

NOTE ON

Amendments to the
Andhra Pradesh Reorganisation
Bill, 2013

**Comprehensive institutional
arrangements for harmonious
reconciliation of regional disparities**

Hyderabad
January 30, 2014

Note on Amendments to the text of the *Andhra Pradesh Reorganisation Bill, 2013*

1. Introduction and Overview

Reorganisation (bifurcation) of Andhra Pradesh State by the Centre has to be preceded by an objective, comprehensive and amicable resolution of several outstanding and vital issues related to inter-regional disparities and development. However, the proposed scheme for bifurcation of Andhra Pradesh as provided for in the *Andhra Pradesh Reorganisation Bill, 2013* does not achieve the same.

First is the issue of financial and developmental implications of the State reorganisation, in general and the problem of region-wise revenue deficits, in particular. Unless these financial issues are addressed, administration in the successor States would come to a standstill. In such a case, employees would not get their salaries and development and welfare schemes would grind to a halt. The perilous financial state of the Rayalaseema region, which happens to be the most backward among the three regions of the State, cannot be side stepped. Similarly, the three districts of North Coastal Andhra region too are poorly endowed with natural resources, ranked poorly on human development indicators and are backward with respect to infrastructure, institutional capacity and economic standards. Therefore there is a need for a special focus on these regions to ensure regional balance and harmonious economic development through an empowered governance structure with guaranteed finances.

Second, the aforementioned *Bill* provides for Hyderabad city to serve as a transitory common capital area for the two successor States with law-and-order matters to be placed under the special responsibility of the Governor. While such transfer of functions to the Governor runs contrary to the existing Constitutional framework no suitable and enabling Constitutional provision is sought to be created along with this *Bill*.

Figuring next are the multiple issues of

- creating a new major port at Ramayapatnam (Prakasam district) as recommended by the State Cabinet, in addition to Duggirajapatnam port (Nellore district), which would serve the infrastructural needs of the Krishna delta region.
- including the submerged areas under the Polavaram Multipurpose Project in the successor State of Andhra Pradesh and designating it as a national multipurpose project and speeding up the project
- deemed approval for all the on-going surplus water based projects on the Krishna River by the successor States of Telangana and Andhra Pradesh.
- guaranteeing creation of essential infrastructure in the successor States in a time-bound manner with central support, and
- protecting the interests of people of origin from outside the successor States and related.

It is imperative that fair, equitable and effective solutions to the above issues are provided by the *Bill*, so that justice is demonstrably ensured to all the regions. This Note identifies requisite amendments to the Bill to serve this objective.

2. Special *Category* status to the Rayalaseema region and *Autonomous Regional Council* for North Coastal Andhra region

Andhra Pradesh is made up of 23 revenue districts and three regions: Telangana (ten districts, including Hyderabad), Rayalaseema (four districts) and Coastal Andhra (nine districts). Within Coastal Andhra, the three northern-most districts of Srikakulam, Vizianagaram and Visakhapatnam form the North Coastal Andhra Region. (see *Figure 1*).¹

2(a). Rayalaseema:

The four revenue districts comprising the Rayalaseema region are poorly endowed by nature. For example, it has the lowest annual average rainfall among the three regions of the State. It also has the lowest population and population density. Further, Rayalaseema ranks lowest on human development indicators such as education (seen in overall literacy and female literacy rates), health (IMR, MMR and access to drinking water) and sanitation (access to latrines) and is the most disadvantaged in respect of economic standards (per capita incomes, agricultural productivity, irrigation intensity and growth rates in manufacturing and service sectors) and infrastructure (for example, installed power generation capacity) (see *Table 1*).²

Rayalaseema region also happens to be the poorest in terms of State revenues: for the financial year 2012-2013, Andhra Pradesh's total revenue receipts, comprising State's tax and non-tax revenue, share in Central taxes and Central grants, would come to Rs.1,03,830.28 crore. The State's total receipts go up to Rs.1,27,566.74 crore if public debt, PF receipts and loans and advances are included. Against that, the

¹ Refer to Page 13

² Refer to Page 14

total State revenue expenditure is Rs.1,29,440.92 crore. In other words, the entire State has a deficit of Rs. 1874 crore. But there is a tremendous variation in the regional distribution of this revenue deficit/surplus. Rayalaseema has a revenue deficit of Rs. 7005 crore, which is the highest among the three regions. For the same period, Coastal Andhra has surplus of Rs.684 crore. The Telangana region, excluding Hyderabad, has a deficit of Rs.8,407 crore while Hyderabad alone has a surplus of Rs.12,854 crore (*see Table 2*).³ After the reorganisation of Andhra Pradesh and the consequential bifurcation, such surplus would not be available to Rayalaseema.

