

Bombay Chamber of Commerce and Industry

In 1994, the Bombay Chamber of Commerce and Industry promoted BOMBAY FIRST as an independent entity committed to the regeneration of the economic and social infrastructure of Mumbai and to establish it as a competitive and truly world-class city.

The history of Bombay City is synonymous with the history of the Bombay Chamber of Commerce and Industry. Established in 1836, the Chamber in its long and illustrious history of 168 years, has played a significant role in shipping, port development, Customs, the Municipality, City Improvement Trust, public utilities, posts, telegraphs, telephones, roads, railways, land reclamation, trade, education, et. al.

The Bombay Chamber's membership, of around 1700 professionally-run large and medium size organisations, contribute around a quarter of India's GDP in manufacturing and services.

The Bombay Chamber established the Bombay City Policy Research Foundation to fund **Bombay First**, which was supported by prominent corporates in Mumbai, viz. Tata Power, Mahindra & Mahindra, Hindustan Lever, Blue Star, HDFC, ICICI, Asian Paints, Philips, UTI, SBI, Standard Chartered Grindlays Bank, the Tata Trusts and Colgate Palmolive.

Bombay First has undertaken several studies to address issues necessary for the rejuvenation of the city: Strategies for positioning Mumbai as an International Financial & Services Centre, Employment, Transportation and Waste Management.

"Vision Mumbai", a study commissioned by the Bombay First and undertaken by McKinsey & Co., as a Roadmap to establish Mumbai as a World-class City within a decade, has been appreciated by a wide cross-section of Government, media and society.

Some of the major initiatives proposed to be pursued are: Urban Renewal of Mumbai, Trans-Harbour Bridge linking Mumbai and Navi Mumbai, Pan Island Expressway and a world-class Airport.

