

**GOVERNMENT OF HIMACHAL PRADESH
DEPARTMENT OF INDUSTRIES
'INDUSTRIAL POLICY -2004'**

1. INTRODUCTION

1.1 The Government of Himachal Pradesh recognizes the importance of an emphatic Industrial Policy statement as an extremely effective instrument to boost the confidence of investors and catalyse industrial expansion in our State. This Policy is therefore intended to lucidly express the State Government's vision and approach towards industrial sector. This policy also intends to specifically announce the State Government strategy to address a wide range of macro policy issues aimed at boosting investment climate in the State by way of creating and upgrading the existing infrastructure, rationalizing the provision of incentives, concessions and facilities as well as streamlining rules/procedures having a direct impact on investment flows to the State. The Policy Statement also intends to focus on specific micro factors affecting the overall investment climate in the State such as technology upgradation, quality improvement and productivity, so that industrial units set up in the State can effectively compete and keep pace with global standards.

1.2 The Liberalisation era that the Country is now witnessing has spurred an intense, inter-state competition to attract industrial investments. This calls for the State Government to play an increasingly proactive role as facilitator of industrial development. This necessarily requires benchmarking of our policies and approach to industrialization with not only the best in the country but with world class standards, particularly if we are to target at attracting both domestic and foreign direct investments. We, therefore, recognize the need to continuously scan and review the practices followed by more progressive States in the Country and fine tune it with our approach, strategies, and policy so as to keep in tandem with the rapidly changing economic environment, domestically and internationally. This Policy statement is a reflection of the Government's commitment to overall economic development of the State by continuously responding to the dynamic economic forces and carving out a niche in the national economy by responding to changing times and needs.

2. OBJECTIVE AND AIMS OF THE POLICY:

2.1 This policy intends to:

- Serve as a guideline for achieving the objective of uniform growth of industry and service sector throughout the State.
- Disperse industries and service sector activities.
- Cull together ingredients of a Industrial Policy so as to facilitate generation of employment opportunities for local resource owners and stakeholders.

- Clearly state Government's commitment and approach to the development of key infrastructural sectors like Power, Housing, Social Infrastructure Development, Human Resource Development and Vocational Education so as to create a congenial investment climate for existing industry to grow as well as to attract further investments in the State.
- Clearly spell out Industrial Incentives of fiscal nature
- Specifically address the issues impeding industrial growth such as procedures for setting up of industry, obtaining permissions required under various Labour Laws, addressing issues related to Transportation of industrial produce so as to lay the foundation of strong and consistent growth of the industrial sector.

3. CURRENT SCENARIO

3.1 Till 1977-78 there were only about 5700 SSI units and about 10 Large and Medium units employing just a few thousand people. As on 31/03/2004 there are 30839 Small Scale Industrial Units wherein an investment of about Rs. 746.85 crores is involved and employment opportunities to about 1.34 lac people have been generated. The State has been able to attract modest level of investment in the Large & Medium Sector. In this sector 211 large & medium scale units with investment of about Rs. 2413 crore have already been set up in the State in which employment to about 30585 persons has been provided.

Table 1:

Table showing growth of industry in H.P. since 1990-1991

Year	No. of M&LS Industry	No. of SSI	Total Investment (Rs. in crores)	Emp. (no.)	%age increase Investment	% increase (Emp)
Upto 90-91	110	20545	351.38	101352		
91-92	112	21518	446.38	105277	27.04	3.87
92-93	114	22440	554.28	109324	24.17	3.84
93-94	121	23265	754.53	114603	36.13	4.83
94-95	129	24121	1173.67	119812	55.55	4.54
95-96	147	24845	1912.50	125736	62.95	4.94
96-97	160	25617	2081.01	130560	8.81	3.83
97-98	173	26378	2549.92	136100	22.53	4.24
98-99	174	27253	2649.84	140594	3.92	3.30
99-00	182	28045	2902.05	148548	9.52	5.65
00-01	188	28731	2954.03	151792	1.79	2.18

01-02	193	29479	3060.06	156296	3.59	2.96
02-03	196	30176	3087.83	159694	0.91	2.17
03-04	211	30839	3160.04	164225	2.34	2.84

A perusal of this Table indicates that the flow of investment in the State increased significantly in the 90's. This was more so from the year 1991-92 till the year 1995-1996. Since then there has been a decrease in the flow of investments as the rate of increase in the flow of investments has fallen significantly. This has necessitated initiating certain measures so as to give a boost to the flow of investments by introducing certain policy interventions so as to create a suitable investment climate in the State.

Table 2:

District-wise group-wise details of units in Medium & Large Scale Sector

Total No./ Group	Solan	Sirmour	Kangra	Una	Shimla	Bilaspur	Mandi / Kullu	Total
1. Food Products	19	2	6	2	--	1	--	30
2. Beverages	4	1	--	1	--	--	1	7
3. Textile/Spinning	22	1	--	1	--	--	--	24
4. Chemical & Chemical Products	22	7	--	1	--	--	1	31
5. Engineering	13	--	--	--	--	--	--	13
6. Non Metallic Mineral Products	2	--	--	--	--	--	--	2
7. Electronics	25	2	--	--	4	--	--	31
8. Steel & Steel Products	22	10	--	3	--	--	--	35
9. Paper & Paper Products	11	5	--	2	1	--	--	18
10. Cement	3	3	--	--	--	2	--	8
11. Leather & Leather Products	2	--	--	--	--	--	--	2
12. Ceramic	1	--	--	--	--	--	--	1
13. Plastic Products	7	2	--	--	--	--	--	9
Total	153	33	6	10	4	3	2	211

From this table it emerges that Solan and Sirmour districts have attracted the largest number of Medium and Large scale units in the State. This is followed by Una and Kangra districts. There is very insignificant presence of investments in the medium and large scale sector in other areas of the State which necessitates policy interventions to attract such investments in the hinterland areas of the State also. In addition it also emerges that significant level of investments have been made in the Textile/ Spinning, Food Products, Electronics, Steel and Steel Products, Chemical and Paper industry in the State.

