**Annexure-1**

1. **Strategy for Doubling Exports in Next Three Years (2011-12 to 2013-14), Department of Commerce, Government of India**

The overall strategy to realize the goal is based on Product Strategy, Market Strategy, Technologies and R&D, Building a Brand image, reining in import growth through domestic policy and Essential Support. The bottlenecks and infrastructure requirement identified are as under:

**Engineering Goods:**

- Supporting infrastructure for training needs to meet serious problem of skilled manpower—Identified as a very important priority for Engineering Industry.
- Design Centers

**Basic Chemical Industries:**

- Common Testing Facility for Physical-chemical, toxicological, eco toxicological testing etc for Chemical Industries
- Special Storages at ICDs, Ports and Airports
- Common training infrastructure

**Plastic and Linoleum:**

- Creation of Plastic Processing Parks
- Common facilities Centre like design and prototyping Centres, Tool rooms etc

**Pharmaceutical products:**

- Developing capabilities in existing pharma clusters
- Advanced testing centres for pharma
- Bio equivalence centres
- Pharma Zones at the ICDs, ports and airports
- Herbal industrial Parks

**Electronics Goods:**

- Setting up Manufacturing Clusters or Industrial Parks
- On site logistics, warehousing and testing facilities
- Diversification by promoting Repair /Reconditioning /Refurbishment of Electronics Goods as re-export
- Establishment of 'Intelligent Manufacturing ( a combination of hardware, software and system integration skills)
- Setting up of a physical incubator to provide access to technology platforms, test labs, Office space and help mentor and provide managerial inputs to start-ups.
- Setting up a Semiconductor Water Fabrication Facility
- Infrastructure improvement :
    - Containers for transporting goods to Mumbai for exporters based in the northern part of the country.
    - Dedicated Port Facility
    - Expansion of container capacity on trunk routes to Mumbai trunk facility

**Gems and Jewellery:**

- Establishment of a diamond sale operation in India
- Strengthening of infrastructure of training institutes

**Leather:**

- Development of Mega leather clusters in about seven States housing state-of-the-art manufacturing centres with all infrastructural facilities including roads, power, water supply, effluent treatment plants, training centers and other export infrastructure etc at one place.
- Support to suitable modules on capacity building and training, shop floor level training etc

**Textiles:**

- Textile Machinery
- Apparel Parks
- Creation of domestic production centers for sewing machines and machines for allied activities
- Setting up of more design studios for encouraging Indigenous Design Development

**Cotton Yarn fabrics and Made ups**

- Power supply improvement

**Carpets**

- Infrastructure improvement in the major carpet clusters particularly Bhadohi / Mirzapur belt.
- Improvement of road from Varanasi Airport to Bhadohi /Mirzapur town
- Improvement of power supply situation and providing better medical facilities to the weavers.

**Agriculture:**

- Substantial infrastructure need to be built in terms of warehouses, cold storage, reefer vans, food processing plants with provision to press in service special railway rakes for swift distribution and shipment to the exporting ports.
- Creation of Dry port facilities at several strategic locations in the growing / processing areas
- Development of post-harvest storage technology
- Creation of common facilities for packaging
- Creation of corridors for perishable commodities at all the airports and seaports
- Increase in the berths at existing ports and creation of new ports in the private sector
- Setting up of food processing Units
- LIVE STOCKS: creation of disease free zones
- Cashew: Modernisation of cashew processing Units
- Fruits and VEGETABLES: creation of retail chain, augmenting infrastructure facilities like creation of cold storages, integrated packhouses, Centre for perishable cargo at every International Airport
- Tobacco: R&D centre

**Marine products:**

- Tackling Bottlenecks in Shrimp aquaculture through MPEDA
- Setting up of cold chains, quality testing labs, transportation and preservation and processing infrastructure near the centres of production
- Support to R&D

2. **India's infrastructure needs by 2014 & 2020: In view of Foreign Trade Targets -- - Prepared by Department of Commerce, Government of India**

The report focuses on the **5 Ports**—Vizag, Kandla, Chennai, JNPT & Paradip and **3 airports—**Chennai, Delhi & Mumbai and their connectivity with the hinterland which need to be addressed on urgent basis.

