

**Speech of Thiru C. Ponnaiyan, Minister of Finance and Law,
Government of Tamilnadu, presenting the Revised Budget
for 2001-02 to the Legislative Assembly on 18th August 2001.**

Honourable Speaker Sir,

I rise to place the Revised Budget Estimates for 2001-02 before this august House. It may be recalled that the previous Government had obtained a Vote on Account for incurring expenditure during the first six months of the current financial year through an Interim Budget presented to the Legislative Assembly on 29th January 2001. Taking into account the revenue and expenditure estimates of the remaining six months and after examining the overall fiscal position of the State Government, I seek the approval of the House for the Budget Estimates for the current financial year.

2. This is the first budget of the new Government, which was voted into office after a resounding victory in the elections to the State Assembly held in May 2001. These elections have demonstrated the unshakeable faith of the people of Tamilnadu in the A.I.A.D.M.K and its visionary leader, our Honourable Chief Minister Selvi J Jayalalithaa. I wish to sincerely thank the people of the State for their unflinching support and assure them that this Government will always remain conscious of the enormous responsibilities bestowed on it.

3. This Government recognises that the quality of life of the people, and not statistical data, is the ultimate criterion for assessing the development of the State. The socio-economic advancement of the people of Tamilnadu depends on the balanced growth of agro-economy, industrial economy and the services sector. It shall be our foremost endeavour to lay the foundations for the economic revival of the State. This Government will seek to improve the human development

indicators of the State, which includes longevity, knowledge and decent standard of living of the people, through appropriate policy interventions. This Government will achieve these objectives by providing good, transparent, responsive and participatory governance.

4. In the past few months after assuming office, the Honourable Chief Minister has conducted a detailed review of all administrative departments and their existing programmes. The critical challenges have been identified and new policies for sustained socio-economic development of the State formulated. We pledge to resolutely face the challenges confronting the State with the active support of the people.

WHITE PAPER ON TAMILNADU GOVERNMENT'S FINANCES

5. As promised in the Governor's Address to the newly elected Legislative Assembly, I am placing a "White Paper on Tamilnadu Government's Finances" on the Table of this House. The objective of the White Paper is to apprise the Honourable Members and the people of Tamilnadu, of the precarious state of finances inherited by this Government.

6. Let me briefly touch upon a few highlights of the White Paper. An analysis of the economic and fiscal trends of Tamilnadu since the mid 1990 shows some extremely disturbing features. The growth of Gross State Domestic Product, which represents the total value of goods and services produced in the economy during a year, declined from 6.66 percent per annum during 1991-96 to 6.22 percent per annum during 1996-2001. The performance of the agricultural and industrial sectors showed a decline during 1996-2001 compared to the performance during 1991-96. In contrast to the performance of the commodity producing sectors of the economy, the services sector showed growth in the corresponding period mainly through the contribution of the private sector.

7. The revenue deficit, which represents the gap between the revenue expenditure and revenue receipts of the State increased from Rs.311 crores in 1995-96 to Rs.3922 crores in 2000-01. This is because the revenue expenditure of the Government which includes salaries, pensions, interest payments, subsidies and grants has more than doubled during the last five years. In contrast, the rate of growth of revenue receipts witnessed a decline during 1996-2001 compared to 1991-96.

8. The share of Tamilnadu in the central taxes constitutes an important component of the overall revenue receipts of the Government. Successive Finance Commissions appointed by the Government of India have denied the State its due share in the devolution of central taxes. This is evident from the fact that the share of central taxes to the State's revenue receipts declined from 20 percent in 1992-93 to 16 percent in 1999-2000. The Eleventh Finance Commission has virtually penalised a well performing State like Tamilnadu, by recommending a reduction in the State's percentage share in the divisible pool of central taxes. As a result, our State stands to lose Rs.2946 crores during 2000-05.

9. The Government can choose to finance its revenue deficit by either falling back on its cash reserves or by borrowing to cover the deficit. When this Government demitted office in 1996-97, it had left behind a cash reserve of Rs.874 crores. The cash reserves now stand completely depleted and the Government is managing its day-to-day expenditure by availing short-term loans like ways and means advances and overdrafts from the Reserve Bank of India.

10. The previous Government failed to clear bills and other expenditure liabilities of about Rs.700 crores on 31.3.2001. These liabilities payable to contractors, suppliers and other agencies implementing Government schemes have now been transferred to the current financial year. In addition, the Government is being forced to borrow heavily to fund its capital or development expenditure and also

cover a portion of the revenue deficit. As a result, the fiscal deficit of the State, which loosely represents the total net borrowings of the Government, has jumped from Rs.1255 crores in 1995-96 to Rs.5781 crores in the Revised Estimates of 2000-01.

11. The immediate visible manifestations of the fiscal deterioration of the State can be summarised as follows:

- The growth in the non-productive revenue expenditure of the State Government has taken away a large share out of the total available pool of investible resources.
- There has been a decline in the share of development related expenditure in the budget from 77.9 percent in 1991-92 to 57.8 percent in 2000-01.
- The Government has often been constrained to withhold clearance of bills from various agencies towards payment for services provided by them to the State.

12. The Government has a challenging task on hand and our Honourable Chief Minister is determined to put the State economy back on the rails. We are committed to reversing the erosion in the economic and fiscal health of the State without much hardship to the people. The fiscal reforms will necessarily have to be guided by compassion and justice. Under no circumstances will this Government allow the basic developmental needs of the people to be sacrificed because of the weakened fiscal situation. It is with this background, I invite valuable suggestions from the Honourable Members, intellectuals and the people of Tamilnadu for evolving a consensus on the measures to be taken to put the economy back on the development mode.

ANNUAL PLAN

13. Given the unprecedented fiscal imbalance and the consequent resource crunch, this Government has decided to go in for a plan outlay of Rs.6040 crores in the current financial year. It represents a modest increase of Rs.340 crores over the plan outlay of Rs.5700 crores fixed during 2000-01. I shall now proceed to spell out the policies and programmes of this Government.

AGRICULTURE, IRRIGATION AND ALLIED SECTORS

14. Agriculture is the main occupation of a large segment of people in Tamilnadu. The income from the agricultural sector of economy in the context of the Gross State Domestic Product (GSDP) experienced a downward slide from 4.33 percent per annum during 1991-96 to 2.66 percent per annum during 1996-2001.

15. Our Government is of the firm belief that sustained and broad based growth in agriculture is an essential pre-requisite for eradicating poverty, generating employment and income, and ensuring the self-sufficiency of the State in agricultural production. Increased income of those engaged in this sector will translate itself into demand for goods and commodities produced in the secondary (industrial) and tertiary (services) sectors.

16. A new Agricultural Policy is being formulated for improving agricultural production and productivity for enhancing the income of farmers including farm workers and accelerating growth in this sector. Improvement of agricultural productivity can be achieved through expansion of irrigation, watershed management, and extension services on the choice of crops, better agricultural practices, availability of inputs and better marketing services. We propose to strengthen the available rural infrastructure so as to provide backward and forward linkages between agriculture and industry, generate non-farm employment and reduce rural unemployment and eradicate poverty.

17. Agriculture and industry have traditionally been viewed as separate sectors in the context of the Gross Domestic Product (GDP) of the State. This view is however changing. Agriculture is increasingly being identified as a form of industry where a combination of factors such as technology, mechanisation, scientific farm management etc. can increase productivity, improve quality and the returns to the farmer. **This Government has decided to create a new Department of Agri-Business to facilitate development of horticulture and food processing industries in the State.** Relaxation of land ceiling laws in order to promote agri-business and contract farming will also be considered.