Table-3

District-wise details of units in Small Scale Sector

Sl. No.	District	No. of units	Investment (Rs. in Crores)	Employment
1.	Bilaspur	1960	30.18	7158
2.	Chamba	1546	22.41	5451
3.	Hamirpur	2383	37.57	8693
4.	Kangra	8126	151.10	35190
5.	Kullu	2099	36.15	10412
6.	Kinnaur	520	3.62	1596
7.	Lahaul & Spiti	551	2.47	1483
8.	Mandi	3110	68.85	12593
9.	Shimla	2867	45.83	10535
10.	Sirmour	2384	96.39	10818
11.	Solan	2810	184.18	19077
12.	Una	2483	68.11	10634
	Total	30, 839	746.86	133640

4. Infrastructure Development:

4.1 Industrial Areas/Industrial Estates in Himachal Pradesh :

Industrial areas are being presently developed and maintained by the Department of Industries itself and through agencies like Himachal Pradesh State Industrial Development Corporation and Himachal Urban Development Agency (HIMUDA). Off late, Industrial Areas located in the border areas adjoining Punjab, Haryana, Chandigarh, Uttranchal and Jammu and Kashmir have attracted a large number of projects. This is especially so in case of Industrial Areas of Baddi, Barotiwala, and Parwanoo in Solan District, Mehatpur, Tahliwala and Amb in Una District, Paonta Sahib and Kala Amb Industrial Areas in Sirmour District, Sansarpur Terrace in Kangra District and Golthai in Bilaspur District. Over 90% of the investments in the medium and large Scale sector in pipeline and projects coming up in Himachal Pradesh are being implemented in these locations. Baddi, Barotiwala and Nalagarh area in Solan District has come up as an attractive destination especially for Textile, Pharmaceutical, and Packaging industry. The State

today has a significant presence of the total textile and pharma industry manufacturing capacity of the country and has established itself as a proven destination for textile, Pharma, Food Processing, Engineering, Paper, White Goods Manufacturing and Packaging industry. The State Government has already developed 29 industrial areas and 9 industrial estates with all basic amenities like Roads, Power, Sewerage, Water and Communication etc. One Growth Centre with an estimated cost of Rs. 22.00 crores is being developed at Sansarpur Terrace on an area of about 1000 acres in district Kangra. The State has also implemented a prestigious project of Export Promotion Industrial Park at Baddi with an investment of Rs. 20 crores. This project has been sponsored by Government of India, Ministry of Commerce and Industry.

4.2 The list of Industrial Areas and Estates indicating their category as per 1999 incentive Rules is as follows:

District	Industrially Backward Area		Industrially Developing Area	
	Industrial Area	Industrial estate	Industrial Area	Industrial Estate
Bilaspur	i) Bilaspur ii) Golthai			
Chamba	i) Sultanpur ii) Parel iii) Hatli			
Hamirpur	i) Hamirpur ii) Nadaun			
Kangra	i) Nagrota Bagwan ii) Sansarpur Terrace iii) Electronics Complex Nagri iv) Dhaliara v) Bianatarian	i) Kangra ii) Jawali iii) Dehra Gopipur		
Kullu	Shamshi			
Kinnaur	Reckong Peo			
Lahaul & Spiti		Keylong		
Mandi	i) Ner Chowk (Ratti) ii) Bhambla iii) Sulikhad v) Maigal	Kotli		
Shimla	Electronics	i) Theog		

	Complex, Shoghi	ii) Pandranoo		
Sirmour			i) Kala Amb ii) Paonta Sahib	
Una	i) Mehatpur ii) Tahliwala iii) Amb iv) Gagret			
Solan			i) Baddi ii) Barotiwala iii)Chamba ghat-Solan iv) Parwanoo	i)Chambaghat -Solan ii) Dharampur

5. INCENTIVES CONCESSIONS AND FACILITIES CURRENTLY AVAILABLE TO INDUSTRY IN THE STATE:

5.1 Availability of incentives and subsidies are important to encourage investment in the State. There are a number of incentives in the form of subsidies, tariff concessions and deferments provided by State Govt. and Govt. of India.

5.2 Government Incentives:

5.2.1 State Government Package:

Interest subsidy to tiny/small units in priority sector, capital investment subsidy for units being set up in the Priority sector, special incentive for fruit, vegetable and maize based and herbal based units i.e. units based on local raw material, GST exemption and CST at concessional rates, procurement of raw materials at 1% GST, allotments of plots and sheds at reasonable prices/rates in industrial areas and estates, Project specific special package etc. are some of the main incentives/subsidies being offered by the State Govt.

5.2.2 Central Government Package of Incentives:

In January 2003 the Govt. of India had announced a special package of incentives to Himachal Pradesh. This includes 100% exemption from payment of Central Excise Duty for 10 years, 100% income tax exemption for 5 years and 25% and 30% exemption for the next block of 5 years (for Individuals and Companies), capital investment subsidy @ 15% of investment in Plant & Machinery subject to a ceiling of Rs. 30 lacs, and, enhancement of funding pattern under centrally sponsored schemes like Deen Dayal Hathkargha Protsahan Yojana and Prime Minister Rojgar Yojana. Apart from these, the Central Transport Subsidy is being provided to industrial units @ 75% of the cost of

transportation of their finished goods and for transportation of their raw material from the location of their units anywhere in the State to the nearest, specified broad gauge rail head.