**Visakhapatnam Port**

- Deepening inner Harbour entrance channel and turning circle
- Bagging facility for food grain and fertilizers
- Expanding stacking space close to operational area for cargoes handled at Inner Harbour
- Lack of handling equipment on the western side of the Northern arm
- Internal factors:
  - Inadequate connectivity for the container terminal—smooth internal road network interrupted by railway crossings
  - Inadequate no. of weigh bridges
  - Inadequate lighting at stackyards
  - Inadequate drainage system
  - Inadequate availability of trucks for movement of cargoes
  - Inadequate facilities at Railway sidings

- Long term: creation of a new outer harbor and capacity extension by creating a second inner harbour
- Hinterland connectivity:
  - 8-laning of NH 5 and 6
  - Construction of flyovers to ease congestion and movement of trucks
  - Dredging: Vacuum dredging (cutting and sucking)

**Jawaharlal Nehru Port**

- Deepening of channel
- Construction of berths
- Insufficient terminals and cranes
- Value added services like ship rearing facility
- Hinterland connectivity: JNPT approach roads

**Chennai Port**

- Dedicated freight corridor from manufacturing hubs to Chennai port for direct exports--- a semi ring road around and bypassing the Chennai city
- Development of a Ro-Ro cum multipurpose berth and mult level car parking facility
- Off Dock container facility with multi logistic hub with trade centre

- Dedicated elevated expressway from Chennai Port to Maduravoyal upto NH 4
- Ennore-Chennai road link

**Kandla**

- Dredging for enabling large vessels
- Augmenting port berths
- Cranes, Tugs
- Overbridge construction at the junction of railway(passing through the main city entrance of gandhidham) and road
- Insufficient number of warehouses
- Hinterland connectivity: Bye pass at Gandhidham for Kandla port from behind oil refinery

**Paradip Port**

- Not any container handling cranes(Quay cranes)
- Developing rail corridors—Delhi, Nagpur and Kolkata to Paradip Port
- link between all the steel plant hubs with the port
- logistic parks: Warehousing Zones, Consolidation or cross docking centres, international Banks and customs, Packaging & Barcoding and Containerisation Centers, Final value addition centers (not the core manufacturing), intermodal terminals, sourcing platforms.
- Rail link between Raipur Industrial cluster and Paradip, Construction of Haridaspur-Paradip railway line

**Other Connectivity issues**

- Ananapuram road leading to VIZAG NEED 6 LANING TILL Anakpalle
- Widening of Delhi-Mumbai road till Kona Highway junction
- Consruction of concrete road from Paradip to Cuttak
- Widening of road connecting JNPT with Murbad Industrial area
- Control no of Toll plazas to increase traffic speed
- Green channel for long haul, single destination freight
- One time toll charge with radio frequency ID Cards
- 6 LANING OF anakpalle road till VIZAG Port entry
- Setting up ICD in Ambur, Dewas and 25 other high export potential clusters

**Airports:**

- A transhipment CARGO AIRPORT AT Bilaspur or Sundernagar in Himachal Pradesh
- An air cargo complex for the Cuttack cluster ---Silver Jewellery and at Surat
- Creation of Pharma Zones at the gateway airports with trained manpower
- Chennai Airport :
  - Shed for consignment

- Space constraint at Air cargo complex

- Mumbai Airport:
  - Facility for auto storage and retrieval
  - High end pallet handling system

**ICDs and Land custom stations(LCS):**

- ICDs for Clusters not having ICDs
- Development of Mega leather clusters in Tamil Nadu, Uttar Pradesh, West Bengal, Delhi, Maharashtra, Haryana and Rajasthan
- ICDs for Town of Export Excellence (TEE)
- Ranipet(TN), Unnao(UP) and Gurgaon ---Supporting necessary infrastructure for export.

3. **A study conducted by Federation of Indian Chambers of Commerce and Industry (FICCI), June 2011 for identifying export infrastructure bottlenecks**

The instant study is based on interaction with the exporters and related stakeholders from the industries and focuses for specific industry -- Chemicals, Textiles, Automobiles and auto-components, Food Processing and for each Zone—North, West, East and South. The study attempted to identify bottlenecks faced during export and made recommendations to enable seamless export transaction.

**Chemical industry:**

- No separate Storage systems for hazardous chemicals at CFS
- Lack of adequate testing facilities for sample testing for export items
- Need for assistance to plan and develop common supporting infrastructure for better logistics, operations and exports in Clusters having EOU and other units especially for chemicals

**Textiles:**

- Lack of support infrastructure in the unorganized sectors
- Bigger role of Cotton Textiles Export Promotion Council(TEXPROCIL) to build, develop capacity especially in garmenting and value addition

**Automobiles and auto-components:**

- Lack of dedicated facilities to handle automobile exports similar to International Ports Like Nagoya(Japan) and in South Korea with a capacity to handle more than a million vehicles annually---Need to develop at least two major car terminals one near Chennai/ Ennore (to serve southern hubs ) and other in South Gujarat to link the northern (NCR region) and western (Pune) hubs.
- Difficulty to obtain trained manpower/ labour, particularly western part of the country ---Need to set up a National level Automotive Institute for running training courses in the automobile sector.