18. There is an urgent need to review and coordinate our land use strategy for the development of agriculture in the context of agro-climatic zones in different regions of the State. An estimated 43 percent of the total land area in the State is now under cultivation. **Our Honourable Chief Minister Selvi J Jayalalithaa has already outlined her vision of reclaiming 20 lakh hectares of cultivable wasteland through a massive wasteland development programme to be implemented over the next five years. This programme will incorporate a micro-watershed development approach with focus on soil and water conservation.**

19. The programme on wasteland reclamation has three main components. The higher grade wastelands with assured rainfall will be used for cultivating medicinal and aromatic plants and creating horticulture orchards. In medium grade wastelands, oilseed plants comprising Paradise Tree and Jatropha will be planted for producing edible and fuel oil. Biomass plantations of Prosopis and Casurina will help in generating electricity in the marginal wastelands. This programme will be implemented through the cooperation of the private sector and through people's participation. There are likely to be 10 lakh rural beneficiaries by the end of the fifth year of this project.

20. A new body called the “Tamilnadu Watershed Development Agency” will be set-up to source funds from the Government of India, NABARD, National Horticulture Board and external funding agencies to implement large watershed development projects. A beginning has been made by making a provision of Rs.25 crores for this programme in the current financial year. Large horticultural farms of 200 to 1000 acres (i.e. 80 to 400 hectares) will be encouraged and efficient water conservation methods will be promoted. The programme will support conservation of pastures, fodder sources in villages and promote restoration of degraded forests with people’s participation.

21. Tamilnadu has been facing a severe shortage of water for irrigation and domestic consumption. The new Department for Water Resources Conservation, conceived by our Honourable Chief Minister, will coordinate activities pertaining to water conservation at the highest level. It will also focus on rain-water harvesting through percolation ponds, check-dams, etc.

22. Non-availability of adequate water for irrigation purposes is an important problem confronting our farmers. This Government proposes to encourage drip irrigation to save water and increase productivity in agriculture and horticulture. On-farm development works will be taken up and water management practices in irrigated areas will be improved to increase the efficiency of irrigation systems. A sum of Rs.18 crores has been provided for the new drip irrigation scheme. An allocation of Rs.23 crores has also been made for implementing soil conservation works across the State.

23. The prestigious irrigation project called the “Water Resources Consolidation Project” (WRCP) initiated by us in 1995 comes to a close on 31.3.2002. This Government will be requesting the World Bank to approve the WRCP-II as a follow-on to the first project. The WRCP-II will include system tanks which were

left out in the first spell, other non-system tanks, eco-restoration works and a massive programme for modernising and increasing the water holding capacity of all lakes, ponds, irrigation channels etc through the active participation of users.

24. It has been a long-standing demand of the farmers in the Cauvery delta area that the restrictions on movement of paddy to other States should be lifted and they should be allowed to get the best price for their produce. There is no doubt that the recent decision of the Government to permit movement of TKM-9 variety of paddy and rice without any restriction will benefit the farmers to a great extent. The Government will continue to assure a minimum support price to the farmers and a sum of Rs.50 crores has been set aside as production incentive for paddy procurement in the delta region for the current financial year.

25. Honourable Members are aware that as an incentive to farmers to repay their overdue loans availed from the cooperative banks, this Government decided to waive the interest and penal interest amounting to Rs.310.50 crores due from them. The response is very encouraging. The Government will reimburse the interest and penal interest dues of the farmers to the cooperative banks and an allocation of Rs.100 crores has been made in the current financial year for the purpose.

26. Livestock plays an important role in increasing the supplementary income of the rural households. This Government proposes to give an impetus to upgradation of livestock and better veterinary health services.

27. Availability of adequate fodder is a crucial input for proper rearing of livestock. The traditional grazing grounds in the villages have been indiscriminately used for construction and other purposes. In order to reverse this degradation and depletion, the Government has decided not to transfer the grazing ground

poramboke into any other category unless alternative suitable land of the same extent is provided for use as grazing ground. Under the Wasteland Development Programme, suitable tracts of land will be developed for increasing the availability of fodder for the livestock.

28. A DANIDA-assisted Livestock Development Programme to link trained worker couples and target farmers in various animal husbandry practices for increasing rural income, is being implemented in 49 panchayat unions. Considering the success of this programme, the Government proposes to replicate it in the remaining 336 panchayat unions within the next five years at a total cost of Rs.3.36 crores.

29. It is proposed to extend the on-going Cattle Protection Scheme (Kalnadai Padukappu Thittam) to all village panchayats in the current year. A sum of Rs.12 crores will be made available for providing medicines to the cattle and livestock.

30. This Government recognises the need to give an impetus to the fishery sector in the State. The Government of India has been requested to provide assistance for constructing a fishing harbour at Rameswaram at a cost of Rs.53.86 crores and for the Pazhaiyar Fishing Harbour Stage II at a cost of Rs.10.60 crores.

31. Under the existing housing scheme for fishermen, only those who live near the sea-shore and have 3 cents of land are treated as beneficiaries. This Government has decided to extend the benefits of this scheme to the landless marine and inland fishermen and 4000 houses at a unit cost of Rs.37,000 will be constructed.

32. The Government of India has revised the pattern of contributions made under the Savings Cum Relief Scheme for Fishermen with effect from 1-4-2000. As per the new scheme, the contribution of the fishermen was enhanced from Rs.45 to Rs.75 for the eight months and the returns to the fishermen were increased from Rs.1080 to Rs.1200 in the four lean months. This is unfair because the

returns to the fishermen are not commensurate with the additional burden imposed on them. The State Government has decided that the fishermen will pay only Rs.50 per month for the eight month period and the remaining portion of their contribution, i.e. Rs.25 per month, will be borne by the Government.

33. There have been growing instances of our fishermen being fired upon by the Srilankan Navy for inadvertently crossing the invisible International Boundary Line in the sea. **We propose to install floating buoys with beacon lights for day and night visibility in the sea – one at every four nautical miles – to enable the fishermen to remain within our fishing zone.**

RURAL DEVELOPMENT

34. Rapid development of rural areas of the State is among the principal concerns of the Government. As per the directions of our Honourable Chief Minister, it is proposed to construct integrated sanitary complexes for women in all the 12619 village panchayats at a cost of Rs.2 lakh per unit with electricity and water facilities for toilet, bathing and washing purposes in a phased manner. A sum of Rs.92 crores has been earmarked for this programme during the current financial year. The Government will also explore the feasibility of installing a mini-sewage treatment plant wherever necessary.

35. With the objective of encouraging rural self-employment and savings, this Government will take suitable steps to promote youth self-help groups in the rural areas. Apart from improving their household income, the self-help groups will enable them to channelise their creative potential in constructive purposes. The on-going Savings-linked Micro Credit Scheme that seeks to organise rural women in self-help groups for improving their economic status and inculcating the habit of saving, will be revamped to extend its coverage in the State.

36. Honourable Members are aware that the absence of an office room for the Village Administrative Officers (VAOs) comes in the way of efficient discharge of their duties. People in the villages are finding it difficult to approach the VAOs to redress their grievances. **This Government proposes to construct a building adjoining every panchayat office for the Village Administrative Officers at an estimated cost of Rs.60,000.** A sum of Rs.24 crores has been earmarked for the project during the current financial year. Nearly 4000 buildings will be constructed every year.