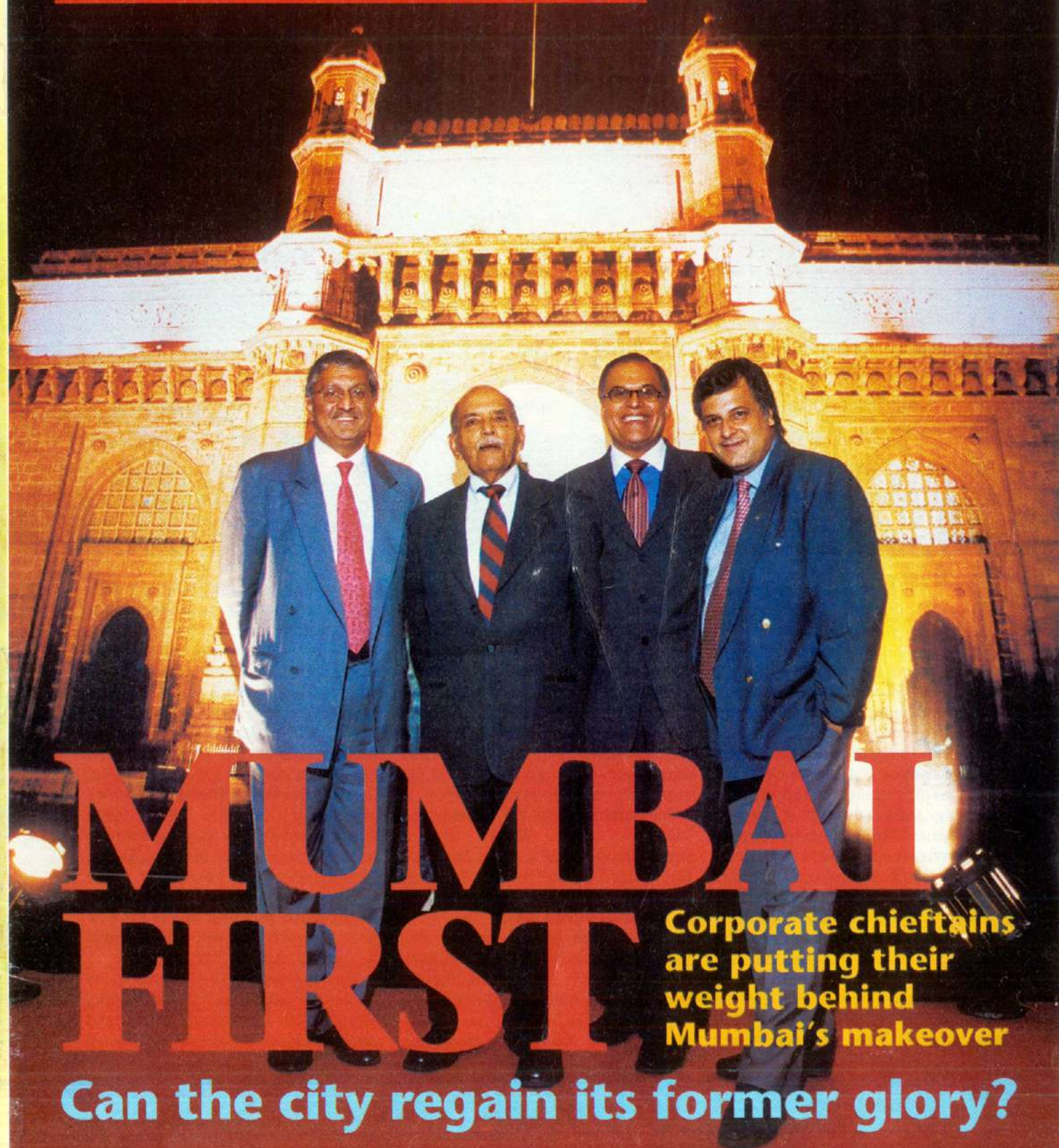


BOMBAY
first

Business India

THE MAGAZINE OF THE CORPORATE WORLD

September 27 to October 10, 2004



MUMBAI FIRST

Corporate chieftains are putting their weight behind Mumbai's makeover

Can the city regain its former glory?

Mission MUMBAI

The arclights are on a private-public initiative to develop Mumbai into a world-class city

Groaning under a population of 18 million that swarms across its 437.71 square kilometres – a per sq km density of 41,123 persons, – Mumbai has of late been energised by converging aspirations to transform it into a world city.

A commitment to steer India's financial and commercial capital clear of a disastrous inevitability does appear to be emerging. Maharashtra chief minister Sushilkumar Shinde has unprecedentedly convened – and chairs – a citizens' initiative that has rolled out a comprehensive roadmap to accomplish this.

The plans entail a maze of schemes right across – and also right round – the entire city, which involves surface, marine, elevated, and underground transport links and facilities. On the board are such projects as the Rs4,526 crore Mumbai Urban Transport Project

(MUTP), designed chiefly to refurbish the local rail network, the Rs2,600 crore Mumbai Urban Infrastructure Project (MUIP) master plan for road improvement and for a grid linking the western and eastern suburbs, the Rs1,100 crore elevated 14.6km Mass Rapid Transport System (MRTS) connecting Versova–Andheri–Ghatkopar, the Rs694 crore 4km Bandra–Worli sea link, the Rs2,215 crore second international airport at Navi Mumbai across the harbour, the Rs2,600 crore 25km six-lane Sewri–Nhava trans-harbour link, and the merged special economic zones (SEZs) of Navi Mumbai (Rs5,600) and MahaMumbai (Rs14,400).

An underground-cum-elevated metro is also contemplated, connecting Cuffe Parade, Mahalaxmi, Mahim, and Charkop, alongside a pan-island expressway that will skirt the western and eastern shorelines from the

northwestern suburbs to link up with the Sewri end of the trans-harbour link on the eastern side. Besides, MUTP-I has a Rs800 crore slum relocation component, while the municipalised BES&T Undertaking is refurbishing its 3,386-strong fleet by inducting 650 Euro-II buses worth Rs125 crore and by the phased outsourcing of 1,200 buses. Shinde clarifies that a vision for Mumbai need not be confined to its municipal limits as they have been transcended by the city's growth to include areas like Navi Mumbai, Thane, Mira–Bhayander, Vasai–Virar, and other outlying regions. "Navi Mumbai in particular provides inputs for economic growth that will help Mumbai become a global city," he notes.

Lending their personal support to the concerted ambition of developing Mumbai – the effort sporting a trilingual catch-all slogan *My Mumbai, My Dream:*

liability on his own. But with vast swathes of properties occupied by tenants under rent control, it is not at all clear how landlords can any increase.

