

Industrial & Commercial Policy 2007

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**Department of Industries and Commerce
Government of Kerala**

Contents

		Page No.
1.	Introduction	3
2.	Vision	5
3.	Objectives	5
4.	Strategy	6
5.	Traditional Sectors	9
	5.1.1 Handlooms, Khadi & Village Industries	10
	5.1.2 Textile Sector	11
	5.1.3 Handicrafts, Heritage & Souvenirs	11
	5.1.4 Coir	12
	5.1.5 Sericulture	12
	5.1.6 Bamboo	13
	5.1.7 Cashew	13
	5.1.8 Beedi	14
	5.1.9 Tiles	14
	5.1.10 Fish Processing	14
	5.1.11 Industrial Cooperatives	14
6.	Agro based Industries	15
7.	State Level Public Enterprises (SLPES)	16
8.	Micro Small & Medium Enterprises	17
9.	Large Scale Enterprises	18
10.	Manufacturing & Service Sectors	18
10.2	Cluster Development Programme	19
10.3	Infrastructure Development	19
11.	Biotechnology & Nanotechnology	23
12.	Mining & Geology	23
13.	Trade & Commerce	24
14.	Incentives	25
15.	Sick Unit Revival Programme	25
16.	Human Resource Development	26
17.	Entrepreneurship Development	26
18.	Labour Relation	26
19.	Investment Promotion	27
20.	Single Window System	28

1.0 INTRODUCTION

- 1.1 The neo liberal policies initiated by the Union Government in the early nineties at the behest of the Bretten Wood twins, the World Bank and the International Monetary Fund, have proved to be detrimental to the indigenous productive sectors and the work force who depend upon them. Marginalisation and pauperization of small farmers, small and medium scale manufacturers and traditional entrepreneurs were the direct result of the policy of Liberalization, Privatization and Globalisation (LPG). Opening up of the economy sans a level playing field has adversely affected the Indian Industrial sector. The small and medium units faced serious crisis and a large number of such productive units were either forced to close down or have been doomed to be uncompetitive. On the other hand, the LPG policies did not yield results, as claimed by the proponents of liberalisation, such as unprecedented economic growth, technological advancement, huge foreign capital inflow and export dynamism in manufacturing sector. Since the much acclaimed inflow of foreign investments was mainly concentrated in the speculative sectors, they failed to strengthen either the manufacturing sectors or infrastructure facilities.
- 1.2 The Government which was in office during 2001-2006 in the State attempted to follow the neo liberal policies more aggressively. It grossly neglected the traditional industries, which provide large number of employment, let down the State Level Public Enterprises, many of them have vital social roles to play, and failed miserably to attract private capital. The Government paid no attention to develop and strengthen the infrastructure facilities, which is a prerequisite for industrial growth, resulting in deceleration of the already weakened industrial sector of the State. In the case of FDI also, the State has lagged far behind compared to other major Indian States. An amount of Rs. 68106 crores has been brought to India as FDI during the period 2000-2005, of which Kerala's share was only Rs. 275 crores. From January 1999 to December 2005, an amount of Rs.1217 crore in 184 projects has been approved for Kerala as FDI, which constitutes only 1.26 per cent of the total FDI approved in India. With regard to FDI, Kerala Stands at 12th position among other States.
- 1.3 The overall contribution of the industry to the GSDP for the last five years is disappointing. The contribution of manufacturing sector to the GSDP (at constant prices) during the period

2000-2001 to 2004-2005 has registered a considerable decline. In 2000-2001 it was 10.8 percent, which has come down to 8.2 percent in 2004-2005. General Index of Industrial Production in the State declined from 302.29 in 2001-2002 to 262.59 in 2003-2004. Negative growth was recorded in several items such as beverages, tobacco, cotton textiles, basic chemical and chemical products, non metallic mineral products, basic metals and alloy industries, metal products, machinery and equipment and other manufacturing industries⁽¹⁾.

- 1.4 The treatment meted out to the State by the Union Government for the last five decades has not been in consonance with the true federal spirit enshrined in the Constitution. It has been deprived of major central investments in industrial sectors in spite of persistent pleas from the State Government. The Central Sector investment in the State as on March 2005 was Rs. 16,828 crores which accounted for only 2.59 percent of total investment in the Country as against 2.77 percent during 2002-2003. Kerala stands at 15th position among Indian States with regard to Central investments. Notwithstanding the fact that Kerala has a large number of educated unemployed youths, the employments opportunities provided by the Central sector registered a sharp decline. The State shall exert pressure and prevail up on the Union Government to get a due share of Central investment. It is pertinent to note that in the year 2002-2003, 48000 employees were working in the Central sector PSUs in the State whereas the number had come down to 45000 in 2003-2004 and to 42,000 in 2004-2005. There was also a sharp decline in the number of direct employment provided by the State Public sector during the tenure of previous Government (2001-2006), which aggressively pursued the liberalisation policies. The Statistics shows pruning of employee by 15,958 during this period through VRS and other employee separation schemes. According to the Bureau of Public Enterprises, there were 128,021 employees on the rolls of State PSUs as on 31/03/2001 and number was reduced to 112,063 as on 31/03/2006 mainly due to retrenchment.
- 1.5 The liberalized import policy proved to be detrimental to the State. The Chemical, Electrical, Electronics and manufacturing industries in general are worst affected. The State shall exert pressure on the Union Government to rationalize the import policy to protect the indigenous sectors from the onslaught of multi nationals.

