growth of manufacturing sector. This study initiative seeks to provide a comprehensive solution to the data and information needs of the NMCC. CMIE’s service called I-CUBE, facilitates standard database products to the NMCC.
8. CMIE has been extending online database services to the NMCC under its I-Cube module broadly under three heads of supportive services which include Macro Economic databases, Sectoral databases and Firm-level databases. Apart from this CMIE also provides its Regional Monitoring Service, which presents a monthly review of the recent trends of the major States of India.
9. It has been indicated that CMIE will prepare customized Industry reports (monthly) for selected Industries as required by the NMCC focusing on performance indicators and on factors, which play a dominant role in the performance of these industries in the future. It

would cover all Industries during a quarter and then repeat these during the next quarter, and so on, every quarter. These reports would be an extension of the on going I-Cube service.

10. Further, CMIE has been suggested to provide customized solutions, which are in tune with the needs of the NMCC and also monitoring reports of the following sub-sectors in terms of growth and productivity, innovations, R&D, employment, export, technology, etc. They will also be providing customized reports on the performance of the NMCC's prioritized sectors viz. Textiles & Garments, (b) Leather & Leather Goods, (c) IT Hardware & Electronics, (d) Food Processing Industries, (e) Automotive Industries, (f) Capital Goods, (g) Paper, (h) Chemicals & Petrochemicals, (i) Pharmaceuticals, (j) Gems & Jewellery, etc. The NMCC has been closely interacting with the CMIE on a day-today basis and these reports are in various stages of preparation.

### **iii. Assessing Competitiveness of Indian Automobile Industry**

11. The NMCC has identified the automotive industry as one of the priority areas for focused intervention. The Indian Council for Research in International Economic relations (ICRIER) has undertaken this study. The sector has been growing and it has higher potential for employment generation. For further development of this sector, the NMCC is of the view that the intrinsic issues need to be examined in detail to assess the growth and competitiveness of the sector in the changing global automobile scenario.
12. In this perspective, the NMCC has initiated a detailed study of the sector. The point of exploration among other aspects include, whether India can emerge as a major player in the global automotive market on the basis of its domestic demand, entrepreneurial talents, technological and innovative capacity, and openness to foreign investment. Undertake an analysis of the cost competitiveness and prevailing policy regime, to assess the investment climate, as well as identify factors that influence the cost competitiveness of this industry. The study will also be examining the emerging global trade patterns with the experience of firms of six other countries, namely China, Malaysia, South Korea, South Africa, Thailand and Taiwan. The progress of study has been reviewed by the NMCC.
13. The NMCC has also given a feedback on Ministry of Heavy Industry & Public Enterprises and Society of Indian Automobile Manufacturers' (SIAM) initiatives for developing automotive Infortronics in India. In this context further work relating to the following is being pursued:
  - Investing in the development of multi-functional, multi-party requirements and facilities to mobilize directed research

programmes and “centres of excellence” for Infotronics in the requested areas.

- Investing in scoping multi-functional, multi-party requirements for a series of manufacturing competitiveness programmes in infotronics. (For example, next generation diesel injection system, low cost hybrid system, alternative electronic architectures and product platforms etc.)

#### **iv. Analyzing Productivity & Export Competitiveness of Manufacturing**

14. The National Productivity Council (NPC) has been assigned to carry out this study to identify the factors that boost (or hinder India’s competitiveness in select manufacturing sectors. The study focuses on a detailed analysis of productivity and export competitiveness of the major industry segments of the manufacturing sectors which have both value addition and export potential. The factors that are critical to productivity and/or export competitiveness of - the select manufacturing sectors would be studied in detail through industry/sectoral data analysis as well as by field investigations and discussions.
15. Eight major manufacturing sectors have been selected for the detailed study where India has considerable value addition and export competitiveness. The selected sectors are: (1) textiles & garments (2) leather & leather products (3) auto-components (4) food processing (5) IT hardware & electronics (6) drugs & pharmaceuticals (7) gems & Jewellery and (8) chemicals & petrochemicals.
16. The surveys would be conducted among the middle and top executives of 500 manufacturing firms in India selected from the identified manufacturing sectors.

