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### State Budget 2002-2003

#### PART-B

##### INDUSTRY, COMMERCE AND INFRASTRUCTURE

105. In the New Industrial Policy 2001, we have given emphasis on technology

upgradation, modernisation, infrastructure support, human resource development, and providing market assistance to small scale industries. Simplification of rules and regulations to facilitate the starting and running of new industries is a feature of the policy. Measures are also being taken to deregulate the business environment through appropriate legislation.

106. A State Textile policy in line with the National Textile policy 2000 is proposed to be brought out soon to give a fillip to the textile sector.

107. The Apparel Park that was proposed to be set up at Doddaballapur is underway. About 150 acres of land required for the park is under acquisition. This is expected to create over 20,000 jobs.

108. Sericulture offers good potential for growth in rural areas. But the pressure on this industry is increasing as a result of the opening up of the economy. It is necessary to improve the quality of our silk and produce varieties that can compete in the international market. It has been programmed to produce about 10,000 MTs of superior quality bivoltine silk during this decade. The Seri-2000 programme is being implemented with the assistance of Swiss agencies for the introduction and popularisation of new bivoltine varieties. I also propose to introduce certification in private sericulture grainages.

109. As a measure to introduce transparency and ensure remunerative prices, I propose to computerise trading in the cocoon markets. This will bring farmers and weavers closer by eliminating middlemen.

110. The sugar industry is passing through troubled times. My government has taken several measures to mitigate the woes of the industry. These include, continuation of the incentive price for sugarcane growers out of the purchase tax payable by sugar factories, extension of the capital subsidy of Rs. 25 lakh per MW of power generated and exemption from the payment of purchase tax in respect of exports. A Sugar Development Fund will be set up to assist sugar factories in distress with matching contribution from the state government and sugar factories.

111. A regional centre of the Sugar Institute would be set up in Mandya, for the benefit of factories and cane growers of the southern districts.

112. To spread the benefits of Information Technology across a wider spectrum, my government has carried out a number of schemes. This year we would announce an e-governance strategy that will improve quality of service delivery and information availability for citizens. My goal is that at least five important areas of government service delivery are available on line. I am allocating Rs.5 crore for e-governance.

113. My government has already launched the Yuva.Com scheme for the rural youth. This year I would like to intensify rural initiatives using information and communication technologies through information kiosks, cyber cafes, low cost access devices, etc.

114. To promote hardware manufacture in the State, I propose establishing a hardware park near Devanahalli. With the international airport coming up nearby, I expect that this park would address the global market, giving a fillip to hardware exports.

115. As promised in the Millennium Biotech Policy, we have released Rs.5 crore to set-up the Institute of Agri-Biotechnology at Dharwad. This year the department will set up a Biotech Park at Bangalore with Common Facilities Centre and incubation facilities.

116. The development of industry and commerce is dependent on basic infrastructure. In an increasingly globalised and competitive world, we have to move away from the debilitating culture of concessions and exemptions and move towards direct provision of critical infrastructure along with reforms within this sector.

117. The K-RIDE would be positioned as a Project Development Company. Rail infrastructure projects

would be implemented through Special Purpose Vehicles, with private sector participation, wherever feasible. Accordingly, the Hassan-Mangalore Gauge Conversion Project would be completed by 2005 and operated by an SPV company. An outlay of Rs. 15 crore has been provided for this project. I have proposed Rs. 20 crore for the Sholapur-Gadag Gauge Conversion Project, which would also be completed by 2005.

118. Besides these projects, in the Kottur-Harihar, Bangalore-Kengeri and Kengeri-Ramanagaram projects the State would share two-thirds of the cost as a special case. I have accordingly made a provision of Rs.10 crore.