(1) *Economic Review 2005, Kerala State Planning Board.*

- 1.6 Faced with serious fiscal crisis, the State Government will not be able to allocate adequate resources for the industrial development of the State. The gravity of the crisis is evident from the figures of the State Finances⁽²⁾.
- 1.7 It was in this dismal background the present government assumed office in May 2006. Against the heavy odds, this government is committed to advance industrial growth, ensure employment generation and overall economic development of the State.
- 1.8 The Government is intended to achieve these goals by modernizing the traditional industries, developing world class infrastructure, providing adequate quality power and water, supporting the introduction of State-of-the-art technology in the existing industries, optimizing the utilisation of natural resources, bringing in Central investments, attracting private capital on mutually beneficial terms and making use of the potential of rich human resources. The Government is sure that a policy document ipso facto will not yield any result unless an efficient mechanism is put in place to implement it successfully. Hence, the Government will take firm steps to strengthen the implementing agencies to ensure that the schemes are effectively executed in a time bound manner.

2. VISION

- 2.1 To achieve high and sustainable economic growth, with specific thrust to social objectives, through rapid industrialization and big leap in commercial activities, with out affecting ecology and environment and to create large-scale employment opportunities for the people of Kerala and ensuring them fair wages and to convert Kerala into an investment friendly destination.

3.0 OBJECTIVES

- 3.1 Convert Kerala into a favored destination for Manufacturing, Agro Processing, Health Services, Knowledge based Industries and Services.

(2) According to the Revised Estimates, revenue deficit of the State is Rs. 5916 crores.

- 3.2 Strengthen the State Level Public Enterprises (SLPEs) by technological upgradation, diversification, efficient management system and synergizing with Central Public Sector Undertakings.
- 3.3 Make Traditional Industries competitive by modernization, value addition and skill development.
- 3.4 Promote and support SMSEs as an ancillary to large scale industries as well as a self sustaining entity considering its role as a largest employment provider in the State.
- 3.5 Make use of the abundant and highly rich mineral resources of the State to the fullest extent protecting environment and ecology and restricting the mining activity in the Public Sector.
- 3.6 Equip the State to harness the industrial and commercial potentials to be opened up with the commissioning of Vallarpadam International Container Terminal, Vizhinjam Deep Sea Port and the Petronet L.N.G. Terminal.
- 3.7 Generate massive employment in industrial, commercial and service sectors.
- 3.8 Attract huge capital investment on mutually beneficial terms.
- 3.9 Tap the rich industrial potential of biotechnology.
- 3.10 Accelerate growth in Service Sector and to make Kerala a major Commercial Hub.
- 3.11 Develop Kerala as a global centre of excellence with state-of-the-art education and skill sets and prepare a pool of multi skilled, technically competent individuals and organizations

4. STRATEGY

- 4.1 To develop world-class industrial infrastructure in the State through Infrastructure Kerala Ltd., KSIDC, KINFRA and DIC with participation of Non Resident Keralites.
- 4.2 To set up new industrial parks dedicated to Textiles, Agro Processing, Electronics, Information and Communication Technology.
- 4.3 To obtain capital investment and technological support to the SLPEs from Central PSUs, R&D Institutions and other Central and State Government Organisations and to have business tie ups with global players on mutually beneficial terms.
- 4.4 To ensure uninterrupted quality power to industries.
- 4.5 To restructure, diversify, modernize and infuse expertise in management in potentially viable SLPEs.
- 4.6 To transfer the assets of closed down or unviable SLPEs to other operating SLPEs or infrastructure development agencies of the Government to utilize it for industrial purposes.
- 4.7 To make use of sophisticated and advanced technology in the traditional industries, to focus on high end products and impart need based training to upgrade knowledge and skill of the workers.
- 4.8 To strengthen the business network of the Traditional Industries to exploit the potential of domestic and international markets.
- 4.9 To restructure the Government agencies engaged in the promotion of Traditional Industries and welfare of the workers.
- 4.10 To take effective steps to ensure uninterrupted supply of industrial water.
- 4.11 To produce Titanium metal and various Titanium composites by using state-of-the-art technology with the support of Central Government Agencies and International organisations and to develop a chain of Titanium industries as forward integration.

- 4.12 To make use of the mineral wealth of Kerala in a scientific manner through Public Sector Enterprises.
- 4.13 To establish an Electronic Hub to promote, sustain and strengthen industries in the domain of Electronics and allied fields.
- 4.14 To provide necessary infrastructure to attract investors in Biotechnology industries.
- 4.15 To setup Industrial Corridors and promote Cluster Development in selected sectors and in potential locations without denying the benefits of Government support to those who have been left out from the purview of corridors / clusters.
- 4.16 To promote specialized skill development institutions at key locations suitable for manufacturing and knowledge based industries.
- 4.17 To promote entrepreneurship through institutional mechanism and mass participation.
- 4.18 To channelise the expertise of institutions of excellence in the fields of Science and Technology, Management, Skill Development, Taxation and other allied areas for the industrial growth of the State.
- 4.19 To develop sustainable mechanisms to have continuous interaction with Industry Associations and other Trade Bodies to assimilate the state of industries and commerce for providing necessary Governmental assistance and to take appropriate remedial measures.
- 4.20 To constitute an expert body to identify and attract Foreign Direct Investments, which generate employment, help technological advancement and contribute for growth of economy.