Further, various socioeconomic indicators point out that Rayalaseema's backwardness is comparable to that of the existing Special Category States (SCS) of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand (*see Table 3*).⁴ Considering this socio-economic backwardness, there is a felt need for designating these districts as the **Rayalaseema Special Category Region**, towards enabling access to benefits and incentives from the Central Government on par with the aforementioned SCS.

The concept of Special Category States (SCS) was introduced to give identified disadvantaged States (those having low resource base and poor finances) preferential treatment during transfer of central funds and tax breaks. The central assistance to Special Category States is the most generous and maintained at the highest levels among all States; it is channeled through various pathways including non-plan revenue grants (including but not limited to revenue deficit grants) and plan revenue grants, including but not limited to grants for Centrally Sponsored Schemes, Central Sector Schemes and State Sector Schemes (*see Table 4*).⁵ The Normal Central Assistance (NCA), the main route for transfer of plan grants to States, is weighed heavily in favour of the SCS: 11 SCS comprising

³ Refer to Page 15

⁴ Refer to Page 16

⁵ Refer to Page 17

around 6.2% of the country's population are given 30% of the NCA while the remaining non-SCS have to share the 70% NCA. Even the nature of this NCA fund-transfer to SCS is on highly favourable terms: grants and loans are in the ratio 90:10. The non-SCS access NCA funds on far less favourable terms: grants and loans forming 30:70 ratio. Likewise, SCS get highly preferential treatment through Additional Central Assistance (ACA) and grant-heavy Centrally Sponsored Schemes (CSS).

Creating and treating **Royalaseema Special Category Region** on par with the SCS would therefore enable Royalaseema to access a significantly greater share of central assistance and on more generous terms than otherwise.

In addition to the above budgetary support measures, the Central Government should take appropriate fiscal measures, including offer of tax incentives, to the successor States, to promote industrialisation and economic growth in both the States. More specifically, industrial units and undertakings in the **Royalaseema Special Category Region** should be incentivized in the following manner:

- 100% Central Excise exemption on specified items, for not less than 20 years.
- 100% Income Tax exemption for first 10 years and 30% for next 20 years for the Companies and 25% for other than companies for a further period of 20 years under relevant provisions of the IT Act.
- Central Capital Investment Subsidy at the rate of 15% for investment in plant and machinery subject to a maximum of Rs. 30 lakhs to all new as well as existing units on substantial expansion, for not less than 20 years.
- Freight Subsidy Scheme - 2013 of the Central Government should be extended to all eligible industrial units in the **Royalaseema Special Category Region**.

The above incentives would create **Royalaseema Special Category Region** as the first 'tax-haven' for industries in the entire peninsular India (as the existing

Special Category States are entirely in the Himalayan region). Thereby, Rayalaseema would attract huge investments from Bangalore, Chennai, Hyderabad, Mumbai, etc., which in turn, would help create jobs and generate revenues. Once economic activity is stimulated in the **Rayalaseema Special Category Region** through the implementation of measures as listed above, the revenue deficit of the region would reduce, consequent to which, the burden on the Central Government to support the same in its Budget will also come down. Thus, the implementation of such measures would be fiscally prudent for the Central Government in the long term.

Therefore, it is imperative for the Central Government to provide special budgetary support, benefits and assistance along with complementary fiscal incentives for the development of the **Rayalaseema Special Category Region** on par with those provided to the existing Special Category States.

2(b). North Coastal Andhra region:

The three districts of North Coastal Andhra - Visakhapatnam, Vizianagaram and Srikakulam - currently lag behind when compared to the other districts in various socioeconomic counts. For instance, Vizianagaram has the highest Infant Mortality Rate (IMR) in whole of Andhra Pradesh. The region's performance in other health indicators too, like MMR, institutional delivery, child health is not encouraging. Diseases like malaria and diarrhea are endemic in the agency areas of North Coastal Andhra.