5.3 The main objective of these incentives, concessions and subsidies has been to encourage investment in the State, to make or to enable the units to become more competitive, and, to establish them at the initial stages of production. In a hilly state like Himachal Pradesh where the cost of production is higher due to difficult terrain and inadequate industrial infrastructure these subsidies are justified to make the prices and the product competitive with the goods produced by units set up in the neighboring States. It is in this context that it is important to review the existing package of incentive, concessions and facilities so as to spur the growth of Industry uniformly throughout the State and to bring it in line with the felt needs of Industry and the Special Package announced by Government of India for our State.

6. Power for industry:

6.1 Availability of quality power in adequate quantities throughout the year at reasonable rates is one of the major strengths of the State. Himachal Pradesh has been endowed with vast hydel power potential. Out of the 21530 MW identified power potential, only about 4000 MW has so far been harnessed/exploited. The Bhakra Project is now generating 1354 MW of power. Similarly, the Beas Satluj Link Project has also been completed, producing 990 MW of power. Simultaneously, other projects too have been completed. This State as a result of the completion of some of the projects, is generating about 3934.74 MW of hydel power. State Govt. has now opened up power sector to private sector. Besides, Central PSUs such as NTPC and NHPC have also been invited to take up the large projects like Chamera-II, Kol dam and Parbati for execution. With a view to accelerate the process of power sector reforms, the State Govt. has constituted the State Electricity Regulatory Commission. The State Govt. is also encouraging co-operative sector by reserving sites in the small and micro hydel sectors which will involve local community and increase the employment opportunities to local people. By all these efforts the State Govt. plans to get installed capacity addition of 6100 MW by 2010. The State Govt. is vigorously pursuing the execution of hydro-electric projects upto 300 MW through the MOU route with the Govt. of India for speedy actualization of the potential. To maximize the exploitation of power generation potential in the State, Government has taken a number of initiatives, which envisages active participation of the State Electricity Board as well as Private investors.

6.2 Our objective will be to bring about a qualitative transformation of the electricity sector through a new paradigm, taking into account the complex ground realities of power generation, transmission and distribution scenario and potential of the State. Our State Government is fully committed to effectively implement the new initiatives required in this direction. The setting up of the State Electricity Regulatory Commission by the State Government is a step already taken in this direction.

- 6.3 Our State Government is committed to reforms in the Power Sector and to step up these reforms, various initiatives are being taken. The State Government will come out with its own Power Policy detailing the road map for reforms in this sector. Our reforms are intended to be broadly based on the principle of encouraging restructuring of this sector based on the criterion of encouraging healthy competition between the utility and service providers, and focusing on a competitive and rational tariff structure for industrial, domestic and commercial consumers. Our approach to reforms would be based on evolving a consensus amongst stakeholders, optimizing use of technical and financial resources and assets of the State and strengthening of regulators.**
- 6.4 Specific attention would also be paid to the grassroots delivery mechanism and reforms in this area given priority. Special priority would be given to 100% Export Oriented Units/Information Technology/ Bio-Technology industries/Foreign Direct Investment projects and sectors like tourism for grant of connection depending upon the power availability and the system constraints. Simultaneously electrical installation procedures for power connections would be simplified.**
- 6.5 Emphasis would be laid on providing power connections to those projects of National and State importance and a healthy ratio of power committed to projects as compared to employment generated and investments made will be maintained. Efforts would be made to ensure exemption of industrial units, especially the continuous process industry, EOUs and Agro-based, IT,BT and Food Processing Industries from all power cuts within the system constraints.**
- 6.6 While planning T&D networks in future special emphasis will be laid on creation of dedicated feeders/lines where ever available area wise for ensuring continuous power supply to all existing/proposed industrial areas/estates in the State. Possibilities of eventually privatising the generation and distribution of power for all major industrial areas/estates will also be explored and encouraged.**
- 6.7 No Electricity Duty will be charged on power generated from captive Diesel power stations and permission requirements for captive /generating sets will be made time bound and simplified. Third party sale of surplus captive power available in Industrial Areas /Estates with such power producers can also be allowed on a case to case basis. To sustain high technology industry quality of power will be ensured at reasonable prices to be proposed in a manner so as to enable industry adjust to its impacts. A liberal policy to give permissions to surrender a part of load will also be evolved in a manner suited to the utility provider and industry and minimum charge on contract demand reviewed accordingly. In addition permission for extension of load to existing units would be given priority and would be considerably simplified.**
- 6.8 In future all units registered with the Department of Industries as SSSBE's (Small Scale Service Business Establishments will be granted Industrial Power connections.**

7. Telecom Infrastructure for Industry:

- 7.1** The importance of communication infrastructure and its role in economic and industrial development cannot be overemphasized. The telecom infrastructure in the State is one of the best in the country. Although Telecom Policy is a subject under the purview of the Central Government, yet keeping in view the important role that communication plays in catalyzing and facilitating industrial development it would be the conscious policy of our State to attract, encourage and facilitate private investment in telecom infrastructure.
- 7.2** Efforts would be made to ensure that Telecom connections are made available instantly. Efforts would also be made to allow advance bulk booking of telephone connections for new industrial areas so that entrepreneurs can secure connections without delay. Wherever possible, in Industrial areas, the Department of Industries would make land available to the Telecom Department for up-gradation and creation of infrastructure.