#### **v. Labour Intensity and Employment Potential of Indian Manufacturing**

17. The proposed study aims to examine the labour intensity in some of the selected industries within the organized manufacturing sector of India over the fifteen year period following liberalisation with a view to identify the factors that determine labour intensities in the selected sectors. The study would also recommend policy measures to promote employment generation and growth in those selected sectors.
18. The proposed study would focus solely on registered Manufacturing Sector in India will be cover a time period of 1991 to 2005 (or the latest year for which relevant data are available). The employment generation/labour intensity of the registered manufacturing sector would be analyzed at a 3-digit NIC (1998) level of disaggregating.
19. The study would also analyze the impact of variables (or possible factors) like growth of real wages, growth of output, investment,

labour market flexibility, labour productivity, technological progress, factor content of exports and imports, etc. on employment generation.

20. The preliminary findings of the study were discussed in a meeting held on 15.11.2006 and certain inputs were given to guide the study with respect to specific requirements and priorities of the NMCC.

**vi. Encouraging ICT in Manufacturing – Project VIKAS with Microsoft**

21. To energize the NMCC's efforts to establish a sustainable growth path for the small & medium enterprises in India the NMCC has entered in a MOU with Microsoft Corporation India. The main objective of this initiative will be to use Information Technology (IT) extensively in leveraging the SME competitiveness and to enable them to compete in the globalized environment.
22. Under the aegis of the MoU, a 5 year Project "VIKAS" is to kick start the process of making the Indian SME sector competitive and to help establish "Made in India" a global brand. The project is designed to enhance the competitiveness of India's SME sector through a multi-pronged strategy, encompassing skill and capacity building, knowledge creation and dissemination, and enablement of linkages in the cluster ecosystem. Under the MoU the Microsoft shall fund about US\$ 15 million in the projects undertaken.
23. Microsoft has signed a services agreement with a cluster development expert, Apex Cluster Development Services (ACDS) as its consulting agency for the various intervention activities. Preliminary visits to 7 clusters have been made by Microsoft Officials to understand the cluster dynamics, current usage of ICT and get initial buy-in into our program. Pune Auto component cluster, Tirupur Textile cluster and Ahmedabad Pharma cluster have been identified as 3 pilot clusters for this fiscal year.
24. The likely output of the programme would be deliverables like (i) Innovative change in management, technology and statistical information for faster decision making; (ii) Changing of instruction oriented follow-up to system oriented follow-up; (iii) Free flow of communication and greater transparency at the organizational level; (iv) Executive/entrepreneurs spend more time for Planning and development instead of attending on internal problems and stabilization; (v) Recognition by the international firm and higher market potential; (vi) Higher level of internal efficiency and better competitiveness. Project "VIKAS" is being implemented through a multi-pronged strategy, encompassing skill and capacity building, knowledge creation and dissemination, and enablement of linkages in the cluster ecosystem.

## **National Manufacturing Portal (NMP)**

25. As a part of the SME initiative a National Manufacturing Portal (NMP) is being planned to disseminate the relevant information on a continuous basis so that it will serve as a one stop shop for availing all the required information on SMEs and Cluster development. The NMCC has been pursuing this venture closely with the Microsoft. Microsoft plans to assign resources to scope the effort, various input requirements and prepare a scalable & manageable architecture for this portal. The NMP is to be operationalised by early next year.
26. The project Vikas, the scalable multi-divisional programme will harness skills, build capacity, encourage knowledge creation and dissemination, and enable linkages in the cluster eco-system. The project is being implemented in 3 phases. Firstly, by understanding the cluster needs and preparing of action plan with active local participation for improving the cluster level activities. This will be followed by using ICT to improve the skill base of the cluster activities. In the final stage ICT usage will be further extended to help in improving the productivity and business processes.
27. To oversee the implementation of the various programmes to be undertaken under the above MoU a Steering Committee has been constituted under the Chairmanship of the Member Secretary, NMCC. Further, a working Group under the Chairmanship of Shri Rajeev Ranjan, Joint Secretary, NMCC has also been constituted to monitor the various programmes mentioned in the MoU. The programmes are being followed up in order to ensure that the impact is felt and also synergy created with the ICT component in the National Manufacturing Competitiveness Programme (NMCP).
28. The project VIKAS has been progressing as scheduled. As a part of the project workshop meetings are proposed to be conducted at various locations and feedback would be given to the NMCC on the progress of the project. The initiative will get off the ground with a multi-location conference aiming to create a grassroots momentum and a platform for exchange of ideas, experiences and opinions between the key stakeholders involved in the process of innovation for SME environments in the manufacturing sector. The event '**Prosperity through Innovation - Strengthening Entrepreneurship - IT for Productivity**' is being held in three locations:
  - Cluster based event - Pune on 11<sup>th</sup> December, 2006;
  - Cluster based event - Tirupur on 13<sup>th</sup> December, 2006; and
  - Main event - Delhi on 15<sup>th</sup> December 2006 -
29. With the focused attention on the NSM the scope and coverage of the areas to be studied in detail for enhancing the manufacturing

competitiveness has been increasing. It has been felt that there is a need for engaging more consultants/research institutions. In this context, the NMCC has invited expression of interest (EOI) through an advertisement in the National Dailies on 27<sup>th</sup> November 2006 for consultancy services/ survey/studies in identifying sector for enhancing manufacturing competitiveness from reputed consultancy organization/ research institutions to conduct studies in the identify priority areas as given in the NSM.