37. The annual allocation for every Member of the Legislative Assembly under the MLA Constituency Development Scheme is Rs.77 lakhs. **Honourable Members will be happy to know that we have decided to increase it to Rs.82 lakhs and a provision of Rs.192.70 crores has been made in the budget for this purpose.**

38. The village shandies are being conducted in most village panchayats without adequate infrastructural facilities. This Government intends to augment the basic infrastructure available for the conduct of shandies by providing drinking water facilities, lighting, public conveniences, approach roads etc., with the assistance from the Rural Infrastructure Development Fund (RIDF) of the NABARD. An estimated Rs.7.48 lakhs is to be spent for providing these facilities for each shandy.

ENVIRONMENT

39. The Honourable Chief Minister has emphasised the need to adopt an integrated approach to all issues relating to ecology and environment such as preservation and development of forest wealth, optimum utilisation of wasteland, watershed development, biodiversity protection etc. This Government is totally committed to environment protection and conservation.

40. The Government is concerned about the inadequate and depleting green cover in the State. We propose to launch a major afforestation drive in the next five years. Under the Tamilnadu Afforestation Project being implemented in the State, it has been proposed to raise plantations over an area of 75250 hectares at a cost of Rs.100 crores during the current financial year. Part of this amount will be used for funding development activities in 200 villages under the Joint Forest Management concept.

41. The success of environment protection and conservation drive of the Government is contingent on the awareness and cooperation of the people. **This Government proposes to launch an environment consciousness drive through the youth and students in the State by establishing new eco-clubs and strengthening the existing ones in the districts.**

42. The Government recognises the deleterious impact of continued use of plastics on our environment. We propose to educate the people against the use of plastics in their daily life.

INDUSTRY

43. The growth of the industrial sector in relation to the Gross State Domestic Product has seen a downward slide from 6.92 percent per annum during 1991-96 to 4.14 percent per annum during the last five years. The Honourable Chief Minister is committed to reversing the deceleration in the industrial sector and will strive to make Tamilnadu the most industrialised State in the country.

44. The small-scale industry plays a vital role in industrial production, employment generation and exports. In the context of growing domestic and international competition, our strategy will be to act as a facilitator for enhancing growth and dynamism of the small-scale sector and improving the quality of its products.

45. The Honourable Chief Minister had promised to withdraw the Government Order No. 75, Finance Department, dated 19-2-1997, which has been detrimental for the growth of small industries in our State. This Government Order had done away with the policy of according price and purchase preference in Government procurements for items manufactured in the small industries in Tamilnadu. Necessary legislation will be introduced in the current session of the Legislative Assembly **to enable purchase or price preferences to not only the small scale sector in the State but also to State Public Sector Undertakings like Tamilnadu Cements Limited (TANCEM) and Tamilnadu Small Industries Limited (TANSI), which have manufacturing units of their own. We are confident that this measure will help revive the large number of small scale industries which are now languishing in the State and restore employment opportunities to thousands of people.**

46. The work on the development of a new industrial estate for small and tiny sector industries in Thirumullaivayal near Avadi over an extent of 290 acres through the SIDCO is going to commence shortly. This Government has already cleared a proposal for establishment of an industrial park near Chennai exclusively for women in the small and tiny sectors. In addition, four such industrial parks for women entrepreneurs will be established in the districts.

47. In order to train new entrepreneurs, this Government is going to establish an Entrepreneurial Development Institute at an estimated cost of Rs.4 crores. This will be the first of its kind in Southern India and will cater to the needs of new and existing entrepreneurs in the small and tiny industrial sectors. A sum of Rs.50 lakh is being provided as the State's share in the project.

48. Taking into account the vast potential for employment generation, the Government has decided to give a major thrust to the development of industries in the State. We propose to come out with a

progressive industrial policy. **In order to encourage participation of Tamil NRIs in industrial development of the State, action is being taken to set up a Tamil NRI consortium for industrial development as promised in the Governor's address.**

49. We recognise the imperatives of having an enabling environment for making the State an attractive destination for investments. We propose to streamline laws, rules and regulations governing operation of industrial units at the field level in consultation with other regulatory departments.

INFRASTRUCTURE DEVELOPMENT

50. The State faces numerous challenges in providing adequate and quality infrastructure for ensuring rapid and sustained growth of the economy. These include sectors such as information technology, highways, transport and energy among others.

51. This Government will ensure that Tamilnadu occupies the foremost position in the info-tech map of India. **The Honourable Chief Minister has proposed to rename and transform the MGR film city into MGR Knowledge City.** A new master plan will be prepared and the MGR Knowledge City will provide an enabling platform to promote the latest developments in science and technology in the State. It will also have a world class Convention Centre, Knowledge Parks and hotels etc. We have given in-principle clearance for the construction of the new TIDEL-II project adjacent to the existing one. These developments will enable Chennai to emerge as a hub of info-tech revolution in the State.

52. For the creation of infrastructure facilities for locating software units, the Government has decided to follow a three-pronged approach. Firstly, the Government will itself take the initiative to set up facilities in Chennai and other cities of the State on the model of TIDEL Park. Secondly, we will encourage private sector initiative in setting up

software parks on the outskirts of Chennai and other major cities with a possible equity support from TIDCO. Thirdly, TIDEL will provide consultancy and guidance services to real estate developers to ensure that the facilities created by them satisfy the requirements of software companies including foreign institutions.

53. Biotechnology has emerged as a new frontier of knowledge with tremendous potential for facilitating speedy agricultural and industrial growth. It is an important component of the “knowledge sector” and this Government is taking several initiatives to build the comparative advantage of the State in biotechnology research and development.

54. TIDCO proposes to sign a technical services agreement with the US-based Cornell University for setting up the first Biotechnology Park in the State at an estimated cost of Rs.62.50 crores on 25.8.2001. This Park will have customised laboratories functioning with the technical support of Cornell University. Action is being taken to set up a Genomic Centre with world-class facilities in the field of bio-informatics and gene sequencing for which MoU was signed last year. This will emerge as an asset to the health and pharmaceutical industries in the country. **The Government is also exploring the possibilities of establishing a Marine Biotechnology Park near Chennai and a Medicinal Plants Biotechnology Park near Dindigul.**

55. Roads are key infrastructural facilities, which sustain industrialisation, economic growth and social integration. **As proposed by the Honourable Chief Minister, a comprehensive Road Policy will be formulated which will include not only the engineering and economic aspects of highway construction and maintenance, but also environmental and social issues.** The objectives of the new Road Policy include:

- Road development in order to maximise socio-economic benefits.

- To leverage market resources through Public-Private participation.
- To upgrade road construction, design, planning and execution through state-of-the-art technology.
- Professional management of highways assets and resources.

56. In 1994, this Government had invited the World Bank to assist in the Tamilnadu Road Sector Project (TNRSP) aimed at improving State Highways, Major District Roads and Other District Roads. After a gap of nearly five years, we have been given the opportunity to take up this project with renewed vigour and commitment. The total project cost is estimated to be Rs.1900 crores and this project is to be appraised by the World Bank shortly.