119. A consortium of Siemens, L&T and Zurich Airport has been selected as the Joint Venture Partner for the Bangalore International Airport project. BIAL expects to obtain financial closure by September and commence work by October 2002. The construction would be completed by March 2005. The airport is expected to cost around Rs.1150 crore, which would be the single largest investment in transport infrastructure. The present traffic of 22 lakh passengers is expected to increase to 40 lakh by 2005, generating over 25,000 skilled and semi skilled jobs. The State would have to provide Rs.375 crore for the project. Modalities of providing this amount, in the light of certain concessions in the Union budget are being worked out. In the next year, Rs. 86.50 crore has been provided.

120. I propose to continue the Infrastructure Cess on Excise Duty, Motor Vehicles Tax and Stamp Duty for another two years. The cess on Sales Tax is being abolished and it is being merged with basic taxes. However, to ensure that accruals to the Infrastructure Initiative Fund continue as envisaged, I propose to earmark Rs.143 crore from the State's revenues for transfer to the Infrastructure Initiative Fund. Out of the total accruals to the fund, one-third would continue to be earmarked for the BMRTL. The remaining two-thirds would be used for various infrastructure projects across the state. Necessary amendments are being moved separately.

121. The Karnataka State Highways Improvement Programme (KSHIP) with the assistance of the World Bank has commenced and under this programme 2269 Kms of state highways and major district roads would be improved. Government will explore the possibility of taking up road maintenance with private sector participation.

122. Under NABARD assistance, 2252 Kms of rural roads have been improved and 56 bridges have been constructed at a cost of Rs.164 crore. Under the Central Road Fund (CRF), 86 major district roads have been taken up for improvement at a cost of Rs.65 crore. The KRDC has constructed 123 bridges with HUDCO assistance. Another 25 bridges will be completed soon. The KRDC is taking up improvements of the Belur-Bilikere and Jewargi-Bijapur State Highways at a cost of Rs.250 crores. KRDC is also constructing the ring road for Gulbarga City.

123. I propose a pilot project project for improvement of roads of all categories in Mandya district at a total outlay of Rs. 300 crores spread over a period of three years. For the next year, a sum of Rs. 40 crores has been earmarked. This will be replicated in other districts in subsequent years.

124. Power is the lifeline of a modern economy. But the power sector is also critical for the financial health of the State. If we do not rein in power sector subsidy, we would be left with little to invest in the social sector. Therefore, reforming the sector according to the Financial Restructuring Plan is imperative. I seek the support of the House in this difficult task.

125. However, I assure the Members that the reform process would not leave the farming community in the lurch. Realising this position, I have provided Rs. 2339 crores as power sector subsidy in the coming year.

126. Furthering the reforms already initiated, I propose separation of transmission from distribution and formation of four electricity distribution companies with headquarters at Bangalore, Mangalore, Hubli and Gulbarga. Thereafter, we would attempt to privatise distribution.

127. To check theft, pilferage and wastage of electricity the Electricity (Karnataka Amendment) Act, 2001 has been passed, with stringent penal measures. Before we crack down on the offenders, I appeal to the public to avail of the last opportunity for regularisation of unauthorised installations according to the approved scheme.

128. I propose regularisation of unauthorised irrigation pump sets in grey and dark areas as a one time measure.

129. A three year metering programme has been launched in the State. No new consumers will be

serviced without installation of meters. It is expected that this measure would also pave the way for reduction of wastage and curtail commercial losses. Universal metering would enable taking up of energy audit on which there is now national consensus.

130. Experience across the country reveals that inefficient pumps and devices add to losses. I therefore, propose that energy supplied to farmers be metered and charged at subsidised rates for the actual energy consumed or at horse-power based flat rates, whichever is lower. This should encourage the farmer to save on his energy consumption by optimally using his pump set.

131. Mounting arrears from consumers have a telling effect on the financial health of the KPTCL. I propose involvement of the local bodies in this task, with appropriate incentives built in. Details of the scheme would be announced in the course of the year.

132. In the current year, 467 MW of generation capacity was added to the grid. My government would continue its efforts in this direction. The 290 MW Almatti Dam Power House and the 500 MW Bellary Thermal Power Plant were launched in the current year. It is proposed to add 339 MW in the coming year.