### **Survey of Indian Business Climate**

30. The NMCC is in the process of finalization this study to understand the economic and business fluctuations at the macro level. It is being proposed to be undertaken every quarter on a PPP arrangement basis with the NMCC, creating short reports on global trends in select industries; and undertaking research on developing benchmark indices of competitiveness, like Total Factor Productivity (TFP) etc. CMIE has given a proposal to develop the methodology, conduct the research, and generate the indices of TFP on a regular basis which is under examination.
31. Research studies are also being considered on an ongoing basis and are being discussed with the other organizations like CRISIL, ICRA etc. for obtaining their services in providing proper feedback to enable the NMCC in formulating appropriate policy measures for enhancing the competitiveness of the Indian manufacturing sector. In this context CRISIL has put forward a proposal with a view to providing advisory services to the NMCC with the following main objectives: Establishing a performance monitoring framework for the Indian manufacturing sector. Study the identified manufacturing sectors to identify the factors constraining the competitiveness of the sectors.
32. The NMCC has identified certain core areas for undertaking detailed studies. The NMCC has been engaging reputed institutions to undertake studies of importance of areas identified in the NSM. This has been taken up on a priority basis to understand and assess the competitiveness position of different manufacturing sectors on a continuous basis. Some of the Studies have made ample progress. In this direction several other studies are also being planned to be commissioned by the NMCC. Some illustrative areas identified in the draft of the 'National Strategy for Manufacturing' for taking up specific studies include :

### **Areas of further Work/Development**

- Lowering Cost of Manufacturing
- National Vocational Educational Qualification System
- Re-engineering Procedures (Minimizing Transaction Costs)

- Enhancing Competitiveness of Un-registered Firms (Global Best Practices) \
  - Low Productivity of Labor (PSUs)
  - Firm level Competitiveness (Strategies & Road Map Development)
  - Lean Manufacturing Advisory Center
  - Development of MIS for the NMCC
33. Some of the above areas will be approached on a continuous basis so that the latest information would be available to the customer through on line. This is being explored as the scope for updating will be larger. The usage base for this kind of information on a priority basis will be enormous, given the swift changes taking place in design, R&D and know-how technologies with the increased usage of ICT.
34. In addition to the above some more areas need to be addressed and some issues which can also be taken up for detailed study for which the NMCC can get suitable research inputs from outside agencies such as :
- Derive the Manufacturing Competitiveness Index (Sectors/States).
  - Monitor trends in total factor productivity of the manufacturing sector in India - based on work earlier done by National Productivity Council (NPC)
  - Identify the relationship between Export performance vis-à-vis Growth and Productivity in the Indian manufacturing sector
  - Survey of literature on innovation and technology transfer issues relevant to Indian context.
  - Implications of FTAs on the competitiveness of Indian manufacturing industry.
  - Analyzing and working at a Composite competitiveness Index based on various Competitiveness Indices like Global Competitiveness Report, IMD's World Competitiveness Year Book / World Investment Report etc.
  - Identification of Labour intensity of various manufacturing sectors of the Indian economy.
  - Employment potential of manufacturing sub-sectors
  - Statistical base/validity/relevance of Index of Industrial Production (IIP)
  - Indigenous manufacturing in the Defence sector.
  - Offset principle to be explored in the Defence and other high value procurements.

- Cluster development studies and implementation issues in consultation with all stakeholders.
- Prioritization and matrices of manufacturing sub-sectors for medium to long term growth potential to be created.