- 4.21 To develop a system to monitor the proper and timely implementation of Central Schemes and to tap maximum Central assistance for the development of Industries and Commerce in the State.
- 4.22 To ensure labour participation in management of industries.
- 4.23 To strengthen the system to ensure time bound clearances from the concerned departments for speedy implementation of projects by simplifying the procedures.
- 4.24 The Government will facilitate round-the-clock construction work of new projects on three shifts to minimize gestation period of projects.
- 4.25 The Government will constitute industrial relations committees to avoid interruption of work of new projects due to labour disputes.
- 4.26 The Government will make all efforts to implement the proposed LNG Terminal, Kochi, which would help the State to make rapid advancement in industrial sector.
- 4.27 The Government will take all possible steps to materialize the major projects including Vallarpadam Container Transshipment Terminal and Vizhinjam Deep Sea Port, which are imperative for industrial growth of Kerala. The Government will see that the proposed Kannur Airport Project, Kannur Power Project and Beypore Port Project are implemented without delay.

5. TRADITIONAL SECTORS

- 5.1 Traditional Industries are caught in a vicious cycle of subsidy, unremunerative production and low wages. The New Policy framework intends to launch initiatives to make the sector vibrant. The Government is committed to create knowledge/technology based high quality, value added branded products through technological upgradation, professional marketing and modernizing management. This will ensure the prosperity of the traditional workers and their families and empower them to face the challenges from the aggressive market forces. Focus is not on creating subsidy dependent additional capacity but on

strengthening the hands of those who are actually engaged in the production. Modernisation of the traditional sector will be ensured to tap National / International market and to create more employment to local people, especially women. It is distressing to note that over a period of time, the welfare of those who have been engaged to deliver welfare services get precedence over those whom they are expected to serve. This is a disturbing feature and the Government intends to revisit the area to ensure that the benefit reaches to the needy. The Government will develop a mechanism to avail, monitor and implement centrally sponsored schemes for the revival, modernization and expansion of traditional industries. An yearly action plan stipulating targeted activities shall be evolved by the concerned departments and will be subjected to quarterly review.

The Government will set up Research and Development centre to provide Traditional industries the benefit of technological advancement for value addition and developing novel products to compete in the market.

In order to achieve the goals mentioned above, the following initiatives are proposed:

5.1.1 Handlooms, Khadi and Village Industries

- a. Revamp Handloom Cooperatives, Hantex, Hanveev and approved cluster / consortium by special economic, technical and managerial support projects for a result oriented production and marketing.
- b. Strengthen Handloom clusters with financial, technical and managerial support to sustain the cluster base without depriving the benefits to those who fall outside the cluster.
- c. Develop regional brands for high quality handloom products to compete in the domestic and international markets.
- d. Develop high quality infrastructure facility for Handlooms for pre-loom processing, loom processing and post-loom processing.
- e. Encourage all Malayalees to use Handloom and Khadi products through Mass Campaigns inculcating the pride of *Swadeshi*.
- f. Inspire Government servants, students and other sections of the society to wear handloom and khadi at least once in a week.

- g. Introduce a system of distribution of quality raw material by streamlining operations of apex societies and TEXTFED.
- h. Ensure smooth credit-flow to the sector through Directorate of Handlooms and Textiles.
- i. Introduce schemes for welfare of handloom weavers in the unorganized sector through a welfare division created in the Handloom and Textile Directorate.
- j. Formulate special schemes and assistance to set up industrial units under Khadi & Village Industries Board ensuring good returns on their produce.
- k. Encourage establishment of Handloom Units by master weavers.

5.1.2 Textile Sector

- a. Promote Garment manufacturing as a thrust area through specific schemes and packages, skill up gradation and market development.
- b. Revitalize Textile Mills in the Public Sector and Cooperative Sector through capital up gradation, smooth credit flow, professional marketing, skill development etc., and make them self sustainable.
- c. Develop a special package to capture a reasonable share in the growing global market of Technical Textiles.
- d. Special Projects for technology upgradation of power loom and encourage homestead production.
- e. Extend clustering facilities to achieve highest level of production.

5.1.3 Handicrafts, Heritage Products & Souvenir Industry

- a. Granting of project based support to apex organisations in Handicraft sector.
- b. Financial assistance to acquire state-of-the-art tooling to improve productivity and value addition.
- c. Develop professional marketing outfit to tap the opportunities in the global market by extending need based capacity building measures.
- d. Create Common Facility Centres to cater to the needs of expensive processing equipment.
- e. Develop innovative designs in association with pioneers in design field, to improve marketability of handicrafts products in the global market.

- f. Encourage the development of Heritage homes, Souvenir industry and allied products befitting to the State of Kerala in association with Tourism promotion agencies.