On 1 July the state government halved the 10 per cent stamp duty that was being levied in Mumbai, Thane, and Pune, though the demand has been for its total withdrawal as it has led to falsified valuations with official connivance. Besides, stamp duty refunds are often not paid. Charged for the conveyance of sale deeds for both residential and commercial properties, stamp duty is determined on the basis of the market value of the property as assessed by the authorities, who have adopted no standard method of valuation. Urban development secretary Tiwari expects the reduced stamp duty to activate the housing markets and bring all transactions within legal purview.

Compounding the city's ills has been the steady decline in employment. Some 500,000 workers were engaged in Mumbai's textile industry since the country's first textile mill was established in the city in 1854. But the indefinite strike from 1982 crippled the sector, which has less than 45,000 millhands today. Mumbai's public-sector banks too have cut nearly 9,000 jobs, mainly at the clerical and junior officer levels, while Mumbai Port has halved its 32,000-strong workforce through a series of voluntary retirement schemes. And several leading pharmaceutical companies like Cipla, GlaxoSmithKline, Parke-Davis, Roche, Hoechst, and Pfizer, as also small and medium-scale chemical industrial units, have moved their manufacturing facilities out of city limits, shrinking the job market even further. But many other cities have similarly experienced a painful process of rationalising the workforce in response to the competitive market environment that has eventually led to their regeneration and the creation of new job opportunities.

A study by Avalon Consulting titled *Revitalising Mumbai and Creating Jobs* sees huge employment potential through the development of entertain-



The green spaces have been remorselessly obliterated

PHOTO COURTESY MID DAY

ment infrastructure such as a leisure complex, film city studios, and watersports. Chandrasekhar says MMRDA has been appointed the planning authority for developing a 2,500-acre swath of land in the Gorai coastal region in northwest Mumbai into a special entertainment zone. He also mentions that work on the Rs1,000 crore Phase I of MUTP started on 1 September, entailing 17 major corridors as also the Bandra–Dahisar stretch of a western freeway. This phase will be completed by 2007, while MUTP phases I and II will be completed by 2007 and 2012 respectively. MMRDA is the apex body coordinating the work of five municipal

Compounding the city's ills has been the steady decline in employment

corporations and 15 municipal councils across the 4,355sq.km. Mumbai metropolitan region.

Lakhina, in turn, is confident that Mumbai's profile will transform dramatically and qualitatively once the trans-harbour link, which MSRDC is stewarding and which he considers the world's largest overseas link being erected on build-operate-transfer (BOT) terms, materialises over the next five years and is dovetailed into the SEZs and the second international airport planned across the harbour. Tenders have been floated and applicant companies have been accorded two months for prequalification bids.

Financing most of the projects is envisaged through a Mumbai Develop-

ment Fund that will ring-fence funding by creating an escrow account, and raising funds from the private sector, through special purpose vehicles and on a BOT basis. Sicom MD V.K. Jairath says his state finance company will gladly get involved in some of the projects if they meet Sicom's credit policy norms.

Gopalakrishnan maintains that the private sector cannot do what the state is supposed to, but can only assist a state government that wants to do something to save Mumbai. "I don't know how strong that motivation is within Maharashtra," he says. Funding of well-intentioned and well-executed projects is, according to him, never an issue as international agencies and private funds can both be accessible. "Good ideas with good administration attract money; good ideas with bad administration complain about funding," he points out. "But I am an optimist: Mumbai has deteriorated so much that somebody somewhere in power is going to sit up and get cracking and I hope that happens." He adds that if it does, in 10 years we could stem the decline and start to get a few things improving.

Nayar declares that in this moment of promise and peril Mumbai must take command of its future. If it neglects to change course, it risks entering the graveyard of failed cities. But if it embraces change, there are few cities better equipped to share in the fruits of the 21st century, few places better poised to make an imprint on the world.

