East Coast Economic Corridor:

VIZAG–CHENNAI INDUSTRIAL CORRIDOR

Highlights of the Conceptual Development Plan
Areas of Focus

- Industry
- Nodes
- Infrastructure
- Regulatory Issues (Ease of ‘Doing Business’, etc.)
The Vizag Chennai Industrial Corridor (VCIC): A key part of the East Coast Economic Corridor and India’s first coastal economic corridor

Delineation of VCIC

1. Visakhapatnam
2. East Godavari
3. West Godavari
4. Krishna
5. Guntur
6. Prakasam
8. Kadapa
9. Chittoor
10. Tiruvallur
11. Chennai

Note: The administrative boundaries of the districts in the range of 75 km from the NH5 have been considered
The VCIC fulfills strategic objectives

- ‘Make in India’ and National Manufacturing Policy:
  - Spurring manufacturing and creating jobs

- ‘Look East’ Policy
  - Connectivity with ASEAN and East Asia
  - Integration into the most dynamic Global Production Networks in the world
    - India remains a small player in GPNs despite huge shift in network exports from developed to developing countries
    - Forgone opportunities in export markets and FDI
Conceptualizing and planning for the corridor

Components

Phase 1 - Conceptual development plan for the Vizag-Chennai Industrial Corridor

- Industries for future development including MSMEs
- Nodes for industrial development
- Set of priority projects
- Recommendations on streamlining the business and regulatory processes at the State

Phase 2 - Preparation of comprehensive regional perspective plan

- Transport strategy
- Energy strategy
- Urban strategy
- Funding requirement

- Implementation of highest priority interventions for improving policy and regulatory environment in the state

Master plans for selected nodes
An enormous potential for VCIC to jumpstart manufacturing and lead the integration of Indian manufacturing in GPNs

**Manufacturing sector's contribution to total GDP**

- Thailand: 34%
- China: 32%
- Poland: 28%
- Hungary: 26%
- Malaysia: 24%
- Indonesia: 24%
- South Korea: 18%
- Argentina: 18%
- Japan: 18%
- Germany: 17%
- Tamil Nadu: 17%
- Gujarat: 25%
- Maharashtra: 18%
- India: 15%
- AP: 10%

**District wise - Manufacturing sectors contribution to total GDP**

- Srikakulam: 8%
- Vizianagaram: 10%
- Visakhapatnam: 22%
- East Godavari: 13%
- West Godavari: 5%
- Krishna: 7%
- Guntur: 8%
- Prakasam: 6%
- Nellore: 6%
- Chittoor: 9%
- Kadapa: 11%
- Anantapur: 12%
- Kurnool: 7%

*Source: World Bank, District Domestic Product, AP, RBI Handbook of statistics*
Scenarios for manufacturing in Andhra Pradesh: With and without the VCIC

Corridor’s manufacturing output (in Rs. billion)

Source: Various sector reports, ASI 2010-11 AP, District Domestic Product AP 2010-11, Labour intensity report 2008, etc.
A strategic mix of industry sectors have been chosen based to drive industrial transformation

While sectors like Food Processing, Textiles and Chemicals & Petrochemicals will continue being major contributor to output. Sectors like Electronics, Automobile and Pharmaceuticals will grow faster than the rest.

Detailed Industry analysis involving assessing both Global, National, and State level industry indicators was undertaken.
Realizing the potential: Principles for industrial policy

- Must expand industrial production, employment, and productivity simultaneously

- This requires
  
  - Encouraging:
    - Both capital and labor intensive sectors
    - A growth-oriented approach to MSMEs (expansion, adopting new technologies, formalizing, and linking with larger firms and modern supply chains)
  
  - Sensitivity to the value chain
  
  - Tackling binding constraints to firm growth
    - Infrastructure
    - Regulations, e.g., easing entry and exit norms
    - Skills
Economic Nodes
Conceptual development of **nodes in the VCIC**

**Short term (3-5 years)**
- Linkage with nearby industrial clusters for Visakhapatnam and Chennai districts

**Medium term (5 -10 years)**
- Regions between the existing industrial clusters will organically expand

**Long Term**: to emerge as an economic corridor with nodes as key growth drivers
Four Nodes have been shortlisted based on detailed location analysis