8. PACKAGE OF INCENTIVES, CONCESSIONS AND FACILITIES FOR INDUSTRIES UNDER THE 2004 POLICY

- 8.1** With a view to encourage investment in our State and to offset the locational disadvantages the State Government has been implementing various Incentive Schemes in tandem with the changing needs and aspirations of Industry. Over a period of time it has been realized that fiscal incentives have invariably led to the creation of inefficient and uncompetitive industry, which has not been able to sustain itself in the long run. In addition, with changes and modifications being introduced in the taxation policy and reforms initiatives like introduction of VAT, incentives to industry need to be looked at afresh. Thus it is imperative that we move towards a policy of gradual phasing out of subsidies. Such initiatives coupled with an increased stress on the provision of quality infrastructure shall help create a conducive environment for industrial growth and attract both foreign and domestic investments.
- 8.2** The Centre has recently announced a special package of incentives for Himachal Pradesh and Uttaranchal, broadly along the lines of Jammu and Kashmir. It provides for concessions aimed at attracting new investments to these States. It will be a conscious policy of our Government to supplement this package with certain concessions and facilities from the State Government so as to ensure sustainable industrial development in the long run.
- 8.3** A new set of Rules to govern incentives, concessions and facilities will be announced as a part of this Policy which will remain operative till the next Rules governing the incentives, concessions and facilities are announced or these rules amended. It is a conscious attempt of the State Government to phase out all tax-based and other fiscal incentives (deferrals/exemptions etc.) over a period of time keeping in tune with the changing economic scenario of the country and ground realities. While doing so, efforts will, however, be made to enable existing units to avail of the incentives they are already availing for the periods they are entitled to.

8.4 In order to assure local industry with adequate back-up of Government in international markets and to encourage setting up of innovative industry based on local skills, local raw materials and employing local people, the State Government would give fiscal incentives to Companies set up and having their registered offices in H.P. for patenting their inventions and its commercialization, especially for activities such as drafting the patent application, filing the patent application in India, filing the patent application in Patent Tribunals, prosecution of the patent application outside India, maintenance fee of the granted patent application, and obtaining non-infringement opinion. Fiscal incentive by the State Government would also be provided to such companies so as to meet with the fees charged by established private lawyers / law firms located within the country having a reference from any Ministry/ Deptt. of Government of India of having successfully assisted such Companies in the country.

9. Simplification of Rules/Procedures

9.1 To facilitate entrepreneurs in setting up of units and to help them comply with the applicable rules and regulations, Government will considerably simplify its Rules and Procedures. Government intends to provide maximum freedom to operate to the entrepreneurs so as tap the full potential of industry.

9.2 The State Government has already set up a State Level Single Window Clearance and Monitoring Authority under the chairmanship of the Chief Minister to consider and give Government approvals in principle to the medium and large scale projects in the State and to ensure optimum Inter- departmental co-ordination. The State has also set up Single Window Agencies at major industrial towns like Parwanoo, Baddi, Paonta Sahib, Goalthai and Sansarpur Terrace to facilitate speedy clearances and assist entrepreneurs in obtaining various clearances to set up their projects. More such agencies will be set up in other industrial areas and estates in the near future. The State Government through these Single Window Agencies will not only ensure initial approvals to set up the project, but also look into the requirements of obtaining further licenses necessary to commence production. It will also assist in obtaining all necessary State Government Departments related approvals from the concerned Departments. To facilitate clearances and monitoring of projects in the State and to make it transparent and user friendly, these Agencies will be actively encouraged to use IT in their working and discharge of their functions. The services being offered by these Agencies would be adequately highlighted through Industrial Associations and fora like PHDCCI, FICCI, ASSOCHAM, CII, etc. as channels for providing information to industry. The State Government would actively consider preparing and finalizing a separate framework for effective implementation of the Single Window System with a view to make Single Window Clearances a statutory requirement.

9.3 The State Government is committed to ensure effective implementation of measures aimed at ensuring time bound clearances of projects by various Government Departments and to make the process of project clearances simple, transparent and accountable. Effective monitoring of clearances pertaining to release of power connections, issue of NOCs by the State Pollution Control Board, site approval by

Labour Department and any other specific clearances on a case-to-case basis will be ensured and monitored through these Single Window Agencies at the State and local level.

9.4 The State Government will evolve a standard of “best practices” in Government Departments involved at the delivery end such as the State Electricity Board, Labour Department, Department of Excise and Taxation, Department of Industries, Department of Town and Country Planning, Department of Revenue, State Financial institutions and other concerned Departments and Agencies which are involved in the process of setting up of industry.

9.5 Clearances for Small Scale Projects will be granted across the table. However in cases pertaining to Forest based industries, projects requiring more than 1 MW of power and Industries listed as negative industry by Government of India or the State Government will need to be cleared, after detailed evaluation and consideration, by the State level Single Window Clearance and Monitoring Authority. Rules of the concerned Departments would be amended so as to ensure time bound decisions and approvals for industrial units being set up in the State.

9.6 Planning and Development of New industrial Areas and Land Policy:-

The State Government will actively encourage development of state of the art Industrial Areas, through its agencies like the Industries Department, Himachal Pradesh State Industries Development Corporation, Himachal Pradesh Housing and Urban Development Agency, Area Specific Development Agencies to be set up in potential locations themselves or through Public-Private-Participation mode as also through exclusive participation of private investors. These Industrial Areas will be self contained Industrial Areas equipped with modern basic amenities, well planned taking into account future expansion needs, have high quality infrastructure like roads, power, water, telecom, sanitation, effluent management and disposal, housing and other social amenities etc. Such projects will be given top priority and time bound clearances ensured. Preference will be given to develop activity specific Industrial Areas like Food Parks, Electronic City, Export Processing Zones, Export Promotion Parks, Bio-Technology parks, Information Technology Parks, Textile Clusters, Pharma Clusters Housing, Labour Colony, Business Centers multiplexes etc. throughout the State, especially in the areas away from the border areas of the State and procedure for approval of the State Government under Section 118 of the Himachal Pradesh Land Reforms and Tenancy Act will be simplified and approval process expedited . Top priority will also be given to link such existing Industrial Areas and new clusters with ‘A’ class quality road to provide efficient inter-State and intra-State connectivity.

