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Manufacturing to be key driver of industrial cities: DMICDC

DMICDC 's Amitabh Kant talks about the newly envisaged Delhi Mumbai Industrial Corridor project

Amitabh Kant says there is a need to learn from Japan for India to grow as a manufacturing nation in a sustainable manner. Photo: Abhijit Bhatlekar/Mint

Mumbai: **Amitabh Kant**, chief executive officer and managing director of the **Delhi Mumbai Industrial Corridor Development Corporation Ltd** (DMICDC), believes he can implement the newly envisaged industrial cities on schedule. The Delhi Mumbai Industrial Corridor, or DMIC, plans to develop seven greenfield future cities in six states and integrate them with the Indian Railways' dedicated freight corridor.

Kant said clearance has been obtained on more than 40 items to avoid potential delays. The Indian government has provided a revolving fund of `18,500 crore while the government of Japan has lent $4.5 billion towards the project. Kant, who speaks Malayalam from his days in the state as tourism secretary and is now learning Japanese, said manufacturing will be the key economic driver in the industrial cities planned along the corridor. Kant spoke about the project in a interview in Mumbai. Edited excerpts:

How big is the DMIC project? Are there any parallels elsewhere in the world?

DMIC is about developing greenfield future cities with backward integration to the dedicated freight corridor. At present, all goods produced in the northern part of India take 12-13 days to reach the ports on the western coast. The cost of transportation in India is, therefore, very high. By 2017, the 1,483km-long dedicated freight corridor will transport goods within 12-13 hours.

There will, therefore, be a paradigm shift. Goods which are currently being transported by road would shift to container trains.

The closest parallel is the Tokaido Corridor which represents accumulation of infrastructure and productive forces in the Tokyo-Nagoya-Osaka belt of Japan that accounts for 90 million people, almost 70% of the Japanese population.

The cohesion of the corridor is linked through massive transport infrastructure including ports, airports, highways and the high-speed train network (or Shinkansen).

In 1930, an express train took 8½ hours between Tokyo and Osaka. Now it takes only 2 hours and 20 minutes. The only other close parallel is the Asian Highway Network 1 (Gyeongbu Expressway) connecting Seoul to Busan. It is 416km long and has been the key driver of growth in the South Korean economy.

What's the status of the project?

We have just finished the financial structuring of Asia's largest desalination project with a capacity of 336 million litres per day. This is being established by **Hitachi Ltd** of Japan and **Hyflux Ltd** of Singapore. **Dahej SEZ Ltd** had signed a water purchase agreement (WPA) to buy water. Then, there is the model solar project which will be integrated with a smart micro-grid. The project will ensure substitution of diesel through solar power.

DMICDC has also structured a gas-generated power supply project with advanced Japanese technology based on imported LNG (liquefied natural gas). The project in Manesar is being established by **Toshiba Corp.** and the one in Neemrana by the **Kansai Electric Power Co.** DMICDC has also structured a logistics data bank which will share container movement information in real time. This will lead to competition, reduce transportation lead time and reduce logistic costs.

How far have the industrial cities progressed? Any timelines?

DMICDC is developing seven industrial cities in partnership with the six state governments. These comprise Dholera (903 sq. km) in Gujarat, Dighi Port City (253 sq. km) and Shendra (84 sq. km) in Maharashtra, Pithampur-Dhar-Mhow (372 sq. km) in Madhya Pradesh, Khushkera-Bhiwadi (160 sq. km) in Rajasthan, Manesar-Bamal (364 sq. km) in Haryana and Dadri-Noida (200 sq. km) in Uttar Pradesh. The detailed planning of all these cities has been fully completed. Plans of six cities have already been notified. Land pooling, acquisition, procurement are at advanced stages. The Union cabinet has fixed 2019 for the first phase of these cities.

What challenges do you face? What could go wrong in this project?

It takes 30-40 years for new cities to emerge. Despite pressure, we should not rush ahead with execution till planning and detailed engineering has been done to perfection. We must realize that creation of new cities is like making a New Mumbai or a New Chennai. In India, we have the tendency of undertaking planning and execution simultaneously without adequate detailing. We, therefore, make a mess as we did for infrastructure creation during the Commonwealth Games. I am a firm believer in a project being properly developed with all approvals in place and housed in a special purpose vehicle (SPV). This is a complex and difficult task but that is the real value DMICDC is adding to the project.

There are several challenges. The project involves acquiring and pooling of adequate land by the state governments. How quickly they do it is a function of good governance and their ability to provide adequate resources. Since industrial cities are to be created for the first time in India, there is a need to have shareholders agreement and state support agreements with the states so that the cities are well institutionalized, have world class trunk infrastructure and a good governance mechanism. There is also the challenge of operation and maintenance of new infrastructure in new cities. Finally, long-term lending at reasonable rates is critical.

Moreover, there is the severe challenge of water in areas of Haryana and Rajasthan which we are attempting to handle through integrated water resource management planning. Most critical, in all this, we must take the community along and make people participants in the development process.

New industrial cities are feasible only if we are able to monetize the land values. This requires us to fully ring-fence the city SPV and capture the upsides. India has been a reluctant urbanizer but we can leapfrog by using smart technology. Therefore, we have introduced layers of information, communication, technology (ICT) on top of the geographical master plan. **Cisco Systems Inc.** and **IBM Corp.** have worked with us in this unique exercise.

What are the expected benefits of the project?

The key challenge for India is to grow at the rate of 9-10% per annum on a sustained basis for the next three decades to be able to create jobs for a very young population.

For this, the manufacturing sector must grow at the rate of 15-16% per annum. The share of manufacturing in India’s GDP (gross domestic product) is a mere 15% as compared to 40% in Thailand and 34% in China. Manufacturing will be the key economic driver of the industrial cities. It will lure workers and young managers to move into these new cities. We envisage doubling the employment potential in seven years, tripling industrial output in nine years, and quadrupling exports from the region in eight-nine years.

What challenges did DMICDC face in land acquisition?

India is too vast and big a country to have a single strategy for land acquisition. In the case of Dholera, the government of Gujarat has adopted a town planning process with community participation. This has been extremely successful and we have been able to pool almost 540 sq. km of land through six different town planning schemes. This is unparalleled. In the case of Maharashtra, the MIDC (Maharashtra Industrial Development Corporation) has undertaken negotiated purchase with land owners under the MIDC Act. In Haryana, there is the process of annuity and in Rajasthan, there is resettlement and rehabilitation.

What is Japanese government’s role in the project?

After the Second World War, the government of Japan grew on the back of manufacturing. It, however, polluted itself heavily. Subsequently, METI (ministry of economy, trade and industry) took this up as a challenge and adopted sustainable practices. Today, everything is recycled in the Japanese city of Kitakyushu and in Yokohama city, wastage was reduced by almost 38%.

There is a need to learn from Japan and adopt practices so that we grow as a manufacturing nation in a sustainable manner. Land for the industrial city is being brought by the state governments as their equity, and the government of India is pumping resources for the creation of trunk infrastructure. In addition to the revolving fund of `18,500 crore from the government of India, the government of Japan has provided $4.5 billion through JICA (Japan International Cooperation Agency) and JBIC (Japan Bank for International Cooperation).

Any role models when it comes to speedy and timely implementation?

My role model is the high-speed bullet train, the Shinkansen, which has not run late even for a minute since its inception in 1964. Shinkansen is the world's busiest high-speed rail line carrying over 200 million passengers a year.

This is simply because the Japanese people believe in perfection, both in planning and execution. In India, the Delhi Metro under **E. Sreedharan** has been a great example of good execution in both planning and execution.