5.1.4 Coir

- a. Promote raw husk defibering mills in private and cooperative sector targeting for a conversion of minimum 50% husk produced in the State.
- b. Formulate specific schemes with incentives to encourage procurement of raw husk involving 'Kudumbasrees', self help groups and other non-governmental agencies.
- c. Revamp De-fibering Mills set up under ICDP Scheme.
- d. Value addition of Coir and Coir pith through process and product innovation ensuring effective pollution control measures.
- e. Tapping of overseas market for coir, coir blends and coir pith through export promotion agencies.
- f. Setting up of raw material bank and marketing consortiums of small scale producers and cooperative societies through Cluster Development Programme.
- g. Procure accumulated stock of coir and coir products from co-operatives, small scale producers and private producers through designated agencies.
- h. Strengthen National Coir Research and Management Institute for conducting basic and applied research in fibre technology to improve the process and products.
- i. Create an umbrella brand for Kerala Coir and Coir products to tap the internal and export markets through promotional activities.
- j. Set up modern coir factories in co-operative sectors.
- k. Develop special schemes and programmes to promote application of Geo-textiles to prevent soil erosion and soil stabilisation through State agencies and cooperative sectors.

5.1.5 Sericulture

- a. Adopt advanced post cocoon technology to promote diversification and value addition of sericulture products.
- b. Establish forward and backward linkages, quality linked cocoon procurement, timely reeling of cocoons, production and sale of silk yarn, fabrics and garments.

5.1.6 Bamboo

- a. Infusion of fresh technology for product and process innovation with the support of National Bamboo Mission (NBM) and Indian Plywood Industries Research & Training Institute (IPIRTI).
- b. Establish Primary Processing Centres at the place of cultivation to improve the supply chain management and cost reduction.
- c. Develop new designs to create lifestyle and industrial products in association with premier design institutions.
- d. Develop mechanized community weaving centres with the support of National Mission for Bamboo Application (NMBA).
- e. Promote bamboo and reed plantation in non-forest areas as homestead cultivation, harvesting and utilization.
- f. Impart capacity building measures to improve the dexterity of bamboo workers.
- g. China has made big strides in developing bamboo-based industries using advanced technology. The Government will study the successful experience of China and the model adopted by China.

5.1.7 Cashew

- a. Initiate steps to modernize cashew processing both in public and private sector to improve value addition to compete effectively in the world market.
- b. Promote cultivation of high yielding varieties of cashew with the support of National Research Institutes and financial assistance from Government of India.
- c. Government will support and strengthen the public sector and cooperative units engaged in the cashew processing industry.
- d. Promote value addition and diversification of cashew products.
- e. Infuse new processes technology and introduce professional marketing methods.
- f. The Government will take steps to develop international and domestic market of cashew.
- g. Promote development of new products from cashew fruit and cashew shells using advanced technology.

5.1.8 Beedi

- a. Avail scheme-based Central assistance to rejuvenate Beedi sector.
- b. Strengthening of Beedi and Cigar Workers' Welfare Board.
- c. Introduce health schemes of the workers.
- d. Initiate alternate employment schemes for the beedi workers in view of the prevailing crisis.
- e. Re-skill the employees through appropriate capacity building measures.

5.1.9 Tiles

- a. Promote manufacturing of more value added products with support of National Research Institutes.
- b. Set up incubation centres and common test laboratories.
- c. Promote use of tiles highlighting the eco-friendliness.
- d. Modernise tile factories with infusion of new technology and equipment.
- e. Earmarking of areas suitable for clay mining.

5.1.10 Fish Processing

- a. Promote technology based value addition process and encourage diversification.
- b. Introduce quality management system and inculcate world class hygienic process.
- c. Introduce state-of-the-art packaging and preservation systems.
- d. Formulate schemes to avail Central assistance for fish processing and allied diversification.

5.1.11 Industrial Cooperatives

Industrial Cooperatives played a vital role in many sectors like wood industries, handlooms, dairy, coir, service and health sector. The contribution made by these cooperatives to improve the quality of life of the citizens is commendable. Of late the cooperatives face innumerable problems to mobilize adequate resources to sustain their operation especially in the context of opening up of the economy. Besides, lack of

professional management and appropriate technology prevent the cooperatives from effectively competing in the open market. The Government intends to provide fiscal and non-fiscal support with a view to ensure level playing field. The multi-product cooperatives like RUBCO will be given scheme based support to strengthen and expand their operations.

6. AGRO BASED INDUSTRIES

Kerala is blessed with bounty of agricultural produces like coconut, rubber, coffee, tea, cardamom, pepper, arecanut and other hill products. Despite having this vast potential, agro based industries are lagging in the State. Considering the emerging market for organic food, both domestic and international, the State has an enormous capacity to cater the market with quality products. Agricultural sector is the backbone of the State and the plantation sector plays a very vital role in its economy. Government will ensure that all measures are taken for the development of this sector by attracting new investment for replanting of more remunerative / high yielding plants, establishing a chain of agro based industries and helping to create a Kerala brand. In order to promote this sunrise industry, Government shall formulate special schemes and packages. The following measures are envisaged:

- a) Promote organic agro based products considering the growing demand in the global market through appropriate schemes and programmes.
- b) Collaborate with the Spices Board to set up Spices Park at potential locations like Idukki and Wayanad.
- c) Encourage State-owned agencies to manufacture value-added spices based on pepper, cardamom, ginger, turmeric etc. to explore the domestic and international market.
- d) Develop mega food processing zones in select districts.
- e) Set up organised production centres and infuse post harvesting technology.
- f) Develop institutional mechanism to source expertise from premier research institutes for preservation and processing of agricultural products.
- g) Create umbrella brands for agro products of the State.
- h) Promote the application of bio technology in agriculture and food processing industries.