10. Clearances by the State Environment and Pollution Control Board

10.1 The State Environment and Pollution Control Board will specifically streamline its procedures for the grant of NOC required prior to the setting up of the project and clearances required after the project has been set up. For Thrust industries, and other Specified industries, as identified by the Government of India in its package dated 7th January, 2003 for the State of H.P. and for other such industries identified as Thrust

industries by the State Government in its incentive package under this policy, NOC required prior to the setting up of such projects would be granted after adhering to the statutory procedure and within 15 days of completion of the statutory processes and receipt of complete application.

10.2 The State Environment and Pollution Control Board will draw up a list of SSIs and Medium and Large Scale projects, and terms and conditions to be complied with which would be exempt from applying for NOCs/consents.

11. Town and Country Planning:

11.1 The State Government is fully conscious of the need to catalyse the urban rejuvenation process- especially in areas of industrial concentration. This would require strengthening of urban local bodies and accessing various Central Government schemes for urban sector reforms including setting up of waste management systems with active involvement of the private sector. Special focus would be laid on creation of Area Specific Statutory Development Agencies which would be entrusted with the task of managing urban growth in areas of their jurisdiction and for ensuring creation and strengthening of planned growth of social, housing, health, commercial and other related infrastructure. Nodal cities will be identified and peripheral towns developed within a specified radius by these statutory agencies.

11.2 A scheme of self certification for industrial units would be started where approvals for industrial building maps, including approval of building plans of plot sizes to be specified would be automatically deemed to have been given, provided the units certify themselves that they have adhered to the basic norms prescribed by the Town and Country Planning Department/ HPSIDC/Department of Industries.

12. Reforms

12.1 Issues related to reforms in the Labour Department:

12.1.1 Annual Inspections

With a view to reduce and abolish the number of inspections to the extent possible under various Act and laws, a scheme for self certification would be started for Industrial Units in H.P. Inspections where felt necessary in Public Interest will be carried out after prior approval of the specified authorities only and would be undertaken to investigate only written complaints, press reports, issue of consent and approvals or their renewal, and cases where legal proceedings necessitate such inspections. In case of written complaints, being investigated a copy of the complaint would also be furnished to the management. Adequate emphasis will be laid on attitudinal changes of the delivery institutions so as to minimise harassment of the entrepreneurs.

12.2 Maintenance of Registers

The maintenance of registers under different labour laws would be rationalized and simplified keeping with the statutory requirements.

A single Muster and Attendance roll meeting with the requirements of Factories Act, Minimum Wages Act and ESI Act would be implemented.

A single Register of wages wherein all the information required under Registers of 'Fine', 'Advance', 'Leave', and 'Damage or Loss' would also be introduced. Similarly, a single Accident-register would be specified keeping in mind the requirements of the provisions of the Factories Act and ESI Act.

A single Inspection book for all inspections to be done by any State Government departmental authorities would be introduced.

12.3 Filing of Returns

With the objective of eliminating confusion due to similar details being filed in different forms and similar titles, the Return Forms under various statutes will also be considerably reduced and where possible dispensed with. Thus, different Return Forms will be consolidated into a single booklet. Wherever possible the information required under different formats will be consolidated in the format of a Master Return which could then be used for filing of returns under various labour Laws.

12.4 Labour Reforms

Keeping in view the rapid rate of obsolescence and need to adopt new technologies in order to survive in the competitive environment, it is imperative to liberalize the requirement under the provisions of Section 9-A of the Industrial Disputes Act, 1947 which provides for Notice for change under Section 9-A. Thus the State Government in exercise of the powers under Section 9-B of the Act, would liberalize the application of provisions of Section 9-A.

12.5 According to Section 23, applicable in the case of industries, which are not Public Utility Services, in terms of Section 2 (n) read with the 1st schedule, workmen can go on lightning strike even without a single day's notice, and also when the Conciliation Officer has already commenced the conciliation proceedings. Section 40 (1) empowers the Government to add industries in the 1st schedule, by a simple notification in the official gazette. The State Government, through this process, has amended the 1st schedule, from time to time. The State Government would add continuous process industry, IT industry, BT industry, hazardous industry and export-oriented industry to the 1st schedule. It would, therefore, require workmen to give 14 days notice before going on strike so that the Conciliation Officer may induce the parties to come to a fair and amicable settlement of the dispute.

12.6 Delay in granting permission under Chapter V-B hampers the management efforts to regain health of the *sick unit* by trimming the extra labour force, and may even lead to its ultimate closure. Such an outcome harms workers the most, who fail to get even their statutory dues. Permission in deserving cases under Chapter V-B would be given by the Labour Department within 30 days.

- 12.7 With the objective of facilitating Exports and meeting the supply deadlines the State Government by exercising its powers under Section 65(2) of the Factories Act would grant exemption to all EOUs from the provisions of Section 51, 52, 54 and 56 of the Act. This would enable such units to increase its working hours from 48 to 60 per week (Section 51), from 9 to 11 per day (Section 54) and Spread Over from 10.5 to 13 hours per day (Section 56).
- 12.8 The State Government would exercise its power to facilitate two-shift operation with women workers to enable women workers to work in the night shifts also and beyond the prescribed working hours under Section 66 (1) (b), of the Factories Act. This would, however, be done on the condition that the management would make adequate transport, safety and security arrangements for women workers.
- 12.9 The Contract Labour (Regulation and Abolition) Act, 1970 Licensing & Registration as required under this Act would now be also done at the district level in a time bound manner and within 30 days of applying for registration and license. In the event of a contractor being changed for a permissible activity, a mere intimation to this effect will now be required and the earlier procedure of applying for amendments in the registration certificate would be discontinued. Contract Labour provided they are bonafide Himachali's would be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in solid waste disposal units, 100% EOU's, IT units, BT units and non-core activities like cleaning, security, gardening, loading/unloading etc subject to the condition that minimum wages would be applicable to such contractual labour or employment through any other mode.
- 12.10 The State Government would also consider on a case-to-case basis allowing enhanced freedom to employ contractual labour to the industrial units under the Contract Labour (Regulation & Abolition) Act, 1970 as follows provided people so employed are bonafide Himachali's:
- Where Minimum wage is paid, no special freedom would be allowed.
 - Where double the minimum wage is paid, upto 10% of the total labour employed on permanent basis by the unit would be allowed on contract basis.
 - Where triple the amount of the minimum wage is paid, upto 20% of the total labour employed on permanent basis by the unit would be allowed on contract basis.
 - Where five times the minimum wage is paid, exemption from Chapter V-B and upto 50% contract labour would be allowed on contract basis.
- 12.11 **Minimisation of Records**
- Minimum wages for unskilled and temporary workers would be fixed in accordance with the skills and the market demand from time to time. Efforts would be made to reduce the number of

