



Speech of

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**FIFTY SECOND
NATIONAL DEVELOPMENT
COUNCIL**

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Honourable Prime Minister and Members of the National Development Council,

I extend my warm greetings to you all. We are gathered here today at a time when the Indian economy has attained excellent levels of growth. It is in this background that we are discussing the Approach Paper to the Eleventh Five Year Plan.

I am happy to see that while the Approach Paper is bold in its ambition, it is realistic in its scope. While it aims at 9% growth, it recognizes that faster growth will not be meaningful unless the benefits of that growth reach the poor and the weaker sections.

The majority of our population continues to be dependent directly or indirectly on agriculture. The success of the Eleventh Plan will depend on our ability to revitalize the agricultural sector.

We have been witnessing failure of agriculture in drought-prone and water-starved areas on the one hand. On the other hand, we have been facing heavy damages caused by floods in our rivers and flow of more than 40,000 tmc. of unutilised water to the sea. But we have been fighting among ourselves for a mere 1 tmc. or 2 tmc. of water for irrigation and drinking. This is the Indian Paradox.

Our intention is to improve and revitalize the agricultural sector so that our farmers get sustained income and contribute largely to the economy of the country. This may not be possible without creating new irrigation potential. We have been talking for the last 50 years about nationalisation of rivers and linking them. But, now the time has come for us to act. Interlinking of Peninsular rivers has no international ramifications. The National Water Development Agency has completed feasibility studies on interlinking of the Peninsular rivers and assessed it as viable.

In a country like India, where technology is improving and new technologies are coming in, it is possible even to harness major rivers for our beneficial use.

I urge the National Development Council to recommend nationalisation and interlinking of the rivers, particularly the Southern Peninsular component, and ensure its inclusion and funding in the 11th Plan itself. Interlinking of the rivers would provide not only a flood control measure; it will also provide irrigation potential to drought-prone and water-starved areas, provide sustained agricultural growth, and provide continuous employment to the rural poor. In the process it is possible for us to get more hydro power at cheaper cost and navigational facilities in our country. Efforts in this direction would be more productive and our primary sector would sustain in the years to come contributing to our growth. Unless we wake up now and act, the future generations will not forgive us.

While continuing the process of tax reform, the need for States to have flexibility in deciding taxation policy must not be forgotten. The Government of India has completely exempted from Excise Duty goods produced in certain States. This is resulting in an artificial and economically unproductive shift of capital. **I urge the Union Government to correct these distortions immediately.**

I would also appeal to my colleagues from the other States that we should collectively evolve a mechanism to prevent unhealthy tax competition through exemptions which harms all of us by reducing the resource base available to help the poor and weaker sections.

The Centre has kept to itself the power to levy Service Tax. **Service Tax must be transferred to the State list and must be levied and collected by the States, though the proceeds can be shared with the Centre.**

Another area of serious concern is compensation for phasing out of Central Sales Tax (CST). While we are willing to phase out CST, **I must strongly emphasise that there must be monetary compensation for the loss as recommended by the Empowered Committee of Finance Ministers.**

As pointed out in the Approach Paper, Tamil Nadu has shown the best performance in the country in reducing technical and commercial losses in electricity. It is noteworthy that Tamil Nadu has not unbundled its electricity undertaking. **We are against unbundling for the sake of unbundling.** I call upon the Union Government to amend the Electricity Act to give flexibility to the States to adopt structures suited to local conditions.

The Government of Tamil Nadu has decided to implement sewerage schemes in all district headquarters towns. Sewerage projects have long gestation periods and may take 40 to 50 years to become viable. This poses serious problems to State Governments in attempting to finance sewerage schemes using loans of 10 to 15 years maturity. Similar problems arise in public transport. **There is a pressing need in the country for a long term debt market where securities of 40 to 100 years duration are traded.** I would like to call upon the Finance Ministry and the Reserve Bank of India to immediately constitute a task force for the creation of a long term debt market in India.

Tamil Nadu now intends to universalise secondary education. **I call upon the Planning Commission to introduce a SSA for secondary education in the Eleventh Plan.**

Our State has already connected most of the habitations and provided them with water, electricity and telephones. Our State's irrigation potential is also exploited to a greater extent than other States. **As a result, there is no additionality in resources through Bharat Nirman in Tamil Nadu.** In a sense, a State like Tamil Nadu which has done well is indirectly penalized for its success. I appeal to the Prime Minister to give a special dispensation to Tamil Nadu on Bharat Nirman. **I request that in lieu of rural electrification, Bharat Nirman should fund provision of gas connections to the poor.** Such a scheme will go a long way in improving the living conditions of poor women.