- i) Strengthen the activities of National Centre for HACCP Certification (NCHC) and Agency for Development of Food Processing Industries in Kerala (ADFIK).
- j) Synergise with Tourism Industry for promotion of ethnic food products of the State.

7.0 STATE LEVEL PUBLIC ENTERPRISES (SLPEs)

7.1 Kerala has the highest number of State owned enterprises in electrical, electronics, engineering, chemical, pharmaceuticals, public utility services, social welfare etc. The network of SLPEs has played a crucial role in the manufacturing and service sector of the State. It is one of the largest employment providers in the organised sector. However, many of these industries currently demand upgradation of technology, capital and modern management practices for growth and sustenance. SLPEs provided a strong foundation for the development of small, medium and large-scale industries in the private sector. A very strong network of SLPEs is essential for industrial infrastructure, employment generation, market intervention and improved service delivery. In order to strengthen and expand the SLPEs, the following initiatives are on the anvil:

- a. Formulate comprehensive enterprise specific restructuring packages for potentially viable enterprises.
- b. Arrange strategic tie-ups with reputed State and Central Government organizations with a view to tap new markets, technology support and appropriate participation in growth and development of SLPEs.
- c. Arrange support from Industrial Reconstruction Agencies, Banks and FIs under suitable Corporate Debt Restructuring Schemes.
- d. Merge those SLPEs having same lines of business to benefit from the scale of economy.
- e. Utilise excess or unused land of SLPEs for their industrial and commercial purpose.
- f. Implement profit linked incentive schemes and incentives for product and process innovation.
- g. Appoint professionals as Chief Executive Officers (CEOs) in SLPEs who will be selected through a Selection Board.
- h. Establish a training centre for the capacity building of CEOs and line managers.

- i. Reconstitute Board of Directors with representatives of Banks, Professional Institutions and domain specialists to facilitate implementation of best practices in Board level and good governance of SLPEs.
- j. Constitute Board Level Committees as per relevant statutes.
- k. Ensure inter PSU procurement extending price-purchase preferences and long term rate contract covering departments like electricity, health, agriculture, water resources, public works.
- l. Introduce Performance Contract between the Government and CEOs for ensuring targeted performance and accountability.
- m. Set up Net enabled monitoring system through Restructuring and Internal Audit Board (RIAB) to oversee restructuring and performance on a real time basis.
- n. Constitute a State level core committee for SLPE restructuring involving bankers, other financial institutions and RIAB to formulate and implement the revival packages ensuring smooth fund flow.
- o. Ensure representation of Trade Union and Officers' Associations in the decision making bodies to bring competitiveness ensuring transparency.
- p. Company specific performance target shall be given to all the PSUs and will be subjected to monthly audit.

Central Public Sector

- a. The Government shall prevail up on Union Government for expansion of the Central Public Sector Units in the State.
- b. Cooperation between the SLPEs and the Central PSUs will be strengthened.

8. MICRO SMALL & MEDIUM ENTERPRISES

- 8.1 Considering the density of population, availability of bulk raw materials from agricultural sector, and large consume society, the State provides conducive atmosphere for the growth of micro, small and medium enterprises (MSMEs). Since MSMEs provide large scale employment, Government is committed to support and strengthen this sector through various schemes.
 - a. Strengthen the District Industries Centres for enterprise development in MSMEs.

- b. Promote micro and small enterprises by using the funds from the decentralized plan devolved to the local self government institutions.
- c. Utilise unused land of Local Self Government Institutions.
- d. Support SSI Units giving price preference, exemption from EMD / Security Deposit with specific conditions.
- e. The Department of Industries would provide all help and support to entrepreneurs who seek financial assistance from banks and other financial agencies.

9. LARGE SCALE ENTERPRISES

- 9.1 Large Scale industries are essential for scale of economy, employment generation and cost reduction. Due to historic and geographical reasons, large scale industries have not found place in the State. The Government intends to address the crucial issues which precluded the entry of large scale industries in the State through industry specific packages. Efforts shall be made to attract massive investment through Private / Public Private Partnership (PPP) from within and outside the country. Government proposes to leverage the infrastructure to be created by the Infrastructure Kerala Ltd. (INKEL) for this purpose. All industrial units with a capital investment of Rs.100 crores and above will be treated as mega projects. Preference will be given to the units, which use environment friendly technologies and offer employment to local people. Government will offer special packages including fiscal benefits.
- 9.2 While promoting large scale industries, Government will ensure that the directions and guidelines of the State Pollution Control Board and other government agencies are fully complied with to protect environment.
- 9.3 The Government will also ensure that industries like steel introduce state-of-the-art technology and install equipment to control pollution.
- 9.4 The Government will take steps to enforce effective implementation of safety measures for employees engaged in hazardous environment including steel and chemical sectors.

10. MANUFACTURING AND SERVICE SECTORS

- 10.1 The manufacturing sector plays a very dominant role in the industrial sector for value addition. Present global situation facilitates the State to source latest technology and equipment for value addition, productivity, scale of economy, cost competitiveness and

consistency in quality. The Government is all set to go in for capitalizing the opportunities thus benefiting the manufacturing sector as a whole. Similarly the Government is also preparing to encash the global boom in the service sector to enlarge the employment opportunities and to strengthen the overall economic development. In order to exploit the potential of growing service industry, it is intended to:

- a. Develop a dedicated service hub for trade, finance, logistics, knowledge sector etc.
- b. Formulate schemes to attract FDIs including investment from NRIs and NRKs to channalise their investible surpluses to the State enabling them to harness their expertise in the key areas of manufacturing and services.