**i. Comprehensive Skill-Gap Survey.**

35. The NMCC has identified Skill Development as one of the priority areas for enhancing competitiveness of the manufacturing industries. The HLCM has emphasized the importance of this issue and the NMCC is working for immediate follow up actions to identify micro and macro solutions. Skill development being one of the important requirements, there is an increasing need for assessing the manpower demand and the existing institutional delivery mechanisms to provide the required number of skilled manpower to fulfill the demand from the industry.
36. The issue of skill scarcity has been raised in many of the sectors where Indian manufacturing industry has strengths and comparative advantage. It is important to sustain the competitiveness of the sectors and some of the newly emerging areas in the manufacturing front. Availability of the required skilled human capital has been one of India's unique selling proposition (USP) considered for relocation of knowledge based manufacturing to India by global players. The trend needs to be augmented in the near future by graduating up the value chain. Hence, a detailed understanding of the Human capital position pertaining to various manufacturing sectors is essential for strategic policy and planning.
37. The NMCC has been deeply involved in bringing the issues pertaining to Skill Gap at the appropriate forums for focused attention. Initiatives have been taken at various levels to address this important issue. The Planning Commission has been working on this task at a higher level. The MHRD and the labour Ministry have been involved to address the issues to assess and understand the problems at the macro level and come up with suitable solutions. Some of the State Governments and industry associations have already come out with studies examining the important aspects. Similarly, certain studies pertaining to the manufacturing sectors have also raised the issues of increasing scarcity of required skilled human resources recently. Further, as new technically advanced areas emerge, the issues of skill gap will accentuate in the immediate future. It is necessary to address the Skill Gap issues in an overall perspective to understand the critical problems, which need to be addressed on a priority basis.
38. In the above context, the NMCC is of the view that a Comprehensive Skill Gap Survey needs to be undertaken with the following objectives:
  - ✓ To assess the structure and status of manpower situation in various sectors.

- ✓ To study the institutional requirements for restructuring the manpower training needs
  - ✓ To form a continuous mechanism to monitor and reorient the manpower and skill requirements in the manufacturing segments.
39. The NMCC is of the opinion that since the size of the problem is large and encompasses various Ministries, as an initial step, after due consultations the Ministry of MHRD as well as the Ministry of Labour the core issues can be delineated and which can be further assigned for exploration and study by experts/institutions for respective solutions in a time bound manner. There is also a grave need to identify the infrastructural requirement and the modified training modules in delivering the skilled manpower with the changing requirements.

#### **ii. Work on Advanced Technology Products (ATP)**

40. In the era of competitiveness, innovation has become the key ingredient for further growth and development. In this situation the enterprise strategy needs to be to encourage the innovation, R&D strategy so that firms will be able to excel in the emerging strict IPR regime. In this context the areas of advanced product strategy has become the centre of attention. The NMCC has been pursuing its efforts to bring in the required attention for encouraging this area of critical importance.
41. To give proper attention, the NMCC is of the view that a study needs to be done for detailed identification of leading edge products from an acknowledged high-technology industry to be classified under ATP and harmonize them with the codes of the Indian Trade Classification (ITC) and national Industrial Classification (NIC)-2004 so as to build a regular data base on the manufacture and trade of ATPS in all the ten fields. The US Commerce Department has already identified nearly 500 items as advanced technology products' out of its 22,000 items trade basket.

#### **iii. Establishment of Manufacturing Advisory Service (MAS)**

42. The National Strategy on Manufacturing (NSM) has envisioned that a Manufacturing Advisory Service (MAS) need to be established by the government to deliver state of the art analytical and research oriented advisory inputs from time to time for incorporating in the Action plans.
43. Developing countries having inherent advantages for manufacturing were able to prosper in the new highly competitive environment provided they have been able to reform, change, adjust, and adopt in a coherent and intelligent manner. Their strengths include among other things, abundance of local raw materials and human skill resources. With access on ICT induced technology, process management knowledge much leverage could be made in enhancing competitiveness, if the needed directions are streamlined.

44. Globalization has been inducing dynamic changes in reform processes all over the world, especially in strengthening innovative institutional delivery systems. The way trade is being conducted by countries will have drastic changes with the elimination of some restrictions and the inclusion of many more. The opportunity has come for the most competitive developing countries to develop stronger pockets of manufacturing expertise. While low wages can still give developing countries a competitive edge in world markets, time and knowledge ingredients to anticipate changes and adjust for re-orientation will now play a far more crucial role in determining international competitiveness. Countries that aspire to maintain an export-led strategy in manufacturing need to complement their cluster of expertise in manufacturing by developing their expertise in the higher value-added service segments of the supply chain such as design, sourcing, or retail distribution.
45. To pursue these avenues, the Indian Manufacturing sector has to grow in terms of size, quality, design and R&D in its different segments. The national players need to place greater emphasis on education and training of services-related skills and to encourage the establishment of structures where domestic suppliers can share market knowledge and offer more integrated solutions to prospective buyers. These front-end growth drivers could be developed only through timely and continuous support through intelligent information and advice which would be the purpose of the MAS.
46. The primary purpose of setting up of the Manufacturing Advisory Service (MAS) is to advise the concerned decision makers and the stakeholders on the identification of ways and means for the expansion of manufacturing by understanding the nuances of changing trade MIS and suggest methods of encouraging manufacturing firms to increase their competitiveness and to participate in export expansion activities and programmes.
47. The Manufacturing Advisory Services (MAS) will be the working as a national advisory dedicated for providing expert advise and technical information to the manufactures on all critical changes taking place in trade, tariff, technology, know-how, rules, procedures, regulations on international standards and practices etc. for encouraging firm's competitiveness through critical knowledge and analytical inputs to increase their productivity and competitiveness. In the changing competitive environment this is necessary to encourage and support with key knowledge inputs so that firms could strategize their production and export norms. The NMCC is in the process of formulation of these critical services by incorporating the needs all the stakeholders concerning the manufacturing activity including policy makers, industry associations, experts, and academia in a dynamic mode.

