An ambitious $50 billion industrial corridor is being planned along the proposed 1,500-km-long Delhi-Mumbai dedicated rail freight corridor. Aradhana outlines the main features of this mega project that will transform the industrial landscape across half a dozen Indian states.

It is one of the most ambitious projects to be undertaken in India in recent years. The Delhi-Mumbai Industrial Corridor (DMIC), a massive $50 billion project that envisages the transformation of a vast swathe of land – stretching across nearly 1,500 km and linking the two metros – aims to boost industrial and economic development in the country.

Planned on the lines of the Tokyo-Osaka industrial corridor, the memorandum of understanding (MoU) relating to the corridor was signed in December during Prime Minister Manmohan Singh’s visit to Tokyo.

Japanese Prime Minister Shinzo Abe is scheduled to visit India later this year, and a detailed presentation on DMIC would be made to the two premiers during the visit. The financing of the project is expected to be stitched up by the year’s end, and the project expected to take off in January. It is likely to be executed in seven years.

The Department of Industrial Policy and Promotion (DIPP) of the Union Ministry of Commerce and Industry has appointed Infrastructure Leasing & Financial Services (IL&FS), a leading Indian infrastructure and development finance company, as consultant for the ambitious project.

The announcement of the project is likely to take Indo-Japanese relations to a new high. According to T K A Nair, Principal Secretary to the Indian Prime Minister, this is the first time that India has entered into a bilateral partnership of this sort with any country. This is a ‘unique’ proposal which has never been attempted with any other country. The idea apparently is to secure Japanese investment and assistance in key infrastructure projects.

Japan has been a significant investor in India. According to DIPP figures, foreign direct investment (FDI) inflows from
Japan (as of November 30, 2006) were $46.13 billion, which made the country the fourth largest investor in the country in terms of overall FDI inflows.

The $50 billion project is expected to further boost economic ties between India and Japan. Says Akira Amari, the Japanese Minister of Economy, Trade and Industry: “The corridor should be beneficial to both the countries in terms of development of ports, business parks and infrastructure. Japan is committed to a huge investment for the project.”

Adds Osamu Watanabe, former chairman, and CEO, Japan External Trade Organisation (JETRO): “It is difficult to estimate the quantum of investment that the project will invite. However, it is certain that the investment will be huge as it’s based on the successful model of Pacific industrial belt in Japan.”

The proposed industrial corridor will greatly help to reduce the turnaround time for vehicles, boost imports and exports and enhance safety. According to a Union Commerce Ministry official the corridor will within five years of its completion deliver a 15 per cent increase in employment, a 28 per cent increase in industrial output and 38 per cent increase in exports.

With expectations running high it is expected that work on the proposed project will start in January next year and will take about seven years to complete. “Industrial corridors are an efficient way forward as they ensure inter-dependence of various sectors of the economy and offer effective integration between industry and infrastructure leading to economic development,” says Ajay Dua, secretary, DIPP.

As is the norm for building mega infrastructure projects in the country, the industrial corridor will be built as a public-private partnership. The Indian and Japanese governments will invest $2 billion initially and the industrial corridor will emerge within 150 km each side of the proposed 1,483 km long dedicated railway freight corridor in the first phase. It will cover six Indian states of Delhi (22 km), Haryana (148 km), Uttar Pradesh (22 km), Rajasthan (578 km), Gujarat (565 km) and Maharashtra (148 km).

These states include the most populated and most industrialised regions in the country. The corridor will offer high speed connectivity for High Axle Load Wagons (25 tonnes) of double-stacked
container trains supported by high power locomotives. Notes Dua: “The industrial corridor will have three ports, six airports and a 4,000 MW power plant to serve it apart from connectivity with existing sea ports.”

It would also link 10 cities with a population exceeding a million each – Delhi, Faridabad, Meerut, Jaipur, Ahmedabad, Vadodara, Surat, Nashik, Pune and Greater Mumbai.

Industrial corridors have typically been built along major transport arteries – highways, passenger train connectivity or rail freight corridors – and offer cost effective and efficient access, state-of-the-art industrial, commercial, transport and agricultural facilities located in the hinterland.

These corridors are specifically linked with ports to facilitate imports and exports. In fact other examples of industrial corridors include the North-West transportation and trade corridor of Canada, which has also been built along major transport arteries.

“The project states have been chosen for a strategic reason,” points out Dua. “These states account for 54 per cent of the country’s gross industrial output, 60 per cent of total exports and between the years 2000 and 2006 these states received 52 per cent of the total FDI inflows into the country. In addition the infrastructure parameter of the states is also strong with their having 34 per cent of the country’s total road length and 43 per cent of the rail network.”

The cargo handled at the major ports of these states accounts for 30 per cent of the total cargo handled at all the ports in the country. The Delhi-Mumbai industrial corridor will cover an area housing 180 million people.

Adds Watanabe: “While Japanese companies will be looking forward to invest in many states, I believe that Rajasthan is coming up well as the destination for future investment.”

The Delhi-Mumbai Industrial Corridor Development Corporation, it is learnt, will float special-purpose vehicles to fund the project and implement the various components. It is also expected that the concept design for the project could be finalised soon.

Putting the size of the project in perspective, Union Minister for Commerce and Industry, Kamal Nath, points out that India’s entire FDI in the current fiscal is expected to be about $25 billion. “And this project alone will cost around $50 billion over a seven-year period.”

The Minister says the government will not be responsible for acquiring any land for the corridor. “The companies that plan to set up units in the corridor will have to look for land and procure it themselves. But land should not be a problem because the corridor is spread over a large area. Some Japanese companies are already interested in it.”

In fact, some of these companies have also expressed a commitment to investing and helping build roads, ports and industrial parks within the corridor. A high-powered Japanese business delegation is expected to visit India in July to look for more such opportunities.

Already the proposed corridor has other states wanting to replicate the model. The central government plans to develop the Delhi-Kolkata freight route into an industrial corridor. Initial studies on the proposed eastern India corridor will begin in early 2008.

The new Delhi-Kolkata freight corridor, with a railway and highway link, will link New Delhi to Bengal via Uttar Pradesh and is expected to cost about $4.7 billion. Work on the Delhi-Mumbai high-speed freight link (the dedicated freight corridor) has already started. The government also hopes to formulate a policy relating to ‘manufacturing investment regions’ (MIRs), to attract foreign investments for the DMIC.

The MIR policy is likely to be on the lines of the Petroleum, Chemical and Petrochemicals Investment Region (PCPIR) policy, which was approved recently by the government, and targetting the petrochemical sector. There could be about half a dozen MIRs along the corridor.

With infrastructure projects finally getting a much needed boost, it is hoped that the ambitious DMIC project will be a role model for other infrastructure projects slated to come up in other parts of the country.”