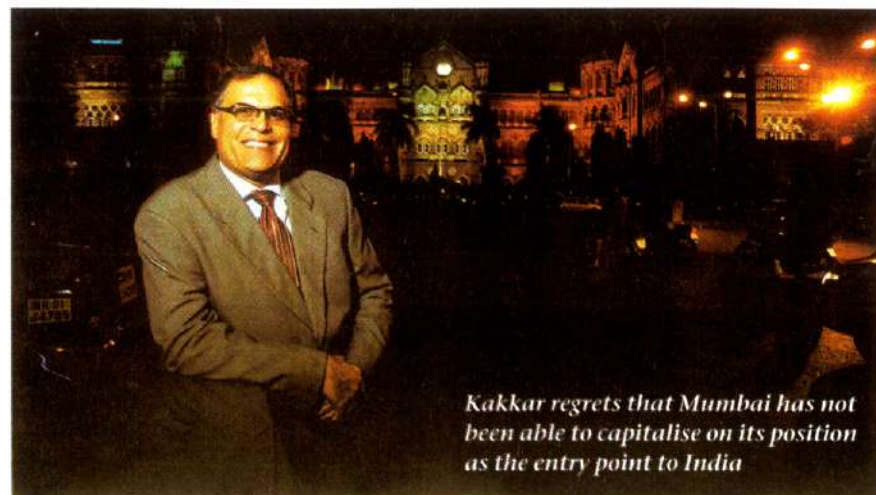
♦ SAROSH BANA

behind Mumbai's steady degeneration. He adds that he sees Mumbai only slightly better than where it is today 10 years from now.

McKinsey's *Vision 2013* is mindful of these shortcomings while framing a corporate pattern of governance and a centralised decisionmaking structure. It envisages that the chief minister, as CEO of this private-public endeavour, will appoint specific officers empowered to coordinate the multi-agency effort and implement it. The report is not the first, nor will it be the last, attempt to resolve Mumbai's problems.

Supplementing the Bombay Chamber's efforts on Mumbai has been the Indian Merchants' Chamber (IMC), established 97 years ago, with its own prescription to make the city the most preferred investment destination. Ubale asserts that the first report of the chief minister's task force, submitted in February, has crystallised a long-term strategy for the city based on the McKinsey report, IMC studies, as well as varied interactions the state government has had with NGOs, the Maharashtra Economic Development Council, and other agencies. An important input was from subgroups enlisted by the task force to study six areas of transformation, namely, strategic planning and financing (headed by Nayar), housing (chaired by Deepak Parekh), economic growth (Mahindra), physical infrastructure (Munjee), social infrastructure (Kohli), and governance (Damodaran). Their mandate was to evolve a Mumbai Action Plan based on proposals ready for implementation and on needs too urgent to be ignored.

Mumbai's trade has widely resented the octroi levy it is saddled with, clamouring instead for turnover tax. But this levy is the mainstay of the city's civic finances, garnering Rs2,250 crore of the current income of Rs8,485.26 crore of the MCGM. Octroi checkpoints delay consignments and are a major source of corruption, apart from increasing fuel costs as trucks and tempos idle there. Maharashtra's 12 per cent sales tax has also inhibited trading and commercial activity in the city. By contrast, states like Andhra Pradesh, Karnataka, and Gujarat are courting potential growth sectors like biotechnology, IT-enabled



Kakkar regrets that Mumbai has not been able to capitalise on its position as the entry point to India

services, and BPO call-centres and back-offices that ensure higher employment opportunities and higher tax revenue. Kakkar asserts that these glaring drawbacks need to be addressed, or else Mumbai will be hard-pressed to retain its competitiveness not only with proactive cities like Bangalore, Delhi, Chennai, and Hyderabad, but even with smaller players like Chandigarh, Gurgaon, and Ludhiana.

IMC president Nanik Rupani recommends rationalising tax controls to impel Mumbai's growth. "As Mumbai's property taxes are among the world's highest, developers retain a huge proportion of their ready properties rather than rent them," he observes. The corporation's second-highest source of income, property tax is levied at the rate of the annual rateable value of lands and buildings and comprises general tax of 30 per cent, including 4 per cent fire tax, water tax residential at 65 per cent and non-residential at 130 per cent, sewerage tax residential at 39 per cent and

non-residential at 78 per cent, education cess at 12 per cent, water benefit tax residential at 12.5 per cent and non-residential at 25 per cent, sewerage benefit tax residential at 7.5 per cent and non-residential at 15 per cent, tree cess at 0.5 per cent, and street tax at 15 per cent of the rateable value.