1. Visakhapatnam node
   - Mandals: Kothapalle, Thondangi
   - Zones: Sri City, 980 acres, Kopparthy, 6,600 acres, Gannavaram, 2,300 acres, Jaggayapeta, 1,300 acres, Bheemunipatnam, 4,600 acres

2. Kakinada node
   - Mandals: Yerpedu, Srikalahasti
   - Zones: Visakhapatnam, 2,100 acres, Pydibheemavaram, 50 acres, Kakinada, 10,000 acres, Kothapalle, 4,100 acres, Mandals

3. Machilipatnam
   - Mandals: Yerpedu, Srikalahasti
   - Zones: Gannavaram, 2,300 acres, Kankipadu, 3,200 acres, Anakapally, 4,600 acres

4. Chittoor Tirupati node
   - Mandals: Yerpedu, Srikalahasti
   - Zones: Gannavaram, 2,300 acres, Kankipadu, 3,200 acres, Anakapally, 4,600 acres

Land ~ 44,000 acres
Key industries in the shortlisted nodes

Key sectors node wise:

- **Vizag Node**: Pharmaceuticals, Metallurgy, Non-metallic minerals, Chemical and Petrochemicals, Food processing

- **Kakinada node**: Food Processing, Chemical and Petrochemical, Paper and Non-metallic minerals

- **Machilipatnam node**: Pharmaceuticals, Metallurgy, Textiles, Food processing, Non-metallic minerals

- **Tirupathi-Srikalahasti node**: Metallurgy, Food processing, Textiles, Non-metallic minerals and Electrical equipment
Infrastructure requirements
Infrastructure Strategy for the Corridor – Macro Perspective: Enabling Strong Gateways, Spinal and Grid Connectivity

Nodes and Gateways

Road Network

Each node has been identified in proximity to key gateways, whose performance is critical for competitiveness of the corridor

Strengthening the arterial roads and rail networks of the corridor is also critical for the competitiveness of the corridor
Strengthening of the coastal road/rail spines is an important step to enhance the corridor competitiveness

**Strengthening Road Spine**

- 800 km segment of NH 5 between Chennai and Visakhapatnam is the core spine
- Six-laning of the entire stretch under the current NHDP Phase VI is proposed as critical
- Improvement to Parallel access roads: 3 important connectivity projects proposed – NH 214, NH 214A and SH 103

**Strengthening Rail Spine**

- Chennai-Vizag segment one of the top 7 routes of the Indian rail network. While double-line electrified, the segment is already operating at 8-90% utilization (even before VCIC execution)
- **Long-term solution**: Separation of freight & passenger through Dedicated Freight corridors
- Studies for 2 DFCs (Chennai-Kolkata and Delhi-Vijayawada) will need to be accelerated
Supporting linear road/rail stretches with cross-connecting lateral links can further enhance logistics competitiveness

**Macro Perspective: Grid Connectivity**

**Strengthening Road Grid**

**Strengthening Rail Spine Grid**

- Grid connectivity between the spinal road/rail links to the other arterial roads can improve the overall competitiveness of the corridor by reducing time, cost and distance of cargo movement
- Select new road/rail links from current pipeline that can bridge critical gaps proposed to be prioritized
- 7 Road Projects and 9 Rail Projects proposed under this category
In addition, individual nodes have been analyzed for connectivity with important hinterland centres, gateways and with each other.

Types of Connectivity Projects considered

1. **Node to VCIC gateway:**
   - Critical for integrating with Global Manufacturing chains

2. **Node-Hinterland:**
   - Important for domestic distribution

3. **Hinterland – VCIC gateway:**
   - Will provide quicker cargo agglomeration and economies of scale to VCIC gateways

4. **Node-ex VCIC Gateway**
   - Connecting to proximal gateways rather than Greenfield development likely to be capital efficient (esp. in airports)

5. **Intra-Node**
   - Resolving localized connectivity issues
Regulatory Issues
4 key Regulatory dimensions need to be addressed...