10.2 CLUSTER DEVELOPMENT PROGRAMME

Formation of industrial clusters will enable the small entrepreneurs to reduce cost of inputs, marketing and build strong brands that are required to compete in the market. Such entities can take up activities like bulk sourcing of raw materials, mutual credit guarantee for sourcing loans, common brand creation, marketing, setting up of Common Facility Service Centres, quality testing facilities etc. and thereby enjoy economies of production. Government shall endeavour to such initiatives for the development of Small Scale Enterprises in the State. However, utmost care shall be taken to ensure that those left out of the cluster segment are not deprived of the Government support.

10.3 INFRASTRUCTURE DEVELOPMENT

- 10.3.1 The major hurdle which comes in the way of the industrial development of the State has been the inadequate infrastructure facilities. The Government intends to give topmost priority to develop world-class infrastructure facilities to attract massive investments in manufacturing and service sectors. The Government has evolved special schemes to build up such facilities to convert the State into an investment friendly destination. The initiatives include:

- a) The proposed infrastructure company, Infrastructures Kerala Limited (INKEL), will commence its operation during the fiscal 2007-2008 to facilitate accelerated development of industrial infrastructure to attract massive investment.
- b) Constitute a Land Data Bank for disseminating information to the prospective entrepreneurs regarding availability, nature, area, value and other pertinent details of the industrial land.
- c) Ensure uninterrupted supply of quality power of industrial and commercial purpose.
- d) Develop highways, approach roads and bridges at par with the International standards.
- e) Develop world-class inland waterways and minor ports.
- f) Develop major industrial water supply projects, power supply projects, sewerage and effluent treatment plants etc., in industrial areas.
- g) Setting up of exclusive Industrial Parks for NRI investors.
- h) Communication is the key driver of industrial growth and it is catching up very fast globally. The Government is committed to provide state-of the-art infrastructure for setting up of a chain of telecommunication industries in the State.
- i) Industrial Establishments located in urban areas will be provided with the added facility to shift to other areas.

Thrust Areas for Future Focus

For the accelerated industrial development and balanced regional development, Government shall adopt an integrated approach to develop industrial & supportive infrastructure in the State through creation of more number of Industrial Parks/Industrial Townships/Industrial Corridors/Special Economic Zones. The major initiatives proposed during the Plan period are:

- a. **Mega Industrial Parks:** In order to make Kerala a destination of choice for investors, both global and domestic, KINFRA will help to develop Mega Industrial Parks in selected thrust sectors. Integrated Textile Park at Palakkad and Mega Food Park at Wayanad are envisaged.
- b. **Industrial Townships:** Industrial Townships, which would be compact industrial areas providing necessary support to industrial entrepreneurs and offering world class facilities,

will be set up. The Palakkad Industrial Township Area Project, Development of Knowledge Cities in Trivandrum, Ernakulam and Palakkad, etc are being envisaged.

- c. **Special Economic Zones:** Product specific SEZs including Service SEZs, which suits Kerala condition with industry - specific infrastructure along with all basic and supporting facilities, will be encouraged in the State. KSIDC / KINFRA will be setting up sector specific SEZs at Kozhikode, Kannur, Kasargod & Malappuram and KINFRA for the development of Gem & Jewellery, Textile and Biotechnology. In order to improve trade, KSIDC shall take steps to set up a Free Trade and Ware Housing Zone (FTZ) at Kochi.
- d. **Industrial Corridors:** Three zones in the State as Industrial Corridors, which would qualify as Commercial Districts, are proposed:
 - I. IT & ITES Corridor from Kazhakuttom to Kovalam and from Kazakuttam to Kollam along NH Bypass.
 - II. Biotechnology & Hitech Electronics Corridor along Seaport – Airport road at Kochi.
 - III. Food Processing & Textile corridor from Kanjikode to Walayar along NH at Palakkad.
- e. **Sector-specific Industrial Parks:** Industrial Parks will be developed in certain selected thrust sectors. Watercraft Park at Kochi, Print Village at Kochi, etc are on the anvil and more such sector-specific Industrial Parks will be developed progressively. KSIDC shall facilitate setting up of a world-class Electronic Hub for attracting global leaders in electronic hardware and equipment, home appliances, semi conductor devices etc.

10.5 Initiatives for Land Acquisition & Land Use

- 10.5.1 Government will encourage lease of land for industrial and commercial purpose as equity participation by the landowners for developmental projects. Government will also address the concerns of the landowners through a time-bound implementation of attractive rehabilitation schemes.