57. Many bridges built during the pre-independence period in the delta districts are unable to cope with the increased traffic intensity. **This Government proposes to reconstruct 204 such bridges at a cost of Rs.200 crores through private participation and assistance from NABARD.**

58. Adequate availability of electric power is an essential pre-requisite for economic and industrial development. This calls for continuous investment for enhancement of generation and upgradation of transmission and distribution. When we demitted office in 1996, the Tamilnadu Electricity Board (TNEB) had revenue surplus. There has been a steady deterioration in the health of TNEB during the last five years and its revenue deficit is pegged at Rs.3000 crores in 2001-02. Losses to TNEB on account of free and subsidised power during the current financial year are expected to be Rs.4938 crores. Recurring deficit of this magnitude is unsustainable. A White Paper on the financial position of TNEB is being brought out for a more informed debate and awareness on the maladies afflicting the power sector. The TNEB has requested the Government to provide at least Rs.2000 crores as subsidy-support but, because of the precarious

financial position of the Government, an allocation of Rs.500 crores has been made in 2001-02.

59. The public transport sector in the State is reeling under severe financial stress on account of mounting losses. The reasons therefor have been elaborately outlined in the White Paper. The Government has proposed to provide a subsidy reimbursement of Rs.165 crores in the current financial year for the Free Bus Pass Scheme for students. We are also exploring the possibilities of merging different State Transport Undertakings for reducing administrative expenditure.

TOURISM

60. The tourism sector has not received the attention it deserves in the last five years. The budget allocation to this vital sector has been only of the order of Rs.4.89 crores in 1996-97 and Rs.5.75 crores in 2000-01. **Our Honourable Chief Minister has directed that a fillip be given to the tourism infrastructure in the State.** The total allocation made to the tourism sector in the budget is Rs.17.50 crores and this represents a quantum jump compared to the previous years. This will be stepped up further in the coming years.

61. The Government proposes to concentrate on tourism infrastructure development, which includes giving incentives to the private sector to set up star hotels in places of pilgrimage and other destinations of tourist attraction. Apart from this, budgetary support of Rs.5 crores is being provided for upgradation and creation of new infrastructural facilities in various tourist spots. A sum of Rs.5.5 crores has been earmarked for publicity campaigns for attracting tourists to the State. **The Government proposes to revive the sound and light show at Madurai and introduce such shows at Kancheepuram, Thanjavur and Mahabalipuram.**

62. We propose to prepare a comprehensive and professional tourism promotion plan in order to increase the inflow of domestic and foreign tourists. This would include effective and aggressive marketing and publicity campaigns in India and abroad apart from special emphasis on eco-tourism, health tourism and adventure tourism.

EDUCATION

63. In order to achieve the goal of “Elementary Education for All”, this Government proposes to completely eliminate the phenomenon of children dropping out of school and ensure 100 percent enrolment. It has been decided to introduce the new scheme of Government of India called the “Sarva Shiksha Abhiyan” on the same pattern of District Primary Education Programme in the uncovered 22 districts of the State.

64. It has also been decided to organise a massive movement under the direct supervision of the District Collectors to ensure that drop-outs and non-enrolled children join our educational institutions.

65. The quality of education plays an important role in retaining the children and reducing drop out rates in schools. This Government has decided to launch a massive training programme for all teachers in elementary schools over a three-year period for knowledge and skill upgradation. Action will be taken to impart refresher course training to all teachers in the high schools. Compulsory participation in the refresher courses will be linked to grant of annual increments. The vacant posts in schools will also be filled up. We are contemplating authorising the Parent-Teachers associations to appoint teachers in schools located in remote hill areas so that children do not suffer on account of absence of Government teachers.

66. There has been a steady deterioration in the quality of infrastructure available in our schools. Government High and Higher Secondary schools do not have adequate infrastructure in terms of

number of classrooms, laboratories, drinking water facilities and toilets. **We propose to obtain financial assistance from NABARD under the Rural Infrastructure Development Fund (RIDF) to provide necessary infrastructure in the schools. In the first phase, Rs.30 crores will be obtained as loan to improve the infrastructural facilities during the current year.**

67. This Government is committed to providing easy access to schools for all our children. Orders have been issued to upgrade 100 Middle schools to High schools and 125 High schools to Higher Secondary schools in the current year for the benefit of rural students.

68. The Director of Teacher Education, Research and Training is responsible for admissions to the Teacher Training Institutes run by the Government. In other cases, the responsibility vests with the managements of the institutes. **To override the difficulties experienced in the past, it is proposed to introduce single window system for admissions to the Teacher Training Institutes from the current academic year.**

69. In order to encourage women to join All India Services and Central Services in larger numbers, it is proposed to start exclusive coaching programmes for them at two centres, one at Chennai and the other at Madurai. We will seek the assistance of the Union Planning Commission and the Government of India for implementing the scheme.

SPORTS DEVELOPMENT

70. Sports are an integral part of our educational curriculum. We are committed to improving the sports infrastructure available to our youth. We will also take adequate steps to tap and encourage sporting talent in the youth. It is the vision of our Honourable Chief Minister to transform Chennai into a world-class sports centre in terms of infrastructure and quality of sportspersons.

71. It is proposed to provide 10 percent reservation in employment in the Uniformed Services of the State for national and international level sportspersons from Tamilnadu. This will be compatible with the reservation now being provided for the people from the Scheduled Castes, Scheduled Tribes, Backward Classes and Most Backward Classes. Steps will be taken to revitalise sports teams in the State Transport Undertakings, Electricity Board and other Public sector Undertakings.

72. **This Government proposes to implement a “World Beaters Talent Spotting Scheme”.** This would include a comprehensive battery of tests for students in standards VI to VIII to discover their potential in specific sporting events. This will help us identify and encourage those children who have the requisite sporting talents in specific fields.

73. The sports infrastructure in the State is in a poor shape. We propose to undertake repairs and renovation of all stadia with private participation. Flood-lights and astro-turf will also be provided in the Hockey Stadium in Chennai.

74. As announced by the Honourable Chief Minister in our Election Manifesto, we will honour all those who bring laurels to the country in international sporting events and national championships. **The gold, silver and bronze medal winners in the Olympics and World Championship events from Tamilnadu will be awarded Rs.1 crore, Rs.50 lakhs and Rs.25 lakhs respectively.** The gold, silver and bronze medal winners in the Asian Games will get Rs.20 lakhs, Rs.15 lakhs and Rs.10 lakhs respectively. In National Games, the winners of these medals in individual events will be honoured with a prize money of Rs.1 lakh, Rs.50,000 and Rs.25,000 respectively. In case of team events in National Games, the prizes will be Rs.20,000, Rs.15,000 and Rs.10,000 for the first three positions.

HEALTH AND FAMILY WELFARE

75. The importance of providing quality, accessible and affordable health facilities to the people is among the foremost aims of this Government. The health infrastructure in the State plays a major role in determining the quality of life of the people.

76. For improving medical services in the rural areas, primary health centres will be upgraded in a phased manner into mini-hospitals with 30 beds and specialist doctors will be appointed. We propose to have one such mini-hospital in every panchayat union so that quality medical care is easily accessible. In addition, we also propose to set up Mobile Health Care Units in the State to cater to the needs of the disabled and the aged. Speciality health camps will also be organised and a sum of Rs.3.85 crores has been earmarked for this purpose.

77. As part of our commitment to improve the infrastructure available in the hospitals, we propose to provide air-conditioning facilities in all operation theatres in a phased manner. During the current year, 20 headquarter hospitals will be taken up.