133. KPTCL would invest in strengthening the transmission and distribution system in the State. Since Karnataka has embarked upon power sector reforms and has achieved substantial progress, the State would take advantage of the Accelerated Power Development and Reform Programme (APDRP) of the Government of India and channelise investments to crucial areas.

#### LEGISLATORS AREA DEVELOPMENT FUND

134. I have received numerous requests from Hon'ble Members to increase the allocation under this fund. I therefore propose to increase the allocation for each Legislator from the existing Rs.25 lakh to Rs.40 lakh in 2002-03. A provision of Rs.120 crore is being made for this purpose.

135. I appeal to the Honourable Members to take up works in accordance with the norms. I expect that this fund would be used for employment generation in their respective areas.

#### NATURE, ECOLOGY AND ENVIRONMENT

136. The Joint Forest Planning and Management programme is being implemented by establishing Village Forest Committees involving local people in forest management and sharing of benefits. So far nearly 2800 committees have been formed in the State. The government would intensify its measures for proper management of forest wealth.

137. Vana Vikasa scheme launched in the past has received wide public support. I propose to earmark an amount of Rs. 3 crore in 2002-03 to cover more area under this programme.

138. A Lake Development Authority, substantially funded by Government of India, will be constituted for the regeneration and development of lakes in Bangalore city.

139. A State of the Environment Report for Karnataka will be prepared during the coming year to help focus attention on critical environmental issues for the Tenth Plan period.

140. In addition to the existing annual awards for excellence in the field of environment, a new award titled Parisara Shri to honour an individual or institute for outstanding contribution for the overall development of environment would be instituted .

#### ADMINISTRATION AND REGULATION

141. A High Court Bench for Northern Karnataka has been a long standing demand. I am allocating Rs.10 crore for this. If necessary, I would provide additional allocation during the course of the year.

142. Karnataka is a peace loving state. But we cannot be complacent in these troubled times. Our efforts to modernise the police force and make it effective in the service of the citizen would continue.

143. In the last two years the Government has spent Rs.215 crore towards police modernisation, which includes Rs.140 crore from the Government of India. A matching contribution from the State is being provided for police housing through the Karnataka Police Housing Corporation. The State would contribute its share of Rs.60 crore and spend Rs.135 crore for police modernisation.

144. As promised in my last budget speech, Bhoomi has been operationalised in nearly all taluks of the state. I am happy to inform the Members that Karnataka is the only state in the country to achieve such a rare feat.

145. During the year 2002-03, ten Bhoomi District Data Centres would be made functional where land records would be available. Efforts would also be made to provide connectivity with Bhoomi database to various lending institutions and others in the State.

146. There have been demands from various quarters that after the successful implementation at the taluk level, the scheme should be decentralised to the hobli level. Accordingly, the Bhoomi scheme would be decentralised to about 100 hoblis in partnership with the private sector.

147. All Lambani Thandas would be recognised as revenue villages. For this the existing guidelines would be modified.

148. My Government reiterates its stand that the height of the Almatti Dam should be raised to 524.256 metres. The State has to get its rightful share of Krishna waters. I would urge the Government of India to constitute a Tribunal for allocation of surplus water. Parts of Bagalkot city, upto a level of 525 metres, would be considered as affected by the dam. The affected areas would be acquired in phases. In order to ensure that parts of the city above 525 metres are not deprived of development, I would relax the relevant rules.

149. To check the menace of fake stamp papers, the Karnataka Stamps Act, 1957 has been amended, providing for payment of stamp duty through a demand draft or a Treasury Challan. Thus, usage of stamp papers is not compulsory. Provision has also been made in the Act for writing documents on plain paper and then making payment of stamp duty as above.

150. However, in order to eliminate fake stamp paper racket, I propose to abolish use of stamp paper from the coming year. Details will be worked out in due course.