**Food Processing** :

- Need for improvement of road conditions so that the fruits, vegetables and other perishables can be reached to the factory from the various destinations in a shorter span with hassle free movement of trucks through the checkpost by bringing the time travelled by trucks in a day in India(250-300Km) to international standards(600-800 Km).
- Shortage of Cold chain infrastructure/ Warehouse---Need to take up projects under PPP in providing temperate controlled warehouses, refrigerated transport vehicles and other auxiliary facilities.
- Lack of Reefer trucks for products other than dairy(wet milk) and to match the demand –supply scenario of the containers amongst various ports and ICD.
- Need for R&D support for products like shrimps / hybrid variety (acceptable in EU) with necessary approval of M/o Agriculture in India.
- Lack of Market intelligence reports( symmetric information on demand of items at specific point of time in the international market) dissemination to farmers through some credible networks on a real time basis
- High packaging cost(ranges anywhere from 10 to 60% of production cost) ---Need to support / incentivize packaging sector and training of concerned personnel

**LOGISTICS constraints affecting export competitiveness:-**

**West Zone:**

- Poor road conditions between Nashik and JN Port, Sivasa to JN Port and the patch of road in NH4 B from Phalava phatak to JN Port---Roads are woefully inadequate to cater the axle load of the container carriers.
- Lack of development of other ports to address perpetual congestion at the JNPT port.

**East Zone:**

- Bad condition of roads leading to the port like the road to Haldia port, roads from Jharkhand to haldia port, road from Falta to Kolkata etc
- Lack of value addition services by port infrastructure
- No regular services for Ports / Sea connectivity like from Kolkata to Chittagong.

**North Zone:**

- The overall infrastructure (roads, power, warehousing facilities etc) covering the industrial region surrounding NCR is inadequate considering the volume of exports being catered to.
- Lack of last mile rail connectivity of ICD Pithampur with Ratlam.

**South Zone:**

- Need for dedicated lines for the containers and goods train
- No scanning machines available for scanning bigger pallets(over 1200mm length) at Coimbatore airport
- Poor rail connectivity between—Hyderabad to Chennai, Hyderabad to JNPT, Bangalore to Chennai, Bangalore to Mangalore
- Less Caro flight connectivity in southern region airports—Chennai, Coimbatore.

## 4. Findings of Mid-term appraisal of ASIDE Scheme

**Enlarge ASIDE Corpus :**

**Minimum size of ASIDE Project :**

A quantum jump in the allocation of funds is imperative if substantial improvements are to be expected in infrastructure, and therefore, exports. Infrastructure projects, by definition, are large projects requiring substantive funding. Projects like SEZs, roads etc. cannot be initiated in light of the current level of allocation. This level of allocation restricts the ability of even high-growth states like Maharashtra, Karnataka, Tamil Nadu etc. to invest in strategic infrastructure projects that require high investments and make it virtually impossible for smaller states like Himachal Pradesh and Jharkhand. This has resulted in a number of small projects, especially in smaller states, which add little if any value to the exports or the economy in general. The whole situation can be summarized as a case of lower effectiveness of funds invested due to the low quantum of funds.

**Revise Allocation Criteria:**

According to the guidelines of the scheme, allocation, and subsequent disbursement to a state is based on its share in total exports, and its share in the average growth rate of exports over the previous year. Further incentives are to be given to states utilizing ASIDE funds efficiently and involving private sector participation. The export figures are based on DGCIS data. It is, however, a grouse of almost all the states that the correlation between exports and allocation is specious. States demand more clarity in the system of allocation, by which each is aware of the basis of allocation as well as the figures used for allocation.

Under the current system of allocation, the top four states corner about half of the total allocation. It is their contention that since they are contributing almost two-thirds of the country's exports, they should be rewarded for good performance. The smaller states argue that the bigger states already have a reasonable infrastructure in place; it is they (the smaller states) who lack the infrastructure and the funds. Further, the potential for increase in exports from the smaller and less developed states is certainly substantial.

