

Thiru Pranab Mukherjee,
Hon'ble Union Finance Minister,

Hon'ble Union Ministers of State for Finance,
Hon'ble Finance Ministers of State Governments,

Officers of the Union and State Governments,

Vanakkam. At the outset, I would like to thank the Union Finance Minister for holding this consultative meeting prior to the finalization of the Union Budget for the year 2011-12. Pre-budget consultations with the Finance Ministers of States and Union Territories on last two occasions have proved to be immensely beneficial and I would like to thank the Union Finance Minister for immediately addressing the genuine requests of the State Governments.

2. You will be aware that Tamil Nadu received heavy rains during north-east monsoon this year causing severe damages to life and property. The State Government have undertaken immediate relief and restoration measures. I thank the Central Government for sending a central team promptly for inspecting the affected areas to assess the damages in response to the proposal sent by the State Government for an assistance of Rs.1,832 crores from the National Disaster Response Fund. I appeal to the

Central Government to provide this assistance at the earliest. Further, as a permanent measure to prevent flood damages in the flood prone districts of Nagapattinam, Thiruvarur, Thanjavur and Cuddalore, the State is formulating a Special Flood Control Project. I request the Central Government to support such efforts of the State Government by way of special assistance.

3. The Government of Tamil Nadu is according priority for ensuring decent and safe housing for the poor. As it would take many years to meet the demand for housing in rural areas at the current pace under Indira Awaas Yojana (IAY), the State Government have launched fully State funded massive housing scheme - 'Kalaingar Housing Scheme' for converting 21 lakh huts in rural areas and two and half lakh huts in the town panchayats into permanent houses over a period of six years. Under this scheme, the unit cost has been fixed as Rs.75,000 per house. Considering the huge escalation in the prices of construction material, the State Government has stepped up the unit cost for IAY also to Rs.75,000 by way of increasing roofing cost at Rs.30,000 per unit provided additionally by the State Government over and above its share of 25 percent. I request the Central Government to increase the

unit cost under IAY also to Rs.75,000 as the present unit cost of Rs.45,000 is grossly in-sufficient.

4. I appreciate the Central Government for taking steps to address the issue of urban housing in a mission mode under two components of Jawaharlal Nehru National Urban Renewal Mission (JNNURM), namely, Basic Services for Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP). The Central Government has also launched Rajiv Awas Yojana to tackle the issue of providing safe housing to urban poor. But, the unit costs of Rs.1,30,000 under BSUP and Rs.1,00,000 under IHSDP are inadequate in urban areas. Besides this, the number of houses taken up for construction under these schemes is also inadequate. Therefore, during the Governor's address this year, the State Government has announced a special scheme for providing safe houses in the vicinity of the sources of livelihood to over 8 lakh poor families living in urban slums before the year 2017 by utilising grants available under above schemes of Central Government and meeting the balance requirement from State funds. I urge the Central Government to support these efforts of the State Government for creating slum-free cities by substantially

increasing the allotment under BSUP, IHSDP and Rajiv Awas Yojana. I also urge the Central Government for increasing the unit cost under these schemes to Rs.3,00,000 in Municipal Corporations and Rs.2,00,000 in rest of the urban area.

5. Rapid pace of growth in urban areas and ever increasing urban population leading to increased demand for improving infrastructure and basic amenities. It remains a huge challenge for highly urbanised states like Tamil Nadu to meet such requirements. While appreciating the steps taken by Central Government under JNNURM addressing this issue, I would like to mention that the allocation under this scheme is grossly inadequate to meet the requirement in our State. I urge the Central Government to step up the present allocation and also to expand the scope of this scheme beyond tier I cities.

6. Seasonal fluctuations in price rise on account of market distortions and demand - supply mismatch can be effectively managed by appropriate market interventions through cooperatives. I would like to take this opportunity to suggest for the creation of 'Price Stabilisation Fund' in each State with a corpus of Rs.100 crores to be shared equally between Central and State Government

by allocating necessary funds in the forthcoming Union Budget. This fund may be accessed by the co-operatives as interest free working capital for carrying out market intervention operations as and when required by purchasing and selling products at cost price when there is abnormal spurt in their prices. Price fluctuations, particularly in vegetables, take place due to inadequate linkages. It is time to address the issues like strengthening the market infrastructure with adequate grading and sorting facilities and cold storage linkages by integrating the production centres with consumption centres in a comprehensive manner. A special programme in a mission mode sponsored by the Central Government will help the States to build up adequate marketing infrastructure so that the seasonal fluctuations in prices and abnormal spurt in prices of certain commodities can be effectively managed.