78. As promised in the Governor's address, we will provide uninterrupted power supply to all hospitals through generators in a phased manner. An allocation of Rs.1.32 crores has been made in the current year for the purpose.

79. We are seeing an increasing incidence of mouth cancer due to the use of tobacco products and also an alarming increase in the incidence of submucous fibrosis (inability to open the mouth) because of paan masala and gutka products use. We are also seeing this habit increasing among school children. This Government has therefore decided to enact a legislation for banning chewing tobacco, paan masala and gutka products.

80. Comprehensive health care cannot be provided unless there is adequate para-medical staff in our hospitals. We are aware of the existing deficiencies in the system. **The Government is, therefore, exploring the possibilities of establishing a Nursing College in every Government Medical College in the State.**

81. An area of grave concern is the steady increase in the number of road accidents and deaths. Valuable lives can be saved if immediate medical assistance is made available to victims of road accidents. **This Government will implement a scheme for establishing well-equipped Accident Trauma Centres at appropriate locations, which will provide timely medical help to victims of road accidents.**

HOUSING AND URBAN DEVELOPMENT

82. It has been seen that the process of allotment of free house site pattas has not been received well by the people because of absence of infrastructural facilities in places where pattas have been given. **Keeping this anomaly in mind, to begin with, a sum of Rs.10 crores has been earmarked for providing infrastructural facilities like roads, water, electricity etc at such places.**

83. It has also been proposed to sell 13972 plots developed under the Tamilnadu Urban Development Project and 8000 houses and flats developed under regular schemes of the Tamilnadu Housing Board to the needy people. We would also use the machinery available with the district administration and other local bodies to identify beneficiaries for making the allotments.

84. A high level committee will be set up to streamline the activities of Tamilnadu Housing Board in order to make their schemes cost effective. The Government feels that Tamilnadu Housing Board should henceforth concentrate on developing plots and restrict its construction activities given the large stock of unsold houses.

85. The Government proposes to construct multi-storeyed slum tenements in Chennai, Coimbatore and Madurai. An initial allocation of Rs.9 crores has been made for the purpose in the budget.

86. The Government proposes to construct 1341 toilet complexes with water facilities in urban areas to provide sanitation facilities for women. A sum of Rs.42 crores has been earmarked for this purpose.

DRINKING WATER CRISIS

87. This Government pledges to take effective steps to ameliorate the suffering of the people because of the recurrent drinking water problem in the State. An outlay of Rs.690 crores has been made for augmenting rural and urban water supply.

88. In the rural areas, we intend to take the following steps:

- Mini power pumps will be installed in areas where the water level has gone down.
- In places where the water quality is poor, on-site low cost treatment plants of appropriate technology will be set up.
- It is proposed to provide deep bore wells fitted with ground level service reservoir with active participation of and coordination with the women's groups.

89. A token provision of Rs.10 crores has been made in the Budget for preliminary works relating to some major water supplying schemes including Hogenekal Water Supply Scheme and the Ramanathapuram Bulk Water Supply Scheme. International Funding Agencies have been approached for financing these schemes.

90. The Government recognises the benefits of harvesting rainwater to augment the receding surface and ground water levels in the State. **We propose to undertake massive awareness campaigns**

and disseminate information on appropriate rainwater harvesting structures for rural and urban areas. Existing town planning regulations will be suitably amended and enforced to ensure that all private, public and Government buildings meet the roof-top rainwater harvesting requirements.

91. Chennai city is experiencing an unprecedented water scarcity due to successive failure of monsoons. As already announced by the Honourable Chief Minister, this Government is taking the following steps to deal with the crisis on a war footing:

- **As a short term solution, a sum of Rs.75 crores have been earmarked for supplying potable water through lorries and rail to the people of Chennai.**
- **The Chennai Water Supply Augmentation Project-I will be implemented within two years by drawing water from the Veeranam lake. This project will be funded partly by the State Government and partly by national financial institutions.**
- **This Government also proposes to implement the Chennai Water Supply Augmentation Project-II at a cost of about Rs.493 crores. The objective of this project is to prevent rain water from running off into the sea by constructing check dams, reservoirs, percolation tanks etc. to store surplus water in Koratalaiyar, Cooum, Adyar and Palar rivers. A detailed project proposal is being prepared and will be posed for funding to international financial institutions. This project will include:**
 - **Construction of reservoirs at Tirukkandalam, Zamin Korattur, Tiruneermalai and Pallikaranai.**
 - **Construction of check-dams across rivers Koratalaiyar, Cooum, Adyar and Palar.**
 - **Augmentation of storage capacity in Redhills, Madhavaram lake, Korattur lake, Ambattur lake and Rettai Eri.**

92. Our Honourable Chief Minister is very keen that a permanent solution to the recurring water problem in Chennai must be found. Accordingly, all projects for drawal of water from river Cauvery will be taken up for investigation immediately. These include the Pallipalayam open canal project, Pallipalayam closed conduit project, drawal of water from Mettur through pipes and drawal of surface water from Tiruchirappalli upstream of Grand Anicut.

SOCIAL SECURITY

93. This Government is deeply committed to the welfare of women, children, disabled and the aged. The “Cradle Baby Scheme” started by the Honourable Chief Minister during her last term in office was not implemented properly by the previous Government. **This scheme will be revived by setting up full-fledged reception centres at Madurai, Theni, Dindigul and Dharmapuri districts at a cost of Rs.12.96 lakhs and revitalising the existing centre at Salem. The primary health centres in the vulnerable districts will be equipped to receive these babies and a massive State-sponsored campaign against the evil practice of female infanticide will be launched.**

94. The Honourable Chief Minister had introduced the revolutionary Girl Child Protection Scheme in 1992 to promote family planning, to eradicate female infanticide and to discourage preference for male child. **This scheme has now been completely restructured to confer increased financial benefit to the girls belonging to poor families. In cases of families with only one girl child and no other children and if either of the parents has undergone sterilisation, an initial deposit of Rs.20,650 will be made by the Government in the name of the child. The interest accruing from this deposit will take care of a monthly payment of a minimum of Rs.150 throughout the period of school education of the girl. A terminal benefit of Rs.80,000 will be given to the girl at the end of 20 years which would enable her to pursue higher studies or defray marriage**

expenses. For families with two girl children and no male child and if either of the parents has undergone sterilisation, an initial deposit of Rs.14,450 will be made for each girl child by the Government. Apart from a monthly payment of a minimum of Rs.150, each of the two girls will be eligible for a terminal benefit of Rs.40,000 at the end of 20 years. An allocation of Rs.22.70 crores has been made in the current year for this scheme.

95. There is an urgent need for improving the access of women to resources and ensuring their rightful place in economic development. With this objective in mind, Honourable Chief Minister has formulated a new scheme for training 5 lakh women in entrepreneurial skills for self-employment. At the end of the training programme, the beneficiaries will be provided with loans to set up small enterprises. **During the current year, six new community resource centres will be set up at a cost of Rs.15 lakhs to enable members of Women Self-Help groups to undergo training programmes besides providing them with exposure to computers and the Internet.**

96. At present, the financial support being given through various marriage assistance schemes varies from Rs.7000 to Rs.10,000. **I am happy to announce that as desired by the Honourable Chief Minister the amount of assistance under the various schemes will be rationalised and Rs.10,000 will be uniformly given under all the schemes.** At the same time, under the Inter-Caste Marriage Scheme, an assistance of Rs.20,000 will continue to be provided if one of the spouses belongs to SC/ST. The age criterion under all these schemes will be revised to twenty years, which is the age of marriage promoted by the Government.

