POLICY RECOMMENDATIONS OF THE BICYCLE INDUSTRY COMMITTEE CONSTITUTED BY THE GOVERNMENT OF PUNJAB

Final Recommendations and Agreed Action Points

1 **The Paradox of Industrial Gas Supply in Ludhiana :** Despite being the industrial heartland of Punjab and a major contributor to the state's GDP and employment, Ludhiana faces a peculiar disadvantage in its energy infrastructure: the lack of a widespread natural gas supply for its industries as piped natural gas (PNG) is even available in nearby, smaller towns like Phagwara and other cities in Punjab. While a company, Think Gas, is present in the region and a natural gas pipeline project has been approved for Ludhiana, the gas has reportedly reached the city's outskirts but has yet to be fully distributed to the industrial areas. As a result, industries are deprived of a cleaner, more cost-effective energy source that their counterparts in less-developed areas of the state can access. Due to the lack of a piped network, some Ludhiana industries are forced to use transported gas cylinders. This method is not only a significant safety risk but also inefficient, with gas loss during transportation and handling. The added costs of logistics and wastage negate the economic benefits of natural gas, making it a less-than-ideal solution.

Recommendations: To fix Ludhiana's natural gas problem, the government and the gas company must fast-track the pipeline network to reach industrial areas, not just the city's outskirts. They should create a single-window clearance system to cut red tape and a joint task force with industry representatives to monitor progress.

2. **Bicycle & Sewing Machine R&D Center in Ludhiana:** This point is common for Bicycle and sewing machine industry in Ludhiana, which is struggling against competition from advanced imported machines, is urging authorities to improve the local R&D Centre. To help them compete, local industrial associations and committee have put forth several demands. These include:

- **A BIS-certified testing laboratory:** Industrialists have called for a dedicated lab at the R&D Centre to test products against **Bureau of Indian Standards (BIS)** requirements, which is crucial for quality and market competitiveness.
- **Permanent General Manager:** The industry has stressed the need for a full-time, dedicated general manager to oversee the center's operations, even offering to pay additional salary (to be given by associations like UCPMA, ACMA and Sewing Machine Association) to attract a qualified professional. The lack of a permanent GM is seen as a major barrier to the center's effectiveness. Also Industry participation must be there wrt. the selection of General Manager.
- **Meeting Hall for Associations:** A dedicated meeting hall within the R&D Centre has been requested to facilitate better coordination and collaboration among Ludhiana sewing machine association and manufacturers.
- **Installation of an ICPMS Machine:** Associations plan to recommend the installation of an Inductively Coupled Plasma Mass Spectrometer (ICPMS) to Punjab's Industry Cabinet Minister, Sanjeev Arora. This highly sensitive "multi-tasking" instrument is crucial for analyzing trace elements and ensuring material purity, which is essential for manufacturing high-quality, export-grade sewing machine
- **Cycle Testing Time Reduced; Further Reduction Targeted**: In a significant stride towards improving efficiency, the R&D Centre for Bicycle and Sewing Machines has already managed to reduce the time for a full cycle test from **11 days to just 5 days**. The industry is now setting an even more ambitious target: to further slash the testing time to **1.5 days**. Achieving this goal would require substantial support like upgraded machinery, increased manpower, streamline processes.
- **R&D Centre Visits for Industry Upgradation** – Teams from R&D center must conduct regular visits to industrial units to assess their technological requirements and suggest necessary upgradations for improved competitiveness.

- **Ludhiana** Sewing Machine Industries association requested High end computerized machinery to be installed at R&D Centre especially for Sewing machine parts which are not available in India and mostly it is imported. Association has also purposed to submit report in this regard to R&D center separately as well.

3. **Mixed Land Use Issue:** It has been observed that several industrial units operating in *mixed land use* areas are functioning on temporary permissions with repeated timeline extensions. This creates uncertainty for industrialists and hampers long-term business planning.
   Recommendations: It was proposed that there must be a permanent solution to this issue either by providing subsidized land for shifting or permanently allowing the green category units in the mixed land use area. It is also purposed that automatic CLU must be issued to all the green category units.

4. **Objection to Enhancement Charges on Disputed Land in Phase VIII:** PSIEC is charging the enhancement rate considering the total are of 382 acres whereas the actual area acquired by PSIEC is 332 acre and Only one amenity has been delivered out of the 18 amenities promised as per their advertisement for phase 8 Focal Point. Committee has raised strong objections to the levy of enhancement charges on 51.19 acres of land in Phase VIII, Ludhiana, which are either under stay/dispute or vacant and remain unusable for allottees.

   Recommendations: The Committee emphasized that industries should not be financially burdened for land that is not in possession or available for use and PSIEC is requested to charge rates as per the actual area and deliver the pending amenities as per their advertisement notice.

5. **Release of Freight Subsidy as Per Policy Must Be Immediate:** The government must immediately release the pending freight subsidy to industrial units as per its own policy. Delaying these payments creates severe cash flow issues for businesses and undermines the subsidy's purpose of boosting industrial competitiveness. Releasing these funds promptly is essential to support the financial health of the industrial sector and uphold the government's commitment to business growth.