At present this levy is based on the rateable value linked to the rent, which is frozen under the Rent Control Act, rendering the rateable value inelastic and not transparent. To remove this discrepancy MCGM has proposed a new system based on capital value instead of rateable value, the former being linked with value decided for the stamp duty published periodically by the government. This will be based on the type of construction, use, as well the age of the property. The nine various taxes, including the government levies, will be consolidated into one tax component. Details regarding rateable value and the rate of tax will be provided to the taxpayer to enable him to calculate his tax

Economic indicators	Mumbai		Maharashtra		India	
	Actual	%	Actual	%	Actual	%
Population (million)	18	1.70	96.75	9.15	1057	9.15
Area (sq.km.)	437.71	0.01	3,08,000	9.39	32,80,000	9.39
Density (inhabitants/sq.km.)	41,123	—	314.12	—	322.26	—
Literacy rate (%)	—	87.00	—	77.30	65.30	77.30
Income at current prices (\$ million)	12,583	3.21	50,718	12.97	3,90,910	12.97
Sales tax revenue (\$ million)	1,350	10.20	1,970	14.80	13,250	14.80
Corporate tax collection (\$ million)	2,150	31.02	4,410	63.63	6,930	63.63
Personal tax collection (\$ million)	1,080	18.30	2,190	37.50	5,910	37.50

Let's Make It Happen – are such high-profile corporate leaders as M&M vice-chairman and MD Anand Mahindra, HDFC chairman Deepak Parekh, Thomas Cook (India) MD and CEO Ashwini Kakkar, Godrej & Boyce MD Jamshyd Godrej, former TCS head F.C. Kohli, UTI chairman M. Damodaran, former IDFC managing director Nasser Munjee, former Johnson & Johnson MD V.S. Palekar, and Concast (India) Ltd MD Narinder Nayar. They form part of the Citizens' Action Group that met the chief minister on 23 July to discuss the plan formulated by the voluntary organisation of Bombay First, set up in 1995 by the Bombay Chamber of Commerce and Industry (BCCI).

The Citizens' Action Group, in turn, has teamed up in the task force set up by the chief minister chaired by chief secretary A.K. Mago. It includes municipal commissioner Johny Joseph, his predecessor Sharad Kale, principal secretaries (urban development) Ramanand Tiwari and (housing) Suresh Joshi, Maharashtra State Road Development Corporation (MSRDC) vice-chairman and MD Anil Kumar Lakhina, Mumbai Metropolitan Region Development Authority (MMRDA) joint commissioner T. Chandrasekhar, and secretary (urban projects) Sanjay Ubale, as its member-secretary.

"Such a plan was long overdue," maintains Shinde, referring to Bombay First's *Vision 2013: Transforming Mumbai into a World-Class City*, evolved by international consultancy firm McKinsey & Co. Bombay First was conceived by 168-year-old BCCI along the lines of the earlier London First initiative. *Vision 2013*, presented to the state government a year ago, pegs a requirement of

Rs2,00,000 crore for its implementation over the next decade.

Scepticism nonetheless runs high. After all, there have in the past been many grandiose schemes for Mumbai's improvement that floundered for want of either funding or political will. The city has all the trappings of a successful metropolis with its vast reserves of talent and skill, its high managerial competence with a global perspective, and an advantageous location which can be fashioned into a world-class airport and major transshipment hub port. But over 55 per cent of its teeming millions dwell in the most squalid shantytowns that are a blot on civilisation. People relieve themselves in full view of passers-by, even in the central business districts (CBDs), and it is perhaps divine intervention that has warded off the plague,

beyond redemption, with no provision for open spaces, and that the city suffers from a venal local government. But he deems it self-defeating to presume that the situation is beyond salvage. It is for such very reason that Bombay First is promoting with redoubled effort its vision for Mumbai to become the city of the future. "If we fail to intervene now, Mumbai could deteriorate and become something quite different — an island of lofty ambitions and failed dreams," Nayar stresses.