#### iv. Organisation of Manufacturing related events

48. The NMCC has been working with various stakeholders and industry associations for organizing outreach programmes on various aspects of the National Strategy for Manufacturing. The purpose is to create increased awareness and improve the dissemination process of the knowledge frontiers concerned with Manufacturing in line with the NSM of the NMCC. These events will involve active participation from all the segments of the manufacturing industry, apex industry associations, chambers, and export authorities, experts, and officials. These events will be deliberating on the future concerns and the course of action and directions of policy formulation to be streamlined in the future. For example, an industry consultation meeting on 'Strategy for Enhancing Growth & Competitiveness of Food Processing Sector in India' is being organized jointly with FICCI on 13.12.2006.
49. The NMCC is planning to organize such events on regular basis with apex industry associations so that the implementation and the assessment of some of the programmes can be appropriately assessed. CII has suggested organisation of 'National Manufacturing Strategy Summit 2007 - A Roadmap for Accelerating Manufacturing Performance: the Agenda for 14% Growth'. This would discuss implementation of India's manufacturing strategy and examine if the aspirations and goals that have been set out are supported by action on the ground and how the States and sectors are aligning their strategies to the National Strategy for Manufacturing. There will be separate sessions on building and sustaining the strategic enablers in terms of infrastructure, attracting and retaining talent and to position India as a manufacturing hub NMCC is also discussing with ASSOCHAM organisation of a National level meeting on manufacturing to discuss growth plans of strategic sectors.

Following Points were made by the Council Members:

### On Skill Developemnt

**Shri S. S. Mehta** said that the problem of skill development is larger and very important. He said the industry and the NMCC should come together to find immediate remedies for it. The NMCC should take a comprehensive view and take the lead in facilitating vocational training / skill development for SMEs, developing visionary leaders etc.; The vocational training is under the Labour Ministry and the proper norm should be laid down for revitalizing it with a specific and defined role for the private sector to play. He said that the issues of skill credit need to be explored by imparting skills to the locally available persons while setting up SEZ; emphasize on developing skills of around 340 million unorganized sector workers .The existing 5000 ITIs cater to only 10% of the demand and the 90% problem is left unattended. The NMCC needs to provide a concept paper on skill development. The members in general felt that the NMCC should take the lead in providing a comprehensive view on skill development in the country by assessing the recommendations on skill development related studies / reports.

**Smt. Uma Reddy** observed that skill development is more difficult for the SSIs. The lack of infrastructure is one of the main problems. This is in spite of the existing network of tool rooms, CMTI etc. She said organizations involved in training for skill development especially for the SMEs reveal that it is difficult to get the persons and help is required for developing course curricula in local languages and a recognized certification body.

**Shri Mukul Kasliwal** observed that the retail front of the garment sector is also facing labour shortages. He said the NMCC should lead in providing large scale awareness campaign regarding the skill development programmes so that the available schemes / grant / subsidies are known to the small entrepreneurs, who would like to initiate man power training programmes.

**Mr. Surinder Kapur** said that incentives should be provided to the industry which takes up skill development and R&D investment. The Chairman said that in India the wage related cost is comparatively less as compared to that of the developed countries. In this case, the big industries can lead in developing the skills of their labour force to some extent, which will be ultimately benefiting the industry itself.