   Recommendations: The Invest Punjab must immediately release the up-holded freight subsidy for the industrial units. Also freight subsidy must be extended to all the industrial units and it should not be limited to MSMEs only.

6. **Request for Release of Pending Incentives with Condonation of Delay:** It was highlighted that several past incentives, including GST refunds, Stamp Duty exemptions, and other benefits, are still pending disbursement. Industry representatives requested that the Government show lenience in condonation of delays, wherever applicable, and ensure that these incentives are processed and released at the earliest to support industrial growth and ease of doing business.

7. **Revamp of Punjab Investment Policy:** The existing Punjab Investment Policy emphasizes single large investments to qualify for incentives, which restricts sectors making continuous smaller investments, such as the bicycle industry already burdened by 5% GST. This creates imbalance as some industries benefit while others cannot access support.

   Recommendations: It is proposed that the current policy be restructured to encourage both large and recurring small investments through:

- **Tranche-based incentive ledger or multi-year account** for flexible adjustment of benefits.
- **Rolling multipliers** linked to exports, employment, ESG, and technology upgradation.
- **Cap-based incentives** tied to capex or value created for the state, with higher multipliers for priority and strategic sectors.
- **Extended eligibility periods** (7–15 years) for sustained growth.

Following Inconsistencies in Punjab's Industrial Policy must be urgently restructured and it should be made fair play for Existing units as well rather than only focusing on new units.

- The Punjab Industrial and Business Development Policy 2022, while intended to attract new investment and support industrial growth, contains critical flaws concerning GST incentives for existing industries. **The policy paradoxically allows to have a new GST number even for expansion, which should not be there.**
- Also, **incentives are often limited to an "incremental" basis, which fails to provide the same** level of support as the full benefit enjoyed by a new unit. This limitation discourages existing industries from expanding within Punjab as they receive a partial incentive compared to a new entity. The government should amend the policy to allow existing units to claim GST benefits on their entire turnover following a substantial expansion, ensuring equitable and effective support for both new and established businesses and genuinely promoting industrial growth.
- Also, it was requested to reduce the **policy tenure from 5 years to 3 years** so that dynamic changes can be incorporated frequently.
- There are many other incentives like "**Reimbursements of expenses incurred on Energy Audit, Water Audit, Safety Audit, Patent Registrations, Quality Certifications, Exemption from ground extraction charges etc.". But there are no guidelines and provisions made to apply and avail these incentives. If there are forms but system does not let us apply for these benefits.** It is being requested to make provision to apply and avail these incentives on Invest Punjab portal as soon as possible.

8. **PPCB ISSUE**: Currently PPCB is charging the renewal fees on the Gross Bock values by neglecting the depreciation part. So, PPCB is requested to charge the renewal fees on Written Down Value (WDV), so that the fee paid becomes more reasonable and technically more relevant. **Recommendations**: PPCB must adopt to charge the renewal fee on Written Down Value (WDV) only instead of Gross Block Values.

9. **PSPCL Issues wrt. AACD:** AACD (Additional Advance Consumption Deposit) is a security deposit collected by the Punjab State Power Corporation Limited (PSPCL) from its consumers. The AACD (Additional Advance Consumption Deposit) in Punjab is a security deposit collected by the state power utility (PSPCL) to cover potential unpaid bills. The interest rate on this deposit, which was previously reported at a higher percentage of around 14 percent, is now reduced to 3.5 percent.

Recommendation: It was requested that though the interest rates are reduced but it should be levied only when there is any amendment in power connection PSPCL is adjusting the AACD that too after one year whenever industry applies for the reduction in the sanctioned load. It is recommended that PSPCL must refund the AACD instantaneously in case of Load Reduction.

10. **Correction in Interest Calculation Under OTS Scheme:** Committee has also highlighted discrepancies in the calculation of interest on the Rs. 474/- notice under the One Time Settlement (OTS) scheme. While the scheme specifies interest at 8% per annum, the notice incorrectly applied a 15% rate from 1995 to 2016.

Recommendation: Committee has requested urgent re-evaluation and revision of the demand notice in accordance with the correct 8% rate.

11. **Punjab State Development Tax (PSDT) on Small Industries:** There is imposition of PSDT on small and medium industries, citing severe financial strain due to rising costs, slowdown in demand, and thin profit margins. The levy places a disproportionate burden on smaller units compared to large corporations, risks job losses, causes duplication of taxation, and sends a negative signal to investors at a time when neighboring states are offering incentives to attract industry.

Recommendations: Industries requested that the PSDT should not be made liability for industries, as it increases their cost burden and impacts ease of doing business.

12. **Other Recommendations:** Apart from the above following recommendations are also purposed by the committee.

- **T-Hub and T-works type incubation** & prototyping centers like in Telengana to promote startups and create a culture of innovation and rapid development.
- **Need for World class Exhibition center** to make Ludhiana a Bicycle Hub of India. Govt. must provide the land bank for development of World class Exhibition center to promote Punjab Bicycle Industry.
- **Infrastructure** must be improved. Roads, parking, water logging are the big problems in Ludhiana. Also ICDs at focal point area must have ample space for parking of big trailers, which creates traffic problems on roads.
- Need for dedicated **Bicycle Testing Tracks and Community Facilities for the growth of cycle industry.**

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Bicycle Industry Committee