97. Considering the imperative need to involve women in decision making as a step towards empowerment, the Honourable Chief Minister has taken a laudable and bold decision to

provide 30 percent reservation to women in all Statutory and Non-Statutory Committees.

98. We are taking steps to strengthen the Puratchi Thalaivar MGR Nutritious Noon Meal Centres by ensuring that repairs are carried out wherever necessary. A sum of Rs.25 crores is being provided for carrying out repairs to the Puratchi Thalaivar MGR Nutritious Noon Meal Centres.

99. This Government will pay special attention to the needs of the physically handicapped. We have decided to guarantee loans proposed to be taken from the National Handicapped Finance Development Corporation for the welfare of the physically challenged. Provision of barrier-free environment is a priority for the disabled and we will construct ramps at Government offices in a phased manner.

100. This Government has also decided to scrap the existing income ceiling criterion for providing free bus passes to the mentally disabled children along with one attendant. This decision will go a long way in ensuring better mobility to the mentally challenged children in the State.

**Welfare Of The Scheduled Castes, Scheduled Tribes,
Backward Classes, Most Backward Classes, Denotified
Tribes And Minorities**

101. The Government is fully committed to ensuring that the fruits of economic development are shared by all sections of our society, including the underprivileged. The welfare of the depressed sections of our society – the Adi-Dravida communities, Scheduled Tribes, Backward and Most Backward Classes and the Denotified Tribes – is a high priority for us.

102. Programmes for spreading education amongst the Adi-Dravidar and Tribals will be implemented with renewed vigour.

We have decided to launch a new programme for providing free education up to the post-graduate level in Government colleges to girl students belonging to the Adi-Dravidar and Tribal Communities.

103. As promised in the Governor's address, the Honourable Chief Minister has taken action in implementing the laudable scheme of providing free bicycles to all SC and ST girl students studying in Classes XI and XII in Government schools from the current financial year. An allocation of Rs.20 crores has been made in the budget for the purpose.

104. It has been decided that children studying in Adi-Dravidar and Tribal Welfare Schools will be gradually brought into the mainstream education system. **For this purpose, a committee comprising members of the Parent-Teachers associations, district education officials and members of the SC/ST community will be formed to ensure that adequate number of SC/ST children are admitted in the regular schools.**

105. This Government proposes to strengthen the educational infrastructure for the Adi-Dravidar and Tribal Communities by constructing buildings for hostels in a phased manner. A sum of Rs.25 crores has been provided in the budget for this purpose.

106. Since the existing food allowance in the Adi-Dravidar and Tribal Welfare hostels is inadequate, we have decided to increase the allowance from Rs.225 per month to Rs.300 per month per student.

107. In order to ensure financial empowerment of SC and ST families in the State through agriculture, the Government proposes to encourage the cultivation of nutritious dry crops like Cumbu, Ragi, Cholam, Varagu, Samai, Thinai and certain pulses through the Special Component Plan of the Agriculture Department.

108. The Government is aware that the allocation for the Special Component Plan for Adi-Dravidar and Tribal Welfare is not commensurate with their total population. We propose to review the progress and achievements under the Special Component Plan and Tribal Sub-Plan on a regular basis. The TAHDCO will be restructured to source more funds from the Government of India for Adi-dravidar and Tribal Welfare schemes.

109. We also propose to organise SC/ST women into self-help groups and give them job-oriented vocational training for self-employment.

110. This Government proposes to construct 43 hostels in schools and colleges for students belonging to the Backward Classes, Most Backward Classes and Denotified communities at a cost of Rs.19.63 crores. This cost will be shared between the Central and State Governments. This Government also proposes to tap other sources of funding for completing construction of the remaining hostels, which are now housed in rented buildings in a phased manner. A provision of Rs.25 crores has been made during the current year.

111. We have decided to enhance the food allowance payable to every boarder residing in school hostels run by Backward Classes, Most Backward Classes and Minority Welfare Department from Rs.225 per month to Rs.300 per month.

112. This Government will provide financial assistance to the Tamilnadu Wakf Board for construction of a new office building at a cost of Rs.40 lakhs. This will meet a longstanding demand of our Muslim brethren.

WELFARE OF JOURNALISTS

113. I am happy to inform the Honourable Members and the members of the Fourth Estate that the Honourable Chief Minister has

proposed enhancement of assistance under the Journalist Family Fund Scheme from Rs.50,000 to Rs.2 lakhs. It is also proposed to enhance the pension to accredited working journalists who have put in more than 20 years of service.

114. The Government is also formulating an attractive instalment scheme to enable journalists to purchase houses built by the TNHB.

115. The Honourable Chief Minister has also agreed that press accreditation cards be issued to the electronic media journalists.

LABOUR WELFARE

116. Labour welfare is an important priority for this Government. We are examining the possibilities of providing pension to the construction workers through their Welfare Board. We will try to provide a creche and reading room in all the 71 labour welfare centres.

FOOD SUBSIDY

117. Tamilnadu is the only State that provides food security to its entire population through the public distribution system at an exorbitant cost. There are innumerable complaints of leakages and poor quality of commodities being supplied through the PDS outlets. **A committee of Legislators will be constituted to examine the maladies afflicting the PDS system and for suggesting methods for improving the services and rationalisation of the food subsidy regime.** The Committee will be asked to submit its report within three months. Pending receipt of the Committee's recommendations, we have decided to provide Rs.1540 crores during the current financial year for food subsidy.

HANDLOOMS, TEXTILES AND KHADI

118. The Government has provided an amount of Rs.129 crores for the Free Dhoti and Saree Scheme in the budget. These will be distributed to those living below the poverty line in rural and urban areas. The identification of beneficiaries for the distribution of sarees and dhotis will be done through the grama sabhas in rural areas, Executive Officers in Town Panchayats and Commissioners of Municipalities and Corporations in municipal and corporation areas.

119. The Government has provided Rs.55 crores for free supply of uniforms to school children covered under the Nutritious Meal Programme.

120. In order to promote opportunities for Khadi weavers, rebate on the sale of Khadi will be provided for the whole year in addition to the rebate offered by the Khadi and Village Industries Commission. Besides increasing the sale of Khadi, it will provide additional employment to Khadi Weavers throughout the year.

TAMIL DEVELOPMENT AND HINDU RELIGIOUS ENDOWMENTS

121. The Government is committed to extending the use of Tamil in day-to-day functioning of the administration. Steps will be taken to move the Central Government to declare Tamil as one of the official languages of the Union. **It has also been decided to institute awards in the name of Tamil savants like Vallalar, Karaikal Ammaiyar, Arunagirinathaar, Thevara Nalvar and Alvars who have not only added glory to Tamil but also devoted their lives to the development of spirituality.**

122. The Government will take steps to promote Tamil music, folklore, street plays, dance and dramas to cherish and protect Tamil ethos and culture.

123. We propose to set free our temples from political interference and other corrupt malpractices by streamlining temple administration. **We will also revive the scheme, which provides for the performance of at least one pooja every day in the temples.**

124. It is proposed to fulfil two longstanding demands of the devotees of the Palani Temple.

- Cable car facility will be provided for large number of devotees who are unable to walk up to the top of the hill.
- Girivala Pathai will be provided for the devotees to go around the temple as in the case of Tiruvannamalai temple to fulfill holy obligations.