Ubale rebuts the argument that if the city were indeed to attain a high quality of life, it will lure an even greater influx from the more impoverished areas of India. But he draws upon the chief minister's observation that while people cannot be prevented from entering the city, they have no

Mumbai: the economic powerhouse

- Financial, commercial, services and trade capital of India
- Accounts for over a fifth of the proposed industrial and industrial investments in the country
- Mumbai and Nhava Sheva ports ensure city's domination in international trade, exports
- Airport handles 40% of India's international and 25% of domestic passenger traffic
- Handles over 35% of cheque clearances, 68% in terms of value, in the country

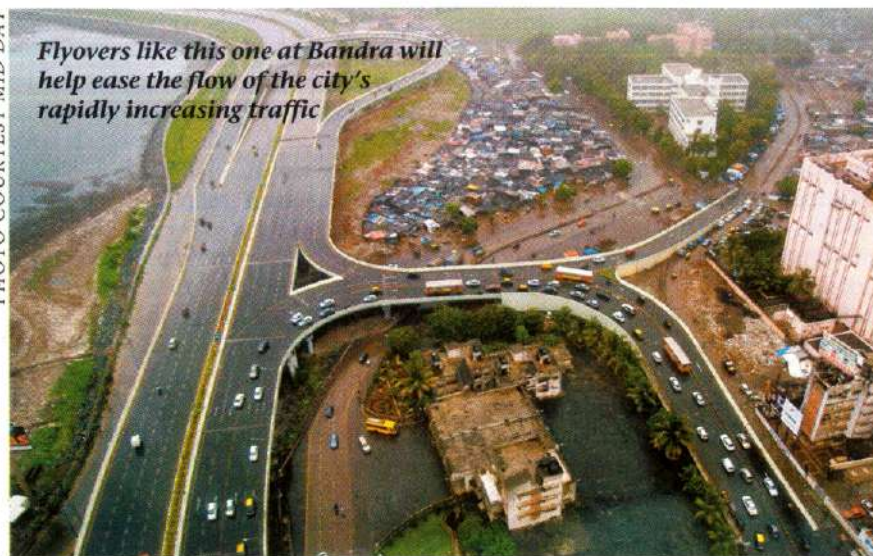
with putrefying refuse lying unattended in the streets. Footpaths are overrun by hawkers, squatters, and kiosks, and ubiquitous hoardings mar this urban sprawl. With 'maintenance' an alien concept, buildings of the past are rapidly succumbing to towering eyesores. And just about every licence, and the means to circumvent it, is available for a price.

Lamenting that Mumbai has too many shortcomings to even find a place among world-class cities, Tata Sons executive director R. Gopalakrishnan asserts, "The question of comparison on the basis of infrastructure does not even arise." Concast's Nayar, who also chairs Bombay First, concedes that runaway construction has blighted the cityscape

right to encroach upon public spaces. But if the government is mindful of this, it should be enforcing the vagrancy laws that have remained uninvoked since Independence.

Mumbai is also home to both the National Stock Exchange and the Bombay Stock Exchange, and together these India's premier bourses dominate the turnover to the extent of 92 per cent and represent virtually the total market capitalisation of India's corporate sector. The Reserve Bank too is headquartered in the city, which has a three-fourth share in terms of banking transactions. The city's major seaports of Mumbai, Jawaharlal Nehru, and Nhava Sheva ensure its regional domination in international trade and

PHOTO COURTESY MID DAY



Flyovers like this one at Bandra will help ease the flow of the city's rapidly increasing traffic

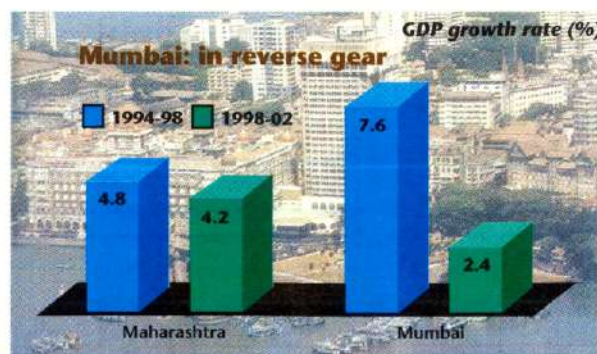
exports, while its airport handles 40 per cent of India's international and 25 per cent of domestic passenger traffic, and equivalent tallies of international and domestic air cargo traffic.

A history of prosperity buttressed the pre-Independence development of Mumbai, as British India's flourishing centre of progress and national advancement. What stewarded its overarching development was its enlightened municipality, which catered to the most fundamental civic needs through systematic town-planning and a benevolent approach to the urban citizenry.