- 10.5.2 Fast Track Mechanism for Land Acquisition** – The Government shall evolve a transparent mechanism for land acquisition and its utilization for the development of infrastructure in the State through Public Private Partnerships.
- 10.5.3 Acquisition of adjacent land for future expansion** - In order to avoid the problem of non-availability of land for future expansion / implementation of latter phases, the developer will be allowed a ‘call option’ on buying adjacent land in future by remitting an annual premium to the Government for a fixed period. While acquiring land for industrial purpose, the market value will be given to the landowner. As far as possible, paddy fields will not be utilised for industrial purposes.
- 10.5.4 Land Bank** - A major stumbling block in the industrial development of the State is non availability of adequate land. The Government through a new company shall acquire land at strategic locations in the State for the orderly development of industries. These lands will be kept as ‘land bank’ for future industrial and infrastructure requirements.
- 10.5.5 Permission to existing industrial land / plots to convert to Industrial / Commercial Parks / Estates** – Conversion will be allowed for industry established on the concerned land / plot and remained in production for at least 5 years. Any industry, which commenced production, but has been closed due to Court Order / Government Order / declared sick by BIFR will also be considered for conversion, in relaxation of the condition of being in production for 5 years.
- 10.5.6 Public Private Partnerships for Creation of Infrastructure** - To attract massive investments into the State as well as the techno-managerial efficiencies associated with it, Government will promote Public Private Partnerships (PPPs) in infrastructure development. In projects involving PPP, the Private Sector Company shall be selected through a transparent and open bidding process.
- 10.5.7 Institutional Mechanisms** - Adequate mechanisms and safeguards will be put in place to address the various needs of infrastructure creation and investment promotion in the State. Suitable amendments shall be incorporated in the Kerala Infrastructure Development Act to make it adaptable to rapid industrialization of the State.

10.5.8 Other Key Inputs

- a. Existing DA, DP, IE, Growth Centres etc. will be modernised, expanded and upgraded to meet the requirements of the industry.
- b. Unused land / unused infrastructure facility already allotted will be resumed and reallocated for starting new units.
- c. Distribution of Pattayam for DA / DP plots will be done on a fast track basis. SIDCO plots will be allotted expeditiously.
- d. Industrial plots will not be utilized for non industrial purposes and speculation of land will not be allowed.
- e. A scheme will be formulated for setting up of Permanent Exhibition Centres in all districts of the State and initially in Thiruvananthapuram, Kochi and Kozhikode.

11.0 BIOTECHNOLOGY & NANOTECHNOLOGY

- 11.1 A State Level Task Force shall be set up which will coordinate the efforts of the Department of Industries and other developmental agencies and R&D centres for the integral development of Biotechnology, Nanotechnology and other knowledge industries in the State. KSIDC will facilitate setting up of a world-class Life Science Park to attract FDI in Pharmaceuticals, Medical Devices, Biotechnology, Nanotechnology etc., especially in core activities like manufacturing, R&D and clinical development. A Life Science Park will be set up in the State for the promotion of these sectors.

12.0 MINING & GEOLOGY

- 12.1 Intensive efforts will be made to explore and utilize mineral resources of the State without adversely affecting the ecology and environment. Mineral exploration activities for iron ores, high grade china clay, bauxite and other minerals will be streamlined and strengthened.

- 12.2 Mining of mineral sand will be done through State / Central Public Sector Undertakings only. However mining of minerals will not be permitted in those areas where the Government appointed Expert Committee recommended against mining. Government will encourage manufacture of Value Added Products.
- 12.3 The Government will conduct a scientific study on mineral deposits in the State.

12.2.1 Titanium

Considering the rich mineral deposits in the State, a comprehensive scheme to produce Titanium Metal, Titanium composites by using state-of-the-art technology shall be evolved with the help of Central Government agencies and International organisations. If the potential of this natural resource is used properly and scientifically, it will immensely pave way for rapid industrialization of the State as Titanium is a unique material for strategic applications. The approach is not to limit the activities to manufacturing alone but to harness its vast potential by setting up a chain of Titanium based industries through forward integration. However, utmost care shall be taken to contain the adverse impact on environment by mining, processing and related activities by adopting strict monitoring and control measures. To develop a package for making use of the immense potential of titanium, support shall be availed from national and international organisations.

13.0 TRADE & COMMERCE

- 13.1 Government will focus on Trade & Commerce to convert Kerala State in to a world-class commercial hub for retail, wholesale services, banking, insurance, healthcare, sports, education, Information Technology, sports, IT and other allied services. The Trade and Commerce sector in the State, though contributing much to the employment and economic growth, has not been given its due as a tool for putting the economy on fast-track mode. Considering the strategic geographical location and human resources strengths unique to Kerala, there exists tremendous scope for growth for the sector and the following measures are envisaged:
- a. Merge Kerala Bureau of Industrial Promotion (K-BIP) and Kerala Export Promotion Council (KEREXIL).

- b. Coordinate with local bodies to ensure land / space requirement for commercial infrastructure facilities.
- c. Organise mega shopping festivals at regular intervals.
- d. Simplify and rationalize the fiscal statutes related to trade and commerce.
- e. Expand the transport and communication infrastructure.

14.0 INCENTIVES

14.1 Government intends to capitalize the inherent strength of the State to attract investments. However, incentives will be provided for investments in supporting facilities and those equipment and systems which will be eligible for subsidies will be notified. This will be done in concurrence with the Finance & Planning Departments. The proposed incentives include:

- a. Subsidy upto 50% of the cost of capital equipment used in pollution control, effluent treatment and other allied functions, subject to maximum of Rs.25 lakhs.
- b. Special incentives package / facilities to large investments with Rs.100 crores and above will be considered on a case to case basis by the High Level Committee chaired by the Chief Minister.
- c. Incentives for all type of enterprises in line with the MSME Act of the Government of India.
- d. Price preference policy for Micro & Small Enterprises as stipulated in the Micro Small & Medium Enterprises Development Act.
- e. Modify the existing Negative List with a view to extend the coverage of incentives. The revised list of negative industries will be published.