**Attractive Investment Climate**
EM I & II; VAT & other tax related compliance; Labor related compliances; Environmental clearances; Power, water connections

**Enablers for Industrial Development**
Land allotment / acquisition / conversion; Development & management of industry specific zones / clusters / estates; Specific support for priority sectors / industries

**Ease of Logistics**
Integration of check posts; Streamlined inspection & clearance processes; Inter-state coordination mechanisms

**Synchronized Urban Development**
Urban planning, infrastructure development / upgrade & management; municipal services
Addressing Investment Climate issues for new units / expansions...highlights of new Single Window system, AP

**Regulations / policy**
- New SW Act & Rules
- Leveraging Industrial Area exemptions under Panchayats Act
- Spot approvals for select clearances

**Institutional Framework**
- State-level nodal agency as Society with financial and administrative autonomy
- Multi-tier Committees for decision making, including for Industrial Areas

**Streamlining Processes**
- Weekly pre-scrutiny of applications for additional information requirements
- Conditional approvals for linked clearances; collation by nodal agency

**Leveraging IT**
- Single point data entry of CAF & other forms; System generated application forms for each agency
- Application tracking and monitoring

**Organization capacity issues**
- State level nodal agency to provide resource support to DICs
- Empanelled experts / agencies for specific inspections

**Accountability & Transparency**
- Designated official at each nodal agency; provision for penalties
- Grievance and appeals mechanism
- Online repository of Acts/Rules/Forms

Maximum of 30 days for all SW clearances*

* For Green / Orange Category industries not requiring land acquisition
Logistics-related constraints lead to increased transit time & transaction cost and need to be addressed.

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Potential Solutions</th>
</tr>
</thead>
</table>
| • Differential tax rates & policies in participating states  
  ✓ Variation in state VAT rates for select commodities  
  ✓ Entry tax applicable on different commodities in respective states | • Consent from participating states to harmonize tax rates for respective commodities |
| • Excessive regulatory burden, with multiple Government departments / agencies conducting inspections at different points  
  ✓ Applicable for movement both within and between states | • Implementation of Integrated Check-Posts by all participating states  
• Adoption of suitable institutional mechanism, both within and across participating states, for reducing multiplicity of inspections |
A number of issues need to be addressed to synchronize industrial and urban development

Key Issues

- Need for acquiring land for industrial and linked urban development
- Coordinated approach required for planning, development and management of industrial and related urban infrastructure
- Industrial growth centers require best-in-class urban amenities and services (water & sewerage, roads, street lighting etc.)

Potential Solutions

- Land acquisition at cash @ mkt rate + bonuses; R&R: house, skills, jobs, annuity; Land pooling: Developed plots / plots & cash
- Comprehensive Special Investment Region (SIR) like legislation with an apex body, local authorities; leveraging local Development Act for planning
- Leveraging innovative policies like Andhra Pradesh’s Industrial Area Local Authority (IALA) with some value additions for existing clusters; SIR like legislation for new and larger industrial areas
A Corridor Management Authority could play a key role in addressing regulatory issues at the corridor level.

**State-Specific Regulatory:**
Technical & financial support subject to minimum baseline; Periodic monitoring against agreed milestones

**Inter-State Regulatory:**
Institutional mechanisms for harmonization and monitoring anchored by Corridor Authority.

**Other focus areas:**
Anchoring contracting / institutional mechanisms for project conceptualization, financing & implementation

**Commercial Tax, Finance, Industries, Labour, Urban Development, Revenue**
- Adoption of Single Window system for entry / expansion as well as simplification of recurring compliance requirements
- Integrated check posts within State with minimum automation
- Adoption of IALA and SIR-like regulations

**Commercial Tax, Finance, Urban Development**
- Harmonization of tax rates
- Integration of inter-state check posts, sharing of information, adopting standardized regulatory processes
- Common minimum standards for development and O&M of key corridor transit infrastructure

**Corridor development and management**
- Project conceptualization and prioritization
- Project financing and procurement / contracting support
- Periodic monitoring of implementation and O&M support
- Sharing of best practices and facilitating technical assistance
Thanks