**Shri R. Gopalan, JS, NMCC** indicated that as per discussions with the Ministry of Labour, there is a need to strengthen ITIs through retraining of trainers, providing modern equipments for trainees to work on, and letting industry take over management of the ITIs wherever State Govts agreed to. On providing short-term training to produce semi-skilled personnel, industry and private sector should provide training either at their premises or in the

catchment areas. Their expenses can be partially met through tax breaks and payment by the trainees. It is important to work out details on curriculum, assessment and training of trainers. He said that there are only 1900 government ITIs and there are many places like the North-East areas where ITIs are not there. The NMCC has identified that vocational training is required in the area of leather, textile, garments etc., for imparting training to the trainers. The ILFS model or the NAC-L&T model can be adopted for this purpose. The important issues involved are to develop the course curricula, to get the trainers trained and to provide certificates after completion of the training.

**Shri Jamshyd N. Godrej** said a tax rebate model can be attempted for the training and skill impartation. It can be done through setting up of common training centres by a group of industries getting together and providing investment for infrastructure, course design etc. The company's contribution should be tax rebated. The common training centers should be run by the industries. As suggested by the Chairman, the market forces will determine the demand and its future growth. He said that the possibility of providing virtual training programme to the industry should also be explored.

It was decided that work will be pursued with the Ministry of Labour on strengthening the existing ITIs, provision of incentives for establishing private sector ITIs, incentivising industries to adopt ITIs wherever permitted by the State Governments and utilization of unused capacity in the ITIs. On short-term vocational training for unskilled persons, to begin with, local Industry Associations should be facilitated to take up the training with appropriate incentives. It was also decided that a concept paper will be produced by the NMCC delineating the role of various stakeholders in providing vocational training. It was decided that the NMCC would synthesize the findings of various groups who are engaged in working out solutions for vocational training and make appropriate recommendations to the Government.

### On VLFM

Dr. (Prof.) Shekhar Chaudhuri briefed on the VLMP programme. He said that the design of the course modules need to be further reworked in the wake of the different types of programmes envisaged catering to the needs of various categories. The Chairman said that for the SMEs, design of shorter period programmes need to be addressed. In this regard IIM Calcutta has been asked to design the specific programme. The Chairman said that the success of these efforts depend on the synergy between IITs, the IIMs and the industry and variety of other organizations. He said that the industries need to identify the candidates to be trained. Though, it seems to be little expensive, but in terms of future point of view it may be beneficial for the industry.

### On India-Japan Engagement

**The Chairman, NMCC** said that we should make an honest effort to bring in more investment and our intention should be to get maximum benefit for the

manufacturing sector. Some of the members were of the view that the NMCC need to explore the possibility of exploring working together with the Japanese manufacturing industry, like the huge textile market in Japan. Shri Surinder Kapur pointed out that the NMCC can play an important role in extending business opportunities between India and Japanese companies. . Dr. (Prof.) Shekhar Chaudhuri informed that he has recently received an offer from the Sophia University of Japan to give a flavour of India to a group of Japanese business delegations. Shri Kasliwal said that the vocational training imparted in the Eastern Europe should be explored and the maximum benefit derived from that model.

### On Advanced products

Mr. Surinder Kapur wanted to know whether the expert group on Advanced Technology Products (ATP) has been set up by the NMCC. The Member Secretary said that experts groups will be constituted to go into the details of the ATP issues once the Apex Group has been formed with the approval of HLCM. Efforts will be made to identify experts in each of the important areas of the ATP. The Chairman said that the ATP include diverse areas like Bio-tech, Aerospace, Nuclear technology etc. The intention is to select a few areas and do reasonably good work. For instance, the electronic, IT hardware areas are in very poor stage. Shri S. S. Mehta said that more analysis needs to be done to find out the details of Indian ATP export items to the US and that of the US to India. Shri Mukul Kasliwal said that in these areas partnership with academic institutions need to be explored. For example, In the case of textiles, the fire resistant textile material and nano-technology textiles for high altitude cloth are being developed by research organizations. The NMCC can take initiative in bringing the industries and research organizations on the same platform for more synergy.

Shri Jamshyd Godrej maintained that recent China-India study revealed that the cost level is lower in China and the Government staffs get promoted only if they do the necessary facilitation. He said for the real change to happen it is necessary to change the attitude of the Government staff.

### On Food Processing

Shri R. Gopalan, JS, NMCC explained the proposals made to the Empowered Sub-Committee for approval on Food Processing Industries. He explained in detail the food park scheme, scheme for abattoir, cold chain infrastructure scheme, food street/food corners/food plaza scheme and fiscal and financing proposals to reduce the cost of processed foods. Shri Jamshyd Godrej suggested that food processing machinery should be included as an area for future work. Chairman, NMCC pointed out the need for using solar power in cold chain system. He also explained the need for such schemes as private

sector ventures like retail chains cannot solve the problems of a big country like India. He pointed out that he has not received any breakthrough solution for the food processing industries and, therefore, issues for immediate resolution should be considered on priority and pursued for decision. Shri Jamshyd Godrej pointed out that convenience, socio economic and safety factors will decide the demand for the processed foods.