151. My government has been concerned with controlling administrative expenditure. Apart from various short term measures in expenditure control, the ARC was set up to take a comprehensive view on reforms. The ARC's recommendations are being examined. As a precursor, I am introducing certain immediate reform measures :

The government will constitute a Pay Commission every 10 years as against the present practice of 5 years.

Efficiency bar tests will be introduced to improve the quality of governance.

The Store Purchase Department has outlived its utility. I propose to abolish it.

Serving government employees would be given an opportunity to work in the non-government sector. Lateral entry of professionals from outside the government would be encouraged. For this, amendments to cadre and recruitment rules will be carried out, if necessary.

The Government of India has announced a Voluntary Retirement Scheme. A similar scheme will be introduced in the state government.

Departments will be allowed to hire vehicles on the basis of modalities to be worked out.

To reduce delays and to

make the administration more responsive, I propose to designate the Commissioners of selected departments as Special Secretaries to Government.

Action is being taken to fill up 3962 backlog vacancies in various departments. Necessary notifications have been issued.

Government employees, other than teachers, holding posts in the first eleven state pay scales who have put in 20 years of service without a single promotion would get an additional increment from 1.4.2002.

House rent allowance would be revised with effect from 1.4.2002 as follows :-

Cities classified as From 11% to 13%

A, B1, B2

Cities classified  
as D From 4% to  
5%

Cities classified  
as E From 3% to  
4%

#### HERITAGE, CULTURE & QUALITY OF LIFE

152. Karnataka would complete fifty years in 2006. It will be a moment of pride for all of us. A High Power Committee chaired by me would give the required momentum to make the Golden Jubilee Celebrations a memorable event.

153. All historical monuments and sites will be classified, catalogued and computerised to be finally put on the web to enable easy access to both national and international visitors. In a similar effort, I propose to re-create rare editions of past gazettes, archives and other documents of value and interest in digital form and host them on the internet.

154. I commend the effort of Sri. Baragur Ramchandruppa in submitting a report on the border area Kannadigas. We would request him to oversee its implementation.

155. Traditional music and other folk art forms are being neglected owing to the onslaught of modern performing arts. They face the threat of extinction, if the present trend continues. It is therefore necessary to encourage traditional artistes to ensure that these art forms are passed on to the next generation. I propose a new programme called Parampare to undertake this task.

156. I am increasing the overall allocation for Kannada & Culture from Rs.24 crore in 2001-02 to Rs.29 crore in 2002-03.

157. Twenty good quality films are given a subsidy of Rs.10 lakh each every year. The best artistes and technicians of feature films are honoured every year and Kannada feature films produced entirely in the State enjoy tax exemption. Remakes will not be entitled for entertainment tax exemption from 1.4.2002.

158. Our strategy to boost tourism would be based on spending Government's scarce resources selectively and working hand in hand with the private sector. The government would withdraw gradually from areas like hospitality, which are best left to the private sector and will bestow its

attention on creating infrastructure. The department of Tourism and the KSTDC have started privatising the management of their accommodation facilities, and I propose to complete this process.

159. To ensure better development and maintenance, I propose to transfer Nandi hills and Kemmangundi guest houses, and the Brindavan garden to the Tourism department. In the coming year the government would introduce Palace on Wheels to be operated jointly by the KSTDC and the Railways.

160. Wildlife and coastal circuits will be encouraged. The year 2002 has been declared internationally as the year of Eco-Tourism and we propose initiatives that will encourage investments in this sector.

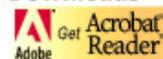
161. Government of India has announced that Hampi would be developed as an International Destination Centre. We shall constitute a Hampi World Heritage Area Management Authority for integrated development and conservation of Hampi.

162. In order to give a fillip to tourism in Karnataka, I am increasing the allocation from Rs.12 crore to Rs.18 crore in 2002-03.

163. Honourable Members, as I have mentioned earlier, the endeavour of my government has been to strive for a more prosperous, more humane, and compassionate society, which has always been the hallmark of Karnataka's culture and heritage. Towards this goal, I seek your support and cooperation.

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