schedules under the Minimum Wages Act. Only the lowest scale of minimum wages (i.e. for unskilled workers) would now be stipulated in these schedules.

12.12 Factories Act, 1948

The process of obtaining prior approval of factory building plan from the Chief Inspector of Factories would be made time bound and within 15 days of submission of such plans.

13. Miscellaneous

13.1 Use of IT in Industry

The use of Information Technology will be increasingly encouraged so as to enable industry to participate in the global trade and production processes, for alleviating information poverty of products, markets, and cleaner production technologies, for enhancing competitiveness, improving organizational management, as well as improving Government Industry interface. Government Departments with whom the industry interface is maximum like the Department of Industries, Department of Excise and Taxation, Power Department, HPSEB, Department of Town and Country Planning, Labour Department etc. will be computerized to facilitate on line transactions and processing of approvals. Directorate of Industries would now also provide an on-line interface with Industry through a web site so as to receive and dispose off applications received from entrepreneurs as well as make other related information available on the policies, programs of the department to the prospective entrepreneurs. The Departments having maximum interface with industry like the Pollution Control Board, Labour Department, HPSEB, Excise and Taxation, Revenue Department will also explore the possibilities of setting up Call Centres and Facilitation Centers by outsourcing this activity in a phased and a time bound manner.

13.2 Escort Services:

A Special Escort Services would be provided by the HPSIDC on payment basis to escort prospective entrepreneurs and help them obtain necessary approvals and clearances. The HPSIDC will also create a data bank of information to help the industries in processing projects, identifying technologies and relevant services available.

13.3 Manufacturing Competitiveness and Productivity.

The State Government besides actively encouraging Industry in general would be focusing on obvious winners in the manufacturing sector such as light engineering, textiles, auto and auto ancillaries, chemicals and pharmaceuticals. The State Government would actively support Research & Development and modernisation of existing units including initiatives aimed at strengthening the testing and calibration facilities by Industrial Associations and reputed

specialized agencies. Efforts would also be made to formally link existing R & D institutions and specialized Technical Training Institutions, ITIS', Polytechnics and Engineering Colleges with various facets of industry so as to provide students the opportunity of technical training, summer on the job training, campus interviews, technology development of industrial projects, and their subsequent absorption in industry.

14. Transportation Management:-

14.1 State Government will ensure that the Truck Operators Unions do not prevent free play of market forces in areas of their jurisdiction and evolve an efficient mechanism on competitive rates so that transportation of raw material and industrial products is smooth and on competitive rates.

14.2 Government would facilitate creation of a conducive environment of mutual appreciation and trust at the grass root levels between Industry and Transport Unions and encourage regular dialogues between them so as to solve contentious issues at the local level.

15. Encouraging Agriculture/ Horticulture/ Floriculture and other allied sectors related specified activities:

15.1 Agriculture and specifically Horticulture is the backbone of our State's economy. It would be the effort of the State Government to consciously plan activities focused on value addition of the Agricultural and Horticultural produce of the State and focus on this activity as an engine of industrial growth especially in rural areas of the State.

15.2 Emphasis would be laid on development of Agribusiness by a positive shift from Agriculture to Agribusiness so as to ensure that economic and commercial activity moves to the villages at a greater pace.

15.3 Emphasis would be laid on revamping extension services, reduction of wastages, value addition at each level of fruits and vegetables suitable for food processing industry, rationalization of various taxes such as purchase tax, mandi tax, market fees etc., linking of mandis with each other and larger markets through use of IT and development of a national Grading Code.

15.4 The objective of the State Government would be to minimize wastages of the Agri-Horticulture produce of the State by encouraging setting up of post management harvest infrastructure and to create value addition facilities at the farm gate and as near as possible to the source of production.

15.5 For the first time under the State Industrial Policy, setting up of post harvest management infrastructure like, setting up of cold storages, mechanized packing houses, mechanized grading houses, setting up of ropeways exclusively for the transportation of locally produced Agriculture and Horticultural produce, setting up of Servicing Centres to render farm related management

- services and services such as maintenance of farm equipment and machineries will be treated as activities eligible for a specific package of incentives and concessions under this policy.
- 15.6 Government will also consider amendment of the State Excise Act to exclude fruit based wines from its purview. The objective is to encourage production for processing also in addition to producing to meet the demand for Table Varieties and off season fruits and vegetables.
- 15.7 Setting up of state of the art computerized fruit and vegetable Auction Houses and Certifying Agencies in the private sector will also be actively encouraged with a view to facilitate on-line sale and auction of agricultural and horticultural produce as well as organizing buyers by facilitating their setting up of modern offices in such marts. Incentives will accordingly be offered to such projects.
- 15.8 Specific incentives will be provided to support the organized private sector in increasing its spending on extension and technology transfer and for lowering the total tax burden on processed food produced in the State.
- 15.9 Efforts would also be made to encourage Public- Private Partnership (PPP) that enables private investors to invest in agriculture infrastructure in partnership with banks and financial institutions.
16. Technical Education and availability of trained/ skilled local manpower for Industry
- 16.1 Setting up of modern educational and technical educational institutions, including boarding schools, colleges and universities, ITIs, Polytechnics, Nursing schools, Pharmacies, Tourism related institutions, and medical educational institutions having tie up with recognized institutions only will be given priority in the State. The Department of Technical education in consultation with Industries in the State will set up a mechanism of certifying and licensing practitioners of certain identified trades and skills. Such practitioners in identified trades will be licensed so that the investors are assured of the availability of skilled manpower in the State besides assuring employment opportunities to local youth.
- 16.2 The State Level Single Window Clearance and Monitoring Authority will clear such proposals. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. The Government may also consider transfer of Government land at a reasonable price to such institutions in public interest.
- 16.3 Where found necessary and expedient the State Government may also consider legislating setting up of Universities, provided such proposals are received from reputed Educational Societies having adequate and proven financial and educational exposure and expertise. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and Electricity connections to such institutions will be done on priority.