Yet, in the 57 years since Independence, the potential of this once Asian focal point lies in tatters, a city ravaged by its predatory administrators and by its surging tides of immigrants, who identify little with their host city. Mumbai is diseased. This El Dorado for multitudes of fortune-seekers is a victim of its own allure. Some 300 new families daily invade the metropolis with impunity, setting up home wherever they can. Besides, around 300 new passenger vehicles are registered on a daily basis, choking the 1,923.36km road network, which has largely remained static for decades.

BEST buses transport 4.5 million commuters every day, while the Western and Central Mainline and Harbour rail corridors, spanning a combined 376.83 km, freight a further 5.9

million, in cattle car conditions in peak hours where each rake is crammed with 4,500 passengers when it is actually designed for a maximum of 2,000. Besides, while the norm is four acres of green spaces per 1,000 population and while both Delhi and Kolkata have a figure of three acres, Mumbai's is a miserable 0.03. Such a premium on space has inhibited efforts to relocate encroachments on public land, including those that have besieged the Borivli National Park north of the city. There is a chronic water supply shortage as well, and Joseph acknowledges that the supply of 2,939 million litres per day (Mlpd) meets only about 75 per cent of Mumbai's demand for water, though efforts are on to bridge this shortfall by 500 Mlpd by developing the Middle Vaitarna by 2011 and channelling an additional 455 Mlpd from Bhatsa by 2021. The corporation is also executing the Rs1,100 crore city component of the Rs4,000 crore Maharashtra Sewerage



Disposal Project II and the Rs1,900 crore slum sanitation project, he says.

Declining work opportunities in the rest of Maharashtra have engendered an influx of economic refugees into the city. In a sense, the failure of Mumbai is rooted in the failure in the state's rural development and community uplift programmes. Many believe Mumbai had a rousing chance for success if it had been granted independent statehood or converted into a Union territory when Bombay state was bifurcated into Maharashtra and Gujarat in 1960 rather than being merged with Maharashtra. A focused city-state administration would have set the course for its transformation into a global outpost and ring-fenced it from the depredations of state governments that have viewed it as little more than a cash cow.

By contrast, other Asian cities like Hong Kong, Shanghai, Singapore, Kuala Lumpur, Seoul, Jakarta, and Bangkok managed to steal a march over Mumbai within a similar time frame. These urban centres too have been swamped by immigrants from the countryside. Kakkar, who is also president of the Bombay Chamber, regrets that Mumbai neither has any tourist destinations worth the name nor has been able to capitalise on its position as the entry point to India, with foreign tourists arriving in the city travelling onward to more popular destinations like Goa, Kerala, Agra, or Rajasthan.

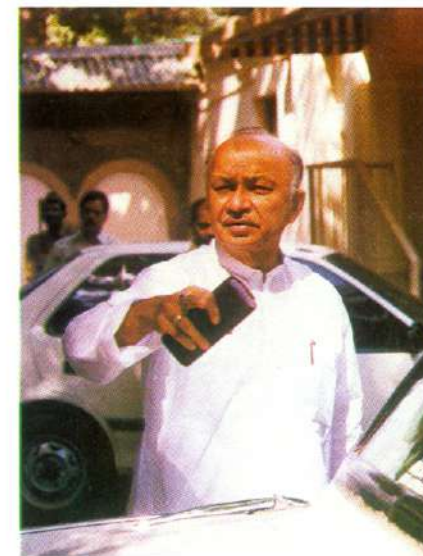
Adi B. Godrej, chairman of the Godrej group that was founded in Mumbai in 1897 by his great-grandfather Ardeshir B. Godrej, is convinced that Mumbai still has a long way to go to become a world-class city. While the city is very dynamic and hence a "great place" to be headquartered in, its physical infrastructure is far from satisfactory, he says. "I do not see much improvement in Mumbai over the next 10 years unless the government overhauls the legal regulations and provides for a framework such as higher FSI (floor space index) together with higher property taxes that a modern urban agglomeration meets," he indicates.

The growth of many a world city has been driven by real

estate, whereas Mumbai's development has been scuppered by a restrictive regime that has benefited but the policymakers. The Municipal Corporation of Greater Mumbai (MCGM) has been trying in vain to recover Rs383.24 crore worth of arrears due from various departments of the state government, which is burdened with debt nudging Rs1,00,000 crore. Besides, as much as 55 per cent of the civic budget is consumed by staff salaries for the 1.33-lakh-strong workforce and 6,000 non-scheduled employees. VRS is not considered an option as it is calculated to strain civic finances by another Rs100–150 crore.