### On Textiles & Garments

The Member Secretary, NMCC requested Shri Rajeev Ranjan, Joint Secretary, NMCC to make a brief presentation on the NMCC's work in progress on the Textiles and Garments Sector. Shri Rajeev Ranjan, JS, NMCC mentioned that the NMCC has been closely working with the Ministry of Textiles for evolving an implementable Action Plan for the T&G sector. The NMCC has had several meetings with the Ministry and the plan has been further improved and presented in the third ESC on 15<sup>th</sup> December 2006. The action plan has moved further from the NTP 2000 and indicated segment wise growth targets and specific interventions required for a long term growth plan upto 2015. An investment requirement of Rs. 1, 50,000 crores has been estimated in the Action Plan for various segments. The Action Plan based on the suggestions by the NMCC has gone into the details of a long-term mission, the need for competitiveness in a dynamic situation, ways & means to introduce structural transformation, scaling of operations etc.

Mr. Rajeev Ranjan, JS, NMCC mentioned that the action plan has also prioritized specific areas of intervention like raw material availability, fibre-mix, skills issues which need to be addressed with suitable policy packages. The apparel sector has been identified as a thrust area for intervention. The main issues to be addressed in this segment include the labour flexibility, skilled development etc. The SITP has been a successful scheme and has been suggested for continuation for encouraging more apparel units in the parks. Technical textile has been identified as another thrust area where India has advantage. The issues in the textile machinery sector have been highlighted for intervention. The TUFs scheme has been successful and over Rs. 13000 crores has been disbursed. Regarding the skills development, the plan has suggested 50 lakh employment will be generated in the next five years and of which 40 lakh will be in the garment sector. The revised action plan will be discussed in detail in the next ESC.

Shri S. S. Mehta wanted the Bt cotton issue to be dealt with in the case of raw material. He also said that the views on fashion and marketing need to be explored regarding apparel and garment. Shri Rajeev Ranjan said that regarding fashion in apparel segment, the NMCC is dealing with NIFT and

the inputs are being analyzed. Shri S. S. Mehta said that the issues relating to technical textiles need to be highlighted as it is an emerging area where the US has 33% share and the EU has 28% share whereas India's share is only 1%. He said the necessary world class infrastructure for technical textiles needs to be put in place.

**Shri Mukul Kasliwal** said that regarding fibre issues, we need to take a three to five year perspective to become competitive. He suggested looking into the prospects of Bio-Fuel related natural-polyester fibre. He said polyester is being taxed much more than cotton. New technology should be applied to cotton so that diversified high-tech fibres can be produced. He stressed the need for bringing together the Ministry of Textile, various textile research associations like SITRA, ATIRA etc. and other related agencies for making state of the art textile machinery spinning equipment, new products etc. On skilled development he said, large scale apparel manufacturing training institutes need to be set up across the country. This is necessary to cater to the needs of the front end of the emerging retail sector in the textile. He suggested that the NMCC needs to take initiative in setting up 100 apparel training institutes. The Member Secretary said the NMCC has dealt with these issues with the Ministry of Textile and suggested for developing a comprehensive fibre policy, for which they have asked for some more time.

### **On Data Issues on Investment**

**Shri Seshasayee** said that there is serious lack of manufacturing data, which constraints any sensible analysis on growth and investment etc. He said reliable data on manufacturing regarding three important statistics viz. the investment trends, the productivity indicators, and a quality index is required. He said the need for engaging the agencies like the ORG\_MARG for undertaking a detailed survey on manufacturing sector may be explored. He said, with the NMCC's support, CII can work for arriving at a methodology to estimate the manufacturing competitiveness index. This is essential for policy interventions in various segments. The Member Secretary said that regarding the monitoring of the manufacturing sector, the NMCC have been developing its own data requirements and analysis and will consider undertaking a study on the investment trends in the manufacturing sector.

The Chairman said the NMCC has already engaged the CMIE for providing the data sources on manufacturing on a day-to-day basis. The NMCC has also engaged various reputed institutions for undertaking specialized studies on competitiveness of different sectors. He said that the search for getting a breakthrough in manufacturing will continue, the problems will be identified, and the NMCC will seek immediate solutions in a set time frame particularly in respect of identified priority sectors.