15.0 SICK UNIT REVIVAL PROGRAMME

15.1 Revival of sick units will be intensified with the support of financial institutions. Functioning of the District Level Task Forces will be made extensive and more effective to suggest case to case revival proposals. Prior to implementation of revival packages, a preliminary survey will be conducted for ascertaining the viability by a team consisting of members from traders' associations, experts from marketing, production, finance, etc.

16.0 HUMAN RESOURCE DEVELOPMENT

16.1 Concerted effort will be made for skill upgradation of work force to match the world standard. A scheme for capacity development of human resources for the next 20 years involving premier institutes in the domain will be formulated. The major focus shall be on:

- a. Constituting task force to identify the skill sets required for modern industries.
- b. Setting up of finishing schools to meet the requirements on the basis of the recommendations of the task force.
- c. Establishing Management Institutes for Micro Enterprise Development.

17.0 ENTREPRENEURSHIP DEVELOPMENT

17.1 Government looks for a paradigm shift from being an entrepreneur supply side to an entrepreneur demand side. A culture of entrepreneurship will be inculcated through a structured programmes and schemes which include:

- a. Sourcing of services of a reputed consultant to identify the areas for utilizing the entrepreneurship opportunities in the Government / Quasi Government / LSGs / Private sector.
- b. Conduct periodical 'Industry Interface Orientation Programme' for all Department officials.
- c. Strengthening of Entrepreneurship Clubs in educational institutions and impart quality training programmes.

18.0 LABOUR RELATION

18.1 Government is of the view that healthy labour relation and good work culture are the pre requisites for the growth and sustenance of the industry. Both the management and workers are equally responsible to create such a conducive environment. One of the deterrents which restricted the free flow of investment to the State was the perceived apprehension of labour rigidly and unfriendly work force. This notion has been negated by the statistics that the State lost least man-days in the Country due to labour unrest. The

Government plans to spearhead a massive campaign to highlight the healthy labour relations and to remove the unfounded perceptions.

- a. The management will have the right to choose and deploy employees. However, local workforce shall be engaged to the extent possible.
- b. Government will take initiative in promoting a new management culture through regular interaction with the industrialists and trade unions.
- c. A reconciliation forum will be set up involving Departments of Labour, Industries and Commerce, ensuring participation of trade unions for the effective redressal of labour issues.
- d. Arbitration mechanism shall be implemented if industrial disputes arise, for speedy decisions.
- e. Public Sector Advisory Board and Fast Track Labour Courts will be constituted for Policy making and dispute settlement.

19.0 INVESTMENT PROMOTION

- 19.1 Government encourages all sorts of investments on mutually beneficial terms which will positively contribute for the growth of economy, employment generation and increase in tax revenue.
- 19.2 Government shall firmly deal with any illegal and restrictive practices by any agency that may adversely affect the growth of industry, trade, commerce and investment.
- 19.3 A well designed strategy will be employed to project Kerala as an investment friendly State to attract domestic and foreign investments into the State.
- 19.4 Government will be organising major trade shows and promotional events and will participate in major trade fairs and expositions in India and abroad.
- 19.5 The office of the Resident Commissioner in New Delhi will be made more efficient and effective in channelising Central investment, tap international development funds and coordinate with India Investment Centre.
- 19.6 The Industries Department will act as the Industrial Promotion Agency and the Department / official will ensure speedy clearances / licenses for establishment of Industry.

- 19.7 A permanent interaction forum for media, industry & trade and Government will be set up to convert Kerala into an entrepreneurial society focused on economic growth and social justice.
- 19.8 KSIDC will be the nodal agency for promotion of investment in industrial and related sectors with an investment of Rs.5 crores and above.
- 19.9 Functioning of KSIDC will be restructured to make it an effective agency for industrial promotion.

20.0 SINGLE WINDOW SYSTEM

- 20.1 Government intends to provide hassle-free procedures to promote industries in the State in all sectors. As part of the efforts, an effective Single Window System shall be introduced assigning due authorities to designated committees. The Kerala Single Window Clearance Act 1999 will be amended to promote investor-friendly ambience in the State. The important recommendations of the special committee constituted for purpose of simplifying the licensing procedures will be incorporated with a view to attract investments.
- 20.2 A State Level Clearance Committee with the Principal Secretary (Industries and Commerce) as Chairman will be constituted to accord clearance to investment proposals up to Rs. 25 crores in plant & machinery.
- 20.3 A State High Level Clearance Committee with the Chief Minister as Chairman and the Industries Minister as Vice Chairman will be constituted to accord clearance to investment proposals above Rs. 25 crores in plant and machinery.
- 20.4 To make the Single Window operation effective, proper coordination among concerned departments will be ensured. Decisions of the empowered Clearance Committee will be made binding to all the concerned departments.
- 20.5 Electricity is a critical input for industrial growth. Hence the Government is keen to address the problems relating to electricity with a view to implement projects in a time bound manner. Those projects cleared by the Single Window Clearance Board will be

given power connection within a stipulated time provided the unit / entrepreneur submits its / his application complying all the required formalities.

- 20.6 It shall be the responsibility of the Department of Industries to ensure that license / clearance is granted to an entrepreneur if he furnishes all the required documents conforming to the relevant statute. An official will be designated for this purpose.