**Export hubs within States / ASIDE Node** :

Various States are utilizing the ASIDE Funds for the development of multiple projects at multiple location, thereby making an assessment of the impact on exports extremely difficult. It would therefore, advisable to designate areas within states as export hubs which would be islands of superior infrastructure and connectivity. These export hubs can be finalized on the basis of the minimum area as well as a quantum of exports assessed after three years.

The ASIDE Scheme will be more effective if a cluster based approach is taken where specific allocation of ASIDE assistance may be considered for infrastructure creation in non-metro areas for creating export oriented cluster of industries. Such Project could be between Rs 50-100 crores.

**Logistic Cells:**

Despite labor costs that are as low as 5% that of the West, India's transportation costs are among the highest in the world. According to an international study, the cost of transporting one TEU one kilometer in India is 53% higher than in the United States. In India, logistics cost account for 15 to 20 per cent of the GDP compared to 10% for Europe and USA and 11.7% for Japan. Although there are plans to increase the port capacities and involve the private sector in the expansion, sufficient attention is not being given to Inland Container

Depots (ICDs). It is expected that the number of ICDs in the country would need to double (from approximately 65 currently) in the next ten years to handle the projected container traffic. The private sector has had only a limited exposure in these projects so far because of the large investments required for ICD expansion/establishment and the long gestation periods. Further, with the retail boom in the country, the demand for large warehouses is likely to increase exponentially. Lastly, with India becoming the world's largest fruit producer the requirement for cold storage facilities for exports is also expected to explode. Earmarking of funds for the logistics sector may therefore be made to encourage Private Sector participation (PSP) in this field.

**Public Private Partnership (PPP) Projects:**

The guidelines stipulate that from the year 2003-04 onwards it is mandatory for states to spend at least 50% of their allocation on implementing PPP projects. However, save for a couple of large projects in Tirupur and Ennore (Tamil Nadu), the scheme has been largely unsuccessful in leveraging ASIDE funds to attract private sector participation (PSP).

In light of the fact that limited funds are available for allocation, it is recommended that PSP should be a mandatory condition for allocation.

This will ensure the following:

- More rigorous project preparation
- Timely implementation of these projects.
- Optimization of cost.
- Sustained availability of assets for use after completion

There are various forms in which private sector participation involvement could be sought. PSP involves a continuum of options ranging from a relatively low level of PSP (Management Contract) to a high level of PSP (Concessions, divestures). The Program Management Plan would identify interventions and activities to be undertaken, implement Public Private Partnership models and the associated contractual structures where appropriate.


The reason for low PSP is possibly due to the absence of an institutional mechanism and legal framework, lack of capacity within the government machinery for the same, and apprehension regarding reimbursement of expenses incurred on project development. In order to address these issues, a meticulous project development exercise needs to be undertaken.

**Project Development :**

Developing "bankable projects" capable of attracting the interest of private investors, contractors and operators is a complex and time-consuming exercise. Government departments, even though technically qualified to undertake projects with government budgetary resources, are not equipped to develop appropriate structures for such "bankable projects" in Private Public Partnership.

The success of developing such a project would largely be based on understanding the risks, allocating them among various stakeholders, developing structural frameworks and following transparent procurement processes to induct private sector efficiencies and resources.

**Funding Project Development:**

Presently, the guidelines do not allow enough flexibility to the nodal agency to spend money on project development, promotion of the scheme, programme monitoring etc. It is felt that the scheme can be better implemented if there is a fixed allocation every year to the nodal agency for spending on agreed heads such as above. The expenses can be capped as a percentage – possibly 3% of the allocation to the State under ASIDE.

Another option may be to create a Project Development Fund to finance project development activities. This facility would be a **central resource** to assist state governments, and public sector entities in preparing projects and programs, and would aim at improving the quality of their export infrastructure.

**States Awareness and Sharing of best practices; promotion of scheme :**

One of the primary objectives of the scheme was the involvement of the states in the export effort, as they did not perceive any direct gains from the growth in exports from the State. However, most States have been slow to pick up. An important reason for this has been the lack of education of the States / UT and the extent of dissemination of information with regards to the scheme. A number of States were not aware of the possibilities that lie within the scheme, and only recently have begun to truly maximize ASIDE funds. A formal debriefing of the nodal agencies, followed by periodic workshops/seminars to highlight the benefits of the scheme and explain the nuances of the scheme would result in greater participation of the States / UTs. Involvement of top export houses in States would further strengthen the scheme, as it is they who are the final beneficiaries.

Such projects / findings need to be supported under ASIDE Scheme.

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