There is a shortfall of infrastructure in North Coastal Region especially in irrigation. The gross irrigated area as a percentage of the geographic area of this region is not only lower when compared to the rest of coastal Andhra but also stagnant over years. The per hectare agriculture output is low though the region has numerous small rivers. In regard to the agriculture and allied activities, the per capita income of North Coastal Andhra is less than half that of the total coastal Andhra.

Further, the average literacy rate of this region is below that of the State's average. Lack of basic amenities and very low human development are hampering the realization of entrepreneurial potential of northern coastal districts to the fullest extent. This led to multiple intra-regional disparities in Coastal Andhra.

At the same time, the Greater Visakhapatnam Municipal Corporation (GVMC) area is characterized by the presence of industrial areas and is developing at a faster pace than the remaining North Coastal areas. In fact, it is on par with other major cities on various fronts.

Therefore, creation of a North Coastal Andhra Autonomous Regional Council (NCRC), excluding the areas under the GVMC, will ensure an equitable socio-economic development and political empowerment of the northern coast. This arrangement would safeguard the developmental needs, autonomy and aspirations of the North Coastal region. Further, in order to ensure genuine regional autonomy and to provide functional governance avenues for harmonious development, it may be necessary to incorporate a special provision for the creation of an NCRC, within the successor State of Andhra Pradesh under Article 371(1) in the Constitution of India.

Accordingly, the President of India may issue by order providing for the following, among other necessary provisions

- the constitution, composition and functions of the NCRC
- the subject matters to be brought under its purview
- a consultative mechanism with significant powers to NCRC to recommend legislative or executive action
- special powers to be vested in the Governor for overall administrative oversight of the Council.

The administration of autonomous regional council for the Northern Coastal region, addresses the apprehensions of the people of this region. Further, this

special arrangement also addresses the backwardness of the region and avoids further discontent.

Once we ensure the Special Category Status to Rayalaseema and Autonomous Regional Council for North Coastal Andhra, the following picture will emerge:

- Telangana – The State will have ten districts including Hyderabad City as per the wishes of the people.
- Rayalaseema – The four districts will be a Special Category Region which will address the revenue deficit, and through tax exemptions will ensure investments, jobs, economic growth and prosperity. If people of Rayalaseema so wish, Rayalaseema can be a separate State in the Special Category.
- Coastal Andhra with Autonomous Council for North Coastal Andhra – It will have nine districts with coast line, good rainfall, agricultural surplus and entrepreneurial energy. At the same time, the NCRC (Autonomous Regional Council for North Coastal Andhra) with adequate empowerment will bridge the intra-regional disparities and ensure development in the districts of Srikakulam, Vizianagaram and Visakhapatnam.

If steps are taken to ensure that all Telugu speaking people have access to Hyderabad for investment, residence and employment within the bounds of the Constitution, and once the revenue deficits are addressed, this solution will fulfill the aspirations of all regions, eliminate fears and sense of hurt, and will give the opportunity to all three regions to prosper.

Therefore, the *Andhra Pradesh Reorganisation Bill, 2013* should be appropriately amended as given below*:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	<p>Section 4</p> <p>On and from the appointed day, the State of Andhra Pradesh shall comprise the territories of the existing State of Andhra Pradesh other than those specified in section 3.</p>
Amendment Required	<p>On and from the appointed day, the State of Andhra Pradesh shall comprise the territories of the existing State of Andhra Pradesh other than those specified in section 3.</p> <p><i>Provided that the four territories of the existing State of Andhra Pradesh namely:-</i></p> <p style="text-align: center;"><i>Revenue districts of Kurnool, Anantapur, YSR and Chittoor</i></p> <p><i>Shall be designated as the RAYALASEEMA SPECIAL CATEGORY REGION and shall be accorded such status, benefits and incentives including but not limited to budgetary revenue deficit support, other grants and supports from the Central Government and incentives for creation of industries, employment and revenues, as provided for in Section 46(2) and Section 94(1) of this Act.</i></p> <p><i>Provided further that there shall be constituted a NORTH COASTAL ANDHRA AUTONOMOUS REGIONAL COUNCIL comprising the three territories of the existing State of Andhra Pradesh namely:-</i></p> <p style="text-align: center;"><i>Revenue districts of Srikakulam, Vizianagaram and Visakhapatnam excluding the Greater Visakhapatnam Municipal Corporation area</i></p> <p><i>and shall be given such autonomous status, benefits and incentives, including but not limited to support, resources, other grants from the Central Government and incentives for creation of industries, employment and revenues as provided for in Section 46(2) and Section 94(2) of this Act, so as to ensure fairness, equity, regional balance and harmonious economic development.</i></p>

*If necessary, appropriate provision may be incorporated in Article 371 of the Constitution providing for Rayalaseema Special Category Region, and North Coastal Andhra Autonomous Regional Council.