The issue of the appropriate size of the fiscal deficit remains unresolved. We should have an open and active debate on this issue. One point I would like to stress is

that any relaxation in the FRBM (Fiscal Responsibility and Budget Management) targets should apply to the States also.

This Government of Tamil Nadu has taken a bold decision to implement Value Added Tax (VAT) from 1.1.2007 in its very first budget immediately after assuming office. The shift to VAT at uniform rates is expected to result in a substantial loss of revenue in the initial year. Unless this loss is made good, the financing of the Eleventh Plan could be jeopardized. This makes it imperative that Tamil Nadu should be given compensation on the basis of 100% in the first year, 75% in the second year and 50% in the third year as was given to States who implemented it in 2005-2006. Without such compensation I am afraid it may be difficult to meet the resource requirements in the Plan. To deny compensation on the ground that the decision was not taken earlier would be unfair.

As we embark on the Eleventh Plan, it is time to take a fresh look at the planning process itself. **Firstly, we must get rid of the artificial distinction between 'Plan' and 'Non-Plan'**. Secondly, the process of approval of State Plans is unnecessarily cumbersome and almost archaic. In Tamil Nadu's Annual Plan for 2006-2007, 76% is funded by State's Own Resources. The current process of "Plan Approval" gives misleading signals as if the whole Plan is funded by the Planning Commission. Thirdly, **funds should be given with flexibility to tailor the conditions to the ground realities of different States** in the Centrally Sponsored and assisted Schemes.

Tamil Nadu is the birth-place of Social Justice. About 85 years ago, when the Justice Party was in power in Tamil Nadu, the first Communal Government Order granting reservation of jobs was issued on 16.9.1921. Reservation in Government services and educational institutions for Backward Classes, Most Backward Classes, Scheduled Castes and Scheduled Tribes has been under implementation in Tamil Nadu for a very long time and today it has reached 69%.

Though two Commissions were appointed and though 70% of the population of India are Backward Classes, a mere 27% reservation was recommended. Many decades have passed since then. But even now we are debating on this issue. I would like to make a fervent plea that reservation for Backward Classes in all Central Government jobs and in all Central educational institutions be implemented without any dilution, at one go. We have been talking about empowerment of women. Our Party very deeply believes in emancipation of women. This forum may be surprised to know that way back in 1929 in a Conference of Self-Respect Movement, the parent movement of the DMK, held in Chengalpattu, a resolution was adopted demanding conferment of equal rights to property to women. In 1989, when the DMK was in power in Tamil Nadu, a law was enacted recognising equal property rights to women. Our State was the first to reserve 33% of seats in the Local Bodies in 1996. We have been taking a number of welfare measures for the social and economic uplift of women. To quote a few, we have been giving:-

-financial assistance of Rs. 15,000/- for the marriage of poor girls, irrespective of caste and religion to benefit 40,000 poor girls during the

year. financial assistance of Rs.60Q0/- to pregnant women to enable them to maintain their nutritional level, to benefit 1.66 lakh women during the year-financial assistance for inter-caste marriages and widow-remarriages -small loan to women for petty trades and so on.

If Central Assistance is extended to these schemes, we will be able to implement them on a more massive scale.

Reservation of 33% of seats for women in Parliament and State Legislatures is already overdue. It will be befitting if legislation on reservation for women is passed during the period when Tmt. Sonia Gandhi is the Chairperson of the UPA. I, very earnestly, appeal to all political parties to reach a consensus on this early with a view to enable India to usher in a true democracy.

Ensuring Social Justice and Empowerment of Women will pave the way for realising the objectives of the Plan and for the benefits of the Plan Expenditure to reach the poor and downtrodden.

I would like to conclude by congratulating the Honourable Prime Minister and the Planning Commission for coming up with an Approach Paper which provides a very good basis for formulating the Eleventh Five Year Plan. I wish to assure the Council that the Government of Tamil Nadu will be in the forefront of all constructive efforts to successfully formulate and implement the Plan. Thank you.

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