Cities are a state subject under the Constitution. But the 74th amendment of 1992 for the first time accorded municipalities a place in it, conferring responsibilities of economic planning and social justice on them, by special enactment of the concerned state legislatures. Yet, self-governance has proved to be a misrepresentation in the Indian context, with the municipal commissioner routinely on deputation from the state government and answerable to his political overlords. The civic body also has negligible legislative powers. Though Johnny Joseph suggests a workable autonomy, it is the Maharashtra government that determines civic levies like property tax, octroi, theatre tax, water cess, and other service charges. After all, Mumbai's civic body is India's richest, with its annual budgetary outlay of Rs5,497.24 crore outrivalling the budgets of several smaller states. The corporation's own Yearbook 2004 indicates, "The commissioner, a key figure in the local self-government, is the executive head and is virtually under constant watch by the citizens, councillors, and the state administration."

The Citizens' Action Group is hence understandably enthused by Shinde's resolve to revitalise Mumbai, though his legislative constituency is Solapur (south). In fact, Shiv Sena's Manohar Joshi has been the solitary chief minister whose constituency has been from Mumbai. Maharashtra's rulers have long held that their real power accrues from the villages, betraying an underlying unconcern for Mumbai, though the economics of prosperity are closely linked to urbanisation.



Shinde is anxious that the development plans proceed apace, but bemoans the constraints

If there was a political party eminently placed to serve Mumbai it was the Shiv Sena, with its base in the city, its writ running large in urban Maharashtra, and with six ministers hailing from Mumbai in its previous coalition with the BJP. But it chose to leave its mark solely through the renaming of Bombay to Mumbai in 1995 and erecting a blaze of flyovers.

Now, with the 13 October Assembly elections staring him in the face, Shinde is a man in a hurry. But while he is anxious to ensure that Mumbai's ongoing development plans proceed apace, he bemoans the constraints imposed by what he himself terms restrictive laws. He lists these as the Urban Land (Ceiling and Regulation) Act, or Ulcra, of 1976; the Maharashtra Rent Control Act, amended in 1999; the Coastal Regulatory Zone (CRZ) Act of 1991; and the urban heritage and floor space index (FSI) limitations.

"Environmental activism has been a hindrance," Shinde regrets, referring to the emotive issues of CRZ, FSI, and heritage. A committee has been formed to review the issue of FSI in accordance with the official view of seeking area-wise regeneration rather than piece-

meal blockwise development. A proposal for a 50 per cent reduction in property tax in the case of cessed buildings has meanwhile been held up on account of the prevailing electoral code of conduct. But his government has yet to repeal Ulcra, which has been revoked by all states except Maharashtra and Bihar.

Godrej asserts that Mumbai's biggest problem is its slums and the resultant lack of sanitation. "Mumbai became a commercial powerhouse because during British rule most Indian business and industry were headquartered in Mumbai, whereas British-owned enterprises were mainly based in Kolkata," he recalls. "This led to Mumbai's very strong growth and importance in the post-Independence years."

Tata's Gopalakrishnan cites two principal reasons for which Mumbai has suffered, one from without and one from within. The external driver has been the weak achievements of rural economic growth over the past half-century. Absence of jobs and entrepreneurial opportunities as also any credible infrastructure in rural India caused huge migrations to all the urban centres, Mumbai perhaps having had a disproportionate share, he says. The internal factor has been primarily socio-economic. Drawing an analogy, Gopalakrishnan says that when a wage-earning son was overburdened, other family members

worked to ring-fence him and the joint family thus survived as a social and economic institution for centuries. "Mumbai was not similarly ring-fenced within Maharashtra," he remarks. "Archaic labour laws, irrational stamp

duties, inadequate funding for better infrastructure, and politicisation of the municipal corporation all contributed to a decline with an increasing gradient."

Crompton Greaves MD Gautam Thapar also blames poor planning, outdated real estate development laws like the Maharashtra Rent Control Act, and lack of accountability as having been

Maharashtra's rulers have long held that their real power accrues from the villages, betraying an underlying unconcern for Mumbai