Original clause in the <i>AP Reorganisation Bill, 2013</i>	<p>Section 46 (2)</p> <p>Notwithstanding anything in sub-section (1), the Central Government may, having regard to the resources available to the successor State of Andhra Pradesh, make appropriate grants to that State.</p>
Amendment Required	<p>Notwithstanding anything in sub-section (1), the Central Government may, having regard to the resources available to the successor State of Andhra Pradesh, make appropriate grants to that State.</p> <p><i>Provided that it shall be the responsibility of the Central Government to fund</i></p> <p><i>non-plan revenue grants, including but not limited to revenue deficit grants,</i></p> <p><i>and plan revenue grants, including but not limited to grants for Centrally Sponsored Schemes, Central Sector Schemes and State Sector Schemes,</i></p> <p><i>to the RAYALASEEMA SPECIAL CATEGORY REGION, on par with Special Category States of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand.</i></p> <p><i>Nothing in this Act prevents the government from making similar arrangements for the NORTH COASTAL ANDHRA AUTONOMOUS REGIONAL COUNCIL area.</i></p>

Original clause in the <i>AP Reorganisation Bill, 2013</i>	Section 94 (1)
Amendment Required	<p>The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the successor States, to promote industrialisation and economic growth in both the States.</p> <p>The Central Government shall take appropriate fiscal measures, including offer of tax incentives, to the successor States, to promote industrialisation and economic growth in both the States.</p> <p><i>In particular, the Central Government shall implement additional measures in the RAYALASEEMA SPECIAL CATEGORY REGION including but not limited to the following:</i></p> <p><i>(a) 100% Central Excise exemption on items as specified by the Central Government, for not less than 20 years.</i></p> <p><i>(b) 100% Income Tax exemption for first 10 years and 30% for next 20 years for the Companies and 25% for other than companies for a further period of 20 years under Section 80-C of the Income Tax Act, 1961.</i></p> <p><i>(c) Central Capital Investment Subsidy at the rate of 15% for investment in plant and machinery subject to a maximum of Rs. 30 lakhs to all new as well as existing units on substantial expansion, for not less than 20 years.</i></p> <p><i>(d) Freight Subsidy Scheme – 2013 of the Central Government extended to all eligible industrial units.</i></p> <p><i>Nothing in this Act prevents the government from making similar arrangements for the NORTH COASTAL ANDHRA AUTONOMOUS REGIONAL COUNCIL area.</i></p>