GENERAL ADMINISTRATION

District Administration

125. The Dharmapuri District is one of the most backward areas in Tamilnadu. Due to its large size, there have been persistent demands for its bifurcation so as to bring the administration closer to the people. **This Government has decided to bifurcate the existing Dharmapuri district. The newly created district will have its headquarters at Krishnagiri.**

Streamlining Office Procedures

126. The Government has implemented its promise made in the Governor's Address of implementing "File Closing Week" in all administrative institutions. The process for redressing public grievances is being streamlined to ensure speedy and quality disposal of petitions.

127. E-governance plays an important role in ensuring transparency, eliminating corruption and providing a citizen friendly

administration to the people. **We will establish Portals on the Internet for facilitating quick flow of information between the Government and the people.** In order to improve administrative efficiency, we will try to connect the State Secretariat to all Government and quasi-Government offices in urban and rural areas through the Internet.

128. This Government recognises the important role played by computerisation in enhancing administrative efficiency. In order to bring the administration closer to the people, it is proposed to install touch screen computers, to start with in select Taluk offices in districts during the current financial year. This will enable people to access the desired information on their own and with great ease.

Police Administration

129. Maintenance of law and order is an essential pre-requisite for economic and social development. The Government is committed to transforming the Tamilnadu Police into a highly professional force comparable to the best in the world. **We propose to undertake effective steps for modernisation of the Police Department by introducing latest communication equipments, vehicles, hi-tech weapons, computerisation and improved techniques for crime detection.** An allocation of Rs.107.57 crores has been provided in the current year for this purpose.

130. In recognition of the fact that offences against women need to be treated on a different footing, the Honourable Chief Minister has decided to have at least one All Women Police Station in all the 184 Police Sub-Divisions in the State. During the current year, it is proposed to set up 50 such All Women Police Stations and an allocation of Rs.3 crores has been made for the purpose.

131. The Honourable Chief Minister has also ordered the posting of one Woman Sub-Inspector and two Women Police Constables in all the 1217 Police Stations in the State within the next

2 years at a recurring cost of Rs.25 crores per annum. This has been proposed with the objective of enabling women to have easy access to all Police Stations without any fear or apprehension.

132. It is proposed to construct 3000 quarters at an estimated cost of Rs.115 crores for police personnel across the State through the Tamilnadu Police Housing Corporation during the current year. Special emphasis would be paid on developing open space for children's play ground, park, public library and community centres.

Welfare of Government Employees

133. The Government employees are the bed-rock of any administrative set up and we recognise the vital role played by them in running day-to-day administration.

134. This Government is aware of the space constraints faced by the employees in the State Secretariat. The Honourable Chief Minister has given her consent to the proposal for constructing an additional Secretariat building at an estimated cost of Rs.10.70 crores.

FINANCIAL POSITION

135. This is going to be a very difficult year for the new Government because of the poor state of finances inherited by it. While on one hand, we have to reckon with an ailing State economy, we have to also face a situation where well-performing States like Tamilnadu are being given a raw deal by the Union Government.

136. The Interim Budget had projected a revenue deficit of Rs.3659 crores in the current financial year. The revenue expenditure was estimated to be Rs.24294 crores while the revenue receipts were pegged at Rs.20635 crores. After taking into account the expenditure and receipt of the Government during the last six months, the revenue

deficit of the Government is now expected to be Rs.3748 crores. It is estimated that the revenue receipts of the Government will be at Rs.20774 crores while the revenue expenditure will be Rs.24522 crores during the current financial year.

137. The overall deficit of the current financial year is likely to be Rs.827 crores as against Rs.996 crores projected in the Interim Budget.

138. I assure you that inspite of all odds, we will put through a credible programme for equitable and planned development and economic revival of the State with special emphasis on the marginalised sections of our society. We intend to undertake a fiscal course correction exercise after a proper debate based on the constructive suggestions given by the Honourable Members of this House and the people of the State.

139. Our main concern is the unsustainably wide revenue deficit, which is attributed to the uncontrolled growth of the salaries and pension liabilities of the Government. The sharp increase in the Government borrowing and the consequent increase in the interest and repayment liabilities also merits urgent attention.

140. If we are to study the composition of revenue or recurring expenditure of the State Government, we find that salary, pension and interest payment commitments are getting out of control, and the State's own tax revenues are not adequate to meet these three items of expenditure. In the previous financial year, for instance, the Government spent about 94 percent of the State's own tax revenues in meeting the expenditure on salaries and pensions alone. The pension liabilities of the Government have been showing an average annual increase of 30 percent, which is unsustainable.

141. We propose to appoint a Staff and Expenditure Review Commission to examine the scope of curtailing avoidable expenditure in administration.

142. I take this opportunity to announce an expenditure policy to be followed by this Government to help restrict the abnormal pace of growth of revenue expenditure. We shall conduct a Zero Base Budgeting exercise for various Departments in the Government and its agencies to ensure efficiency and economy in expenditure.

143. The Honourable Chief Minister has asked all the Ministers to conduct a comprehensive review of the Departments under their control to identify new sources of revenue. This would include revising the existing user charges for various services being provided by the Government to realistic levels and cutting down avoidable and wasteful expenditure.

COMMERCIAL TAXES

144. Commercial Taxes are the largest source of revenue for the Government. Hon'ble members may be aware that a decision has been taken at the all India level in the Conference of Chief Ministers and State Finance Ministers, presided over by the Hon'ble Union Finance Minister at New Delhi on 5.7.2001, that all the States must comply with the Uniform Floor Rates of sales tax latest by 31.7.2001 and they should also implement the Value Added Tax (VAT) regime from 1.4.2002 onwards. Based on the recommendations of the Empowered Committee of Finance Ministers, the Union Finance Minister has also announced in the same Conference that Central Assistance would be withheld for the States which do not comply with the Uniform Floor Rates.

145. Based on an understanding among the States and Union Territories to conform to a discipline of uniform floor rates with effect from January 2000, the previous Government has already

complied with 40 items of taxation under the floor rate regime. We have now reviewed the remaining deviations and have decided to take appropriate measures. While doing so, we hope that the other States and Union Territories, especially the neighbouring ones, would also ensure full compliance in order to enable us to sustain the Uniform Floor Rates and prevent diversion of trade and tax revenue from Tamil Nadu.

146. As regards the implementation of VAT in Tamil Nadu, our Government has undertaken a comprehensive examination of all the issues involved. The Government has very recently issued orders for setting up a VAT Cell to analyse and process the various aspects of VAT and the steps that need to be taken towards this goal. It is also proposed to constitute an Empowered Committee to guide and monitor the preparations required for the implementation of VAT. We also propose to hold detailed consultations with trade and industry as well as consumer bodies in order to obtain their responses on the various aspects of VAT. In this context, we have already informed the Chairman of the Empowered Committee of Finance Ministers that the proposed VAT rates and classification of commodities require certain modifications. It is also planned to fully complete the computerisation process, which now covers only 140 out of 323 assessment circles in the Commercial Taxes Department in order to ensure that the processing of returns and analysis of transactions are speeded up and improved.