17. Setting up of Social Infrastructure for Industry:

17.1 Setting up of Specialized Health institutions

The State has an ideal climate for setting up of Specialized Health Institutions. Such specialized institutions including institutions practicing Ayurveda, Homeopathy and Tibetan school of medicines would also be encouraged to be set up in the State provided they meet and comply with the standards/ guidelines laid down by authorized regulatory bodies and are recognized by concerned apex agencies of State Government and Government of India. Such units will require to be cleared by the State Level Single Window Clearance and Monitoring Authority. Such institutions will also be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and electricity connections to such institutions will be done on priority.

17.2 Housing:

With a view to contain indiscriminate growth of existing urban clusters and to ensure availability of adequate housing in new areas emerging due to setting up of industry and related commercial activities, emphasis would be laid on ensuring creation of adequate housing facilities of various categories, including industrial labour. Specific areas will be demarcated around such industrial clusters where housing infrastructure could be created both in the government and private sector. Permission for purchase of land for captive housing would be given in a time bound manner for purchase of land to the industrial units set up in the State. Similarly supply of power and water to such housing complexes would be made on priority. Industries would be actively encouraged to tie up with local adjoining panchayats and villages for arranging captive accommodation by helping such villagers augment their accommodation so as to cater to the specific needs of the workers who could be housed in such units.

17.3 Entertainment Industry:

The State has a vast potential for development of the Entertainment Industry. The State Government would actively encourage setting up of modern state of the art filming and recording studios using IT in the State. Efforts will also be made to rope in established film studios of the country to set up such studios in the State. Such studios would be also offered assistance in the form of single window clearances of the project and preference would be given to such projects to locate these projects in existing properties available and developed by the Dept. of Tourism in the State.

17.4 Multiplexes offering state-of-the-art entertainment, commercial, recreational and other related services will be encouraged in the State. Such complexes which are approved by the State Level

Single Window Clearance and Monitoring Authority will be given time bound clearances by the Town and Country Planning Department, concerned Municipal agencies, and given priority in supply of water and electricity connections.

18. State Taxes:

18.1 Introduction of VAT at the earliest to regulate, administer and improve collection of taxes to be paid by Industry would be top priority of the Government. It would be a conscious effort of the State Government to design the VAT structure which is simple, based on floor rates agreed upon by the adjoining States and which are broad based. The State Government would make all out efforts to get the final draft of the Act approved by the State Legislature within the FY 2004-2005 as also have the draft of the Rules to be made under this Act finalized in advance before implementation so as to enable Industry to get adequate time to adjust to the new regime. For this adequate notice to allow a switchover and adjust to the new VAT regime would be allowed to the Industry. However for selected Tiny Village industries as may be notified by the State Government falling within the ambit of Khadi and Village Industries., may be exempted from the payment of Sales Tax as was the position prior to 10/03/1999.

19. Handlooms and Handicrafts Industry:

19.1 Himachal Pradesh is known internationally for its handloom and handicrafts produced in various parts of the State. Regrettably, spurious products masquerading as produce of the State have flooded the market, within and outside the State. This has considerably eroded the markets of our local handlooms and handicraft produce including traditional gems and jewelry. With a view to support our traditional industry and also to ensure that these are in a position to exploit their comparative factor endowments, become internationally competitive and have a distinct niche market, it is proposed to create an internationally known and recognised brand for such products by taking advantage of India Brand Equity Fund. A distinct brand which will be called the 'Himachali Utpaad - A Product of Himachal Pradesh' will be actively promoted internationally and could be used for all the handloom and handicraft goods produced in the State using specified raw materials and techniques of production. The H.P. Handloom and Handicrafts Corporation will act as a nodal agency to promote this brand and to ensure branding of such products produced in the private, cooperative and public sector so to ensure their quality and authenticity,

19.2 The State Government would also actively promote development of Centers of Excellence for Handlooms and Handicrafts and local industries with private participation and help to create linkages with Tourism so as to promote local produce/ art & crafts.

19.3 The State Government will also actively encourage adoption of cluster of villages and people engaged in these activities by reputed Export houses, designers of international repute and

buying houses. To encourage such linkages the State Government would consider providing project specific, need based assistance and support.

20. Entrepreneurship/ Self Employment and Employment to bonafide Himachalis:

20.1 The State Government has done exceedingly well in the field of Education. The literacy rate of our State was as high as 77.13 % in 2001. However, this has increased the problem of finding jobs for the educated classes. It would be the conscious effort of the State Government to introduce Business Studies and Entrepreneurship as regular subjects in the Senior Secondary Schools of the State from 9th class onwards for those students not opting for Science streams so as to promote the culture of entrepreneurship and develop budding entrepreneurs in the State.

20.2 The existing Technical Training institutes will be strengthened and each institution will work under a Governing Council, which will consist of representatives of Industry, State Government, and local Zila Parishads. Efforts will be made to encourage Industry to adopt these institutes individually so as to ensure that the vocational and technical training being imparted in these institutes is relevant and strictly in accordance with modern methodologies and parameters.