Figure 1

Andhra Pradesh

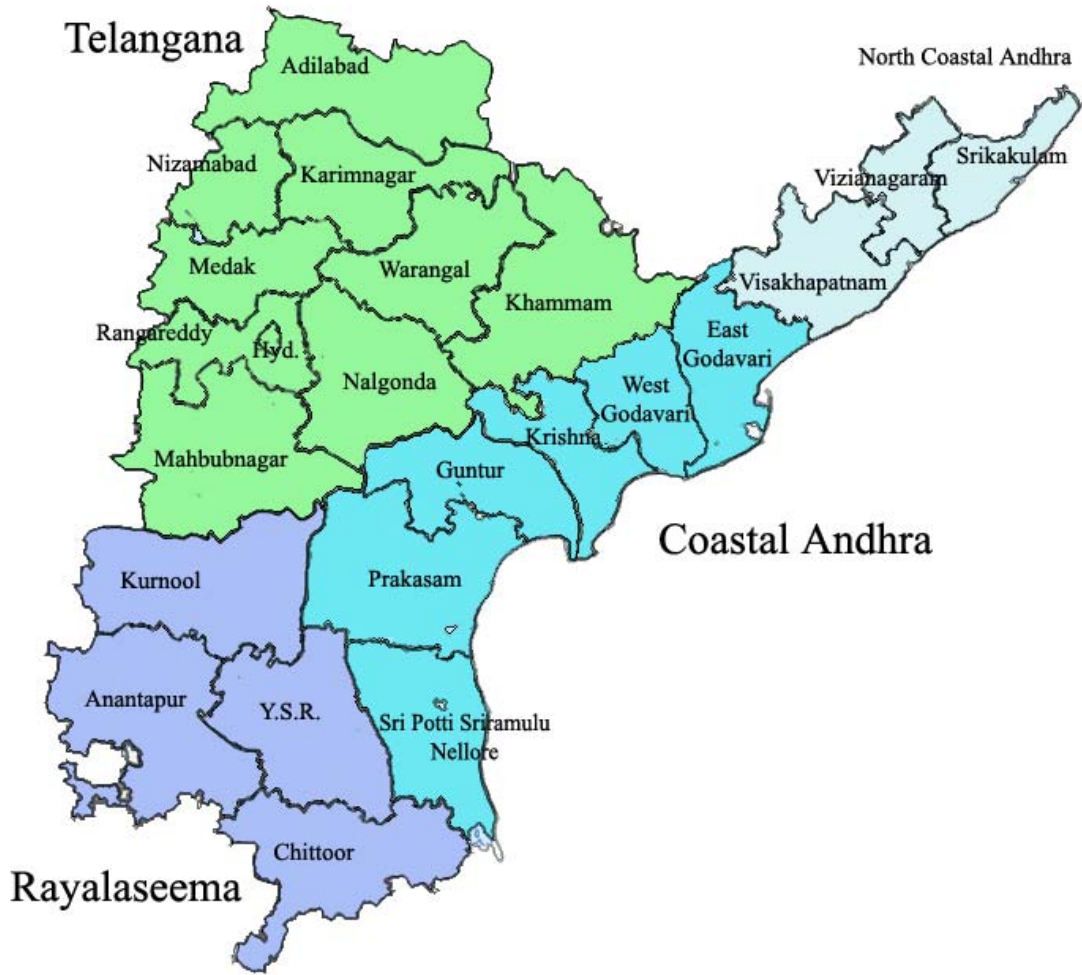


Table 1: Profiles of the three regions of Andhra Pradesh (AP)

	Region	Telangana	Coastal Andhra	Rayala Seema	AP
Geographical	Area ('000 sq. km, 2011 Census)	114.8	92.8	67.4	275
	Population (in millions, 2011 Census)	35.28	34.19	15.18	84.65
	Population Density (per sq. Km, 2011 Census)	307	368	225	308
	Average Annual Rainfall (Normal values in millimeters, AP Statistical Abstract, 2012)	906.54	1078.11	714.07	940.1
Human Development	Literacy Rate (in percentage, 2011 Census)	67.21	68.66	66.34	67.66
	Female Literacy Rate , (in percentage, 2011 Census)	58.77	62.1	56.5	59.74
	Infant Mortality Rate (per 1000 live births, 2011, Annual Plan of AP 2013-14)	45.9	39.22	44.5	43
	Maternal Mortality Rate (per 1 lakh live births, 2007-09, Annual Plan of AP 2013-14)	132.7	129.5	137.2	134
	% Non-availability of drinking water source within premises (2011 Census)	45.85	61.30	70.99	56.75
	% of HH without latrine facility (2011 Census)	47.56	49.09	60.58	50.42
Economic and Physical infrastructure	Per Capita Income (2009-10, Current Prices)	55145	54130	43115	52814
	Agricultural Productivity (Average yield/hectare, in Rs '000, Srikrishna Committee Report)	20.2	33	15.3	24.6
	Irrigation Intensity (gross irrigated area/gross cropped area, 2008-09, Srikrishna Committee Report)	50.4%	60.6%	25.3%	
	Manufacturing Growth Rate (Average annual growth rates 2001-02 to 2006-07, Centre for Economic and Social Studies)	8.5%	11.0%	-2%	7.7%
	Service Sector Growth Rate (Average annual growth rates 2001-02 to 2006-07, Centre for Economic and Social Studies)	10.2%	8%	7.2%	9.4%
	Power Generation Installed Capacity (MW as on 30-06-2010 - State's own capacity, Srikrishna Committee Report)	4368	5242	1840	11450

Table 2: Region wise Revenues (2012-13)

Region	Receipts	Expenditure	Surplus(+) or Deficit(-)
Coastal Andhra	47,937.22	47,253.54	+684
Rayalaseema	18,215.39	