147. It is proposed to set up at the level of the Commercial Taxes Department suitable mechanisms for regular interactions with manufacturing and trade bodies. The intention would be to use the suggestions and the feed-back thus obtained for the review of forms and procedures and to simplify classification and broad band related items.

148. I now turn to the taxation component of the Budget. While the system of taxation need to have revenue mobilisation as

a major objective. it is also necessary to keep in mind the impact of such taxation on trade, industry and consumers. The Government of India has firmly indicated that the system of uniform floor rates of taxes as already decided should be implemented before 31.7.2001, failing which it would withhold the central assistance being given to the States. Under these circumstances, some tax changes are inevitable. It is therefore proposed to raise the present TNGST rates to 4% for copra, maize products, man-made fibres and yarns, jari of all kinds, cumin seeds, cotton, dressed skins and hides. Bicycle locks now being charged at 11% and bicycle seat covers now being charged at 1% will be taxed at a uniform 4% on par with other parts and accessories of bicycles.

149. The tax on tractor tyres and tubes, photographic films, plates, etc., printing and writing paper, sewing machine parts and accessories, butter and ghee branded or unbranded, footwear whether branded or unbranded, unbranded bakery products, unbranded confectionery and chocolates, compact fluorescent lamps and cellular telephones will henceforth be charged at 8%. However, keeping in mind the interest of the lower income groups and the poorer sections of society, the present tax exemption in respect of footwear costing Rs.50/- or less, will stand raised to Rs.100/-. Straps of footwear will continue to be exempted. The existing rate of 4% for unbranded biscuits and the exemption for bakeries with a turnover up to Rs.5 lakhs will continue.

150. The tax rate on two wheelers, three wheelers and four wheelers other than earth moving machinery, articles of stainless steel other than household utensils, handmade soaps will henceforth be charged at the floor rate of 12% Synthetic gems, which are now exempt, will henceforth be charged at the floor rate of 1%.

151. We have also undertaken an exercise to simplify and reduce the number of taxation rates presently in existence. The First

Schedule to the Tamil Nadu General Sales Tax Act, 1959 has, as of now, 14 parts. It is proposed to eliminate Part-A of the First Schedule which as of now has only three items, viz. poultry feed supplements and concentrates, parched gram or fried gram and flour of pulses and gram. Since poultry feed is already exempted and as cattle feed supplements and concentrates, fried groundnut kernels, wheat flour, rava and maida are already taxed at 4%, it is now proposed to raise the rate on the three items in the Schedule from 2% to 4% and merge it with Part-B of the First Schedule.

152. As a further step towards rationalisation, it is proposed that except butter and ghee sold under registered brand name, camphor, caustic soda, bicycle locks, other goods not specified elsewhere and unspecified dyes, weighing machines of all kinds, pressure lamps, paraffin and slack wax, and animal drawn vehicle tyres and tubes, all other items under Part-D of First Schedule will be raised to 12%. As mentioned already, all varieties of butter and ghee branded or unbranded will be taxed at 8%. The tax on camphor will continue to be at 4%. Unspecified dyes now being taxed at 11% will be taxed along with specified dyes at 8%.

153. In the budget for 1999-2000, the tax on electrical goods was reduced from 16% to 8% with the expectation that there would be an increase in the turnover and compensating increase in revenue. However, it is observed that the attendant revenue has fallen by Rs.18.94 crores. It is therefore proposed to increase the rate for electrical goods to 12%. Plastic products, which are now being charged at 8%, will be henceforth charged at 12%, though HDPE/PP woven fabrics will continue to be taxed at 8%.

154. The Government proposes to reduce the tax on silk cotton seeds from 11% to 4% and paper cups from 11% to 8%. Hand pumps, parts and accessories of kerosene stoves and an additional

12 number of adisarakku items that are widely used by the weaker sections, will be exempted from the payment of tax.

155. Parts and accessories of electronic voltage stabilizers will be included with parts and accessories of electronic goods now being taxed at 4%. The tax on sales to Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited of telecom cables will be reduced to 4% under TNGST and also under CST, with or without 'C' Form.

156. A number of new recreation parlours, which provide for games like bowling, billiards, snooker, etc. catering to the upper echelons of society have come up in some of the major cities in Tamilnadu. Though these parlours charge heavy amounts from the users, they do not bring any revenue to the Government. It is proposed to levy entertainment tax at 20 per cent of the charges on these facilities.

157. With a view to protecting and augmenting the State revenue, the Government will introduce entry tax on certain commodities, materials, articles and goods as may be notified.

158. It has been mentioned in the Budget that the present level of revenue mobilisation falls far short of the expenditure requirements of development. In order to mobilise additional revenue, it is proposed to levy 1% Additional Sales Tax on assesseees with a taxable turnover exceeding Rs.10 crores but not exceeding Rs.25 crores per annum.

159. It is expected that all the above measures of taxation would result in a net additional revenue mobilisation of about Rs.135.38 crores in the current financial year.

160. The Government is also keen to revitalise the Traders' Welfare Board, which now has a membership of 38,569 traders.

Attempts would be made with the cooperation of Traders' Associations to widen the membership base, and to improve the service of the Board, particularly to those who are indigent..

FISCAL MANAGEMENT

161. One of the important sources of revenue for the Government is the long term loan given by the Government of India on the basis of the net small savings collections during the year. We received a loan amount of Rs.1290 crores last year. We have projected a loan of Rs.1700 crores in the estimates. The Honourable Chief Minister desires that housewives be involved more in this important task. We intend to introduce attractive schemes, prizes and incentives which will help us mobilise larger savings.

162. Honourable Members are aware that the Government of India has been repeatedly requested to revise the royalty on lignite retrospectively from August, 1990. In March 2001, the Government of India revised the royalty on lignite on par with Coal (Grade F and G) prospectively, and released an advance of Rs.250 crores towards royalty payable over 2001 – 2003. We consider this to be extremely unfair because our Government has been denied the flexibility of using future royalty receipts, besides being denied the benefit of retrospective revision. We propose to take it up very strongly with the Government of India and expect a favourable response.

163. The overall deficit in the budget estimates will come down to Rs.692 crores after taking into account the proposed changes in taxes. We expect to bridge this gap by stepping up the collection of arrears and through various economy measures.

164. Honourable Members are aware that our Government faces many challenges in implementing the tasks given to us by the people. These challenges emanate from the poor fiscal situation inherited by us and the urgent need to restore the financial health

without compromising on the basic development needs of the people of the State. We propose to achieve the daunting tasks bestowed on us by evolving a consensus through peoples' participation in the process of decision making for the betterment of this State.

Honourable Speaker Sir,

165. Despite the unprecedented deterioration of the State Finances, the Honourable Chief Minister is committed to eradicate poverty and usher in development in all sectors of economy. This budget has been prepared with this objective in mind.

166. I express my deep sense of gratitude to the Honourable Chief Minister, Dr. Puratchi Thalaivi, for her valuable guidance and constructive suggestions in the formulation of the budget.

167. I also express my heartfelt thanks to the Finance Secretary, Thiru. R. Santhanam, I.A.S. and his dedicated team of officials in the Finance department, who worked untiringly and Secretaries and officers of other departments who rendered all assistance in preparing this budget.

168. I request the House to kindly approve the Annual Financial Statement for the year 2001-02.

Vanakkam

**C. PONNAIYAN,
MINISTER OF FINANCE AND LAW**

Chennai,
18th August 2001,
Aavani 2,
Thiruvalluvar Aandu 2032.