## ANNEXURE - I

### **APEX COMMITTEE FOR THE 'VISIONARY LEADERS FOR MANUFACTURING PROGRAMME'**

1. Dr. V. Krishnamurthy, Chairman, NMCC - **Chairman**
2. Shri V. Govindarajan, Member Secretary, NMCC - Member
3. Shri R.P. Agrawal, Secretary, Deptt. of Secondary & Higher Education, Ministry of Human Resources Development/Shri Ravi Mathur, Joint Secretary - Member
4. Prof. Shekhar Chaudhuri, Director, IIM Calcutta, Member, NMCC - Member
5. Prof. Sanjay G. Dhande, Director, IIT Kanpur - Member
6. Prof. Shoji Shiba - Member
7. Lt. Gen. (Retd.) S.S. Mehta, DG, CII - Member

**U.S. Exports to India in Advanced Technology Products  
(in Thousands US \$)**

Advanced Technology Grouping	2002	2003	2004	2005	2006 (Jan-Sep)
(01) Biotechnology	1,064	2,681	5,313	7,333	12,410
(02) Life Science	59,974	70,208	249,578	262,020	217,787
(03) Opto-Electronics	6,278	5,382	11,343	24,279	15,488
(04) Information & Communications	258,193	276,117	825,724	914,528	750,634
(05) Electronics	28,601	31,372	90,926	118,010	107,053
(06) Flexible Manufacturing	26,411	30,375	61,945	101,281	93,009
(07) Advanced Materials	1,063	983	6,673	4,023	2,298
(08) Aerospace	154,310	319,098	241,048	620,075	1,075,817
(09) Weapons	34	84	11,304	460	169
(10) Nuclear Technology	355	434	1,269	2,045	1,798
<b>TOTAL</b>	<b>536,282</b>	<b>736,734</b>	<b>1,505,122</b>	<b>2,054,055</b>	<b>2,276,463</b>

**U.S. Imports from India in Advanced Technology Products  
(in Thousands US \$)**

Advanced Technology Grouping	2002	2003	2004	2005	2006 (Jan-Sep)
(01) Biotechnology	809	719	1,233	2,269	1,632
(02) Life Science	57,277	85,952	188,879	232,734	244,547
(03) Opto-Electronics	1,674	2,899	5,653	6,248	14,667
(04) Information & Communications	16,786	37,283	43,036	127,155	176,106
(05) Electronics	10,027	12,263	34,851	45,233	52,827
(06) Flexible Manufacturing	3,519	2,278	5,694	14,906	8,100
(07) Advanced Materials	1,109	1,015	2,469	3,567	3,117
(08) Aerospace	1,379	3,431	10,844	8,976	9,846
(09) Weapons	58	240	853	736	499
(10) Nuclear Technology	7,858	3,165	24,997	14,140	8,401
<b>TOTAL</b>	<b>100,495</b>	<b>149,244</b>	<b>318,509</b>	<b>455,963</b>	<b>519,742</b>

*Source: Compiled from US Foreign Trade Statistics ([www.census.gov/foreign-trade/adverts/tradedata/classifications.html](http://www.census.gov/foreign-trade/adverts/tradedata/classifications.html)).*

## Addendum to Agenda Item No.2 – Operationalisation of the VLMP

The first Meeting of the Apex Committee on VLMP was held on 16.12.2006 at NMCC under the Chairmanship of the Chairman, NMCC. Prof. Shoji Shiba gave a detailed presentation based on the questionnaire survey and industry/Institute meetings at IIT Kanpur on December 7, 2006, IIT Madras on December 14, 2006 and IIM Calcutta on December 15, 2006. It was mentioned that there are different urgent felt needs of the Indian manufacturing industry which would require varied solutions. Four opportunities, namely, A, B, C and D were identified for implementation. Chairman, NMCC assured the full support of the NMCC to start the VLMP as per schedule. The Apex Committee after detailed discussion decided as follows:

- i. To implement all the four opportunities simultaneously as they are all important to take care of the felt needs of the manufacturing sector in India.
- ii. The nodal responsibility for finalising the programme after taking suitable inputs would rest for programme 'A' with CII, 'B' with IIT Kanpur 'C' with the NMCC and 'D' with IIM Calcutta. The drafts should be sent to the NMCC by 10.01.2007.
- iii. Next meeting of the Apex Committee will be held by the end January, 2007/beginning of February, 2007 to finalise the detailed implementation Plan so that the programmes can be started by the middle of 2007.