7. Government of Tamil Nadu has taken up river interlinking projects like Tamirabarani-Karumeniyar-Nambiar and Pennaiyar - Cheyyar for proper storage and usage of water for agriculture besides preventing floods at estimated costs of Rs.455 crores and Rs.189 crores, respectively. I urge the Union Government to

provide the necessary financial assistance for these projects on the basis of the resolution passed by the National Development Council under Accelerated Irrigation Benefits Programme.

8. For achieving the objective of universal health care, Government of Tamil Nadu launched Kalaignar Health Insurance Scheme for Life Saving Treatment covering nearly 1.4 crore poor families. Considering the huge impact this scheme is having on the overall socio-economic scenario, it is worth adopting at national level. I suggest that Government of India may consider launching such a scheme at all India level to achieve universal health coverage as an inclusive welfare measure to benefit poor families. Further, an anomalous situation arises wherein the State ends up paying nearly Rs.70 crores as service tax to the Central Government per year while implementing this scheme. Despite repeated requests on the same platform to exempt this scheme from service tax, our request was not considered favourably. I once again urge the Central Government to re-examine this request and consider exempting such welfare schemes implemented by the State Governments from the purview of service tax as the States are implementing these schemes with their limited tax resources.

The State Government can in turn utilise this money for other developmental and welfare schemes.

9. Sarva Shiksha Abhiyan and Rashtriya Madhyamik Shiksha Abhiyan have brought about perceptible improvement as far as universal primary education and middle school education are concerned. Now, there is a need to launch a special programme for strengthening infrastructure for higher education. The Central Government may come out with a special programme to strengthen the infrastructure for higher education and build up quality infrastructure to promote scientific research.

10. I am happy to learn that Government of India is planning to launch a special scheme for strengthening the health infrastructure in urban areas following successful implementation of National Rural Health Mission. While designing the scheme, enough flexibility may be built in to address the specific needs of each State.

11. The views and concerns of the State on various issues relating to the proposed Goods and Services Tax (GST) have been conveyed to the Government of India through various letters and deliberations. We are of the view that fiscal autonomy of the State

must be safeguarded while implementing GST. Resolving the differences through further deliberations may help us to reach a consensus at the earliest. In this regard, we have already suggested that to avoid complex adjustment procedures, the Central Government may consider the origin based IGST instead of destination based IGST by adopting VAT based model. This will be easier to administer and will not affect the present revenue realisation pattern. We also request for an early settlement of issues relating to CST compensation which are pending for quite some time.

12. 13th Finance Commission has laid down certain conditions for release of General Performance Grants for Rural and Urban Local bodies. I wish to inform you that, some of these conditions have already been fulfilled by the State Governments whereas fulfilling some other conditions may take some more time. Pressing hard for fulfilling a few conditions like setting up State Level Property Tax Board may lead to encroachment on the autonomy of local bodies against the spirit of 73rd and 74th Constitutional Amendments. I will be thankful to you, if the conditions prescribed for the release of General Performance Grant

are relaxed to the extent needed for facilitating timely release of funds to the local bodies.

13. 13th Finance Commission has recommended that the interest rates on loans from National Small Savings Fund (NSSF) to States contracted till the end of 2006-07 and outstanding as at the end of 2009-10 be reset at 9%. The Commission has also recommended to write-off of Central loans to States that are administered by central ministries other than Ministry of Finance outstanding as at the end of 2009-10. In both the cases, no communication has been received so far from the Finance Ministry. The Government of Tamil Nadu on its part have amended the Tamil Nadu Fiscal Responsibility Act, 2003 in line with the recommendations of the 13th Finance Commission. I request you to extend relief regarding both the recommendations of 13th Finance Commission with effect from April 1, 2010 during the current financial year itself.

14. We are thankful to Government of India for supporting Chennai Metro Rail Project which will help to reduce traffic congestion in and around Chennai. I urge the Central Government to make adequate provisions in the coming budget for releasing

share capital and subordinate loan for this project commensurate with the progress as well as the share released by the State Government. I request the Central Government to continue the support for this project and also to provide financial assistance for extension of the project upto Thiruvottriyur for which proposal has already been sent to the Government of India. We have also decided to conduct project investigation for establishment of three new lines under this project, which needs support from the Central Government.

15. I am confident that Union Finance Minister will consider all these issues while preparing the Union Budget for 2011-2012. I wish all success to the Union Finance Minister and his able team in preparing the budget.

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