20.3 The Technical Education Department will create a Data bank and Recruitment Cell for the students of ITI's/ Polytechnics and stay in close touch with Industry in the State so as to ensure employment to these students. They will also make a special effort to introduce special industry specific training programmes as may be requested by Industry in these institutions from time to time.

20.4 The objective of the State Govt. is to find a job for every technically qualified student coming out of these institutions every year in the private sector and in units located within and outside the State. To ensure excellence in Technical Education and developing Human Capital, development of Centres of Excellence in Technical Education in the vicinity of manufacturing clusters and active involvement of the private sector would be encouraged. Such centres would impart Employment oriented education, trade-based vocational training beside attracting foreign and external students to get higher / technical education here, so as to ensure that high quality education is imparted and students gain international acceptability. Proposals to set up such centers would be given top priority and clearances given in a time bound manner. Government will also explore the possibility of converting one existing educational institution into a technical and vocational training institution in every development Block in a phased manner.

20.5 Generation of Employment opportunities for local populace, especially the educated, skilled, technically qualified youth of the State is a major objective of encouraging industrialisation in the State. Therefore, the incentives, concessions and facilities provided to industry under this policy are only justified if it contributes in achieving this objective. Incentives, concessions and facilities to the industrial units will be available to the eligible units set up in the State only if it employs at

least seventy percent of its total manpower, employed whether on regular/contractual/sub-contractual/daily basis or employment through any other mode from amongst the bonafide Himachalis at all levels in 'A' , 'B' & 'C' category of Blocks respectively. The employment condition shall not be applicable to units employing only one employee, located anywhere in the State and in the self-employed ventures where the owner is running the unit without employing any manpower. In case of violation of this condition at any point of time during the period of admissibility of these incentives by any industrial unit, no further incentive will be admissible to the industrial unit and in such an event all incentives already availed by such units will be recovered and the unit will be liable for further stringent action, including the withdrawal of supply of power to such defaulting units.

21. Sick units:

21.1 Emphasis would be laid on prevention of sickness and initiating timely measures for revival of industries. These initiatives could include project specific intervention packages.

22.2 The State Government would provide assistance for generation of diagnostic studies on advice of Reserve bank of India and the concerned Bank/ Financial institutions before considering any specific proposal for rehabilitation. Once the finding of the study establishes that the unit could be revived and makes specific recommendations as regards the measures required to be taken, the State Government together with financial institutions involved could consider implementing the relief package. The role of the State Level Inter Institutional Committees in this respect would be focused on initiating timely remedial measures where required. A separate package of concessions and facilities called the Himachal Pradesh Industrial Renewal Scheme,2004 for rehabilitating such units will also be operationalised. Concessions/ relief under this Scheme are in addition to the concessions/ relief's being provided by Himachal Pradesh Financial Corporation and Himachal Pradesh State Industrial Development Corporation Limited to the weak, sick and closed industrial units under their respective schemes of revival/ rehabilitation and One Time Settlement of outstanding loans. The State Government shall continue to encourage HPFC and HPSIDC Ltd., to provide such package of relief/ concessions/ One Time Settlements of outstanding loans to weak, sick and closed industries/ borrowers within their approved guidelines as decided by the Board of Directors of these respective Corporations from time to time.

22. Exports:

22.1 Exports will continue to be treated as a special activity and therefore given priority. Conscious efforts will be made to provide Exporting units in the State a level playing field as compared to their competitors within and outside the country.

22.2 With this objective infrastructure required by exporting units will be strengthened and further augmented especially in the Export Promotion Parks set up in the State.

22.3 State Government will actively support efforts in the Government or the Private sector for setting up of common facilities like setting up of Inland Container Depots, Bonded Warehouses, Raw Material depots and provision of incentives and concessions for supply of power, labour related issues and taxes.

23. Term loans from Himachal Pradesh Financial Corporation and Himachal Pradesh State Industrial Development Corporation Limited:

The State Government expects that the term loan requirements of industrial units being set up in the State, would be adequately met by all Financial Institutions/ Banks. However, to ensure that viable projects/ units are not deprived of their loan requirements, the State Government will actively support the operations of the HPFC and HPSIDC, which are the leading term loan institutions of the State. The Government would also support HPFC and HPSIDC in making their lending rates competitive especially for units in category B and C areas by contribution to the share capital of these two institutions.

24. CONCLUSION

This policy statement is an expression of Government's intent and commitment to accelerate the growth of the industrial sector. The State Government recognizes the crucial role it has to play in terms of formulating and implementing policies relating to infrastructure development and accessibility such as power and telecom, industrial incentives, simplification of rules/procedures, annual inspections and labour reforms. Current labour laws are therefore being made flexible enough to allow leeway where it is warranted and in public interest. With respect to infrastructure, emphasis is being laid on both quality and quantity aspects which are key for industrial survival and growth. It is our firm belief that in this era of Post-liberalisation, our economy can grow at a faster rate as it has the potential. It is an established fact that a balance between manufacturing, services and agriculture and other allied sectors is key to economic growth. From the perspective of our Government, all round growth and especially of the manufacturing sector is a key area of employment generation, contributing significantly to the overall prosperity of our people living in rural and urban areas besides contributing revenue to the exchequer. Clearly this is an area, which our Government is giving the highest importance. It is our belief that by adopting pro-active policies it would not only spur economic growth in the State but also contribute substantially to the overall economic prosperity and welfare of our people.

It is with this clear and emphatic statement of intent that the State Government of Himachal Pradesh sincerely extends an invitation to entrepreneurs, from within and outside the country, to set up their projects in the State. The Government of Himachal Pradesh on behalf of its people assures investors in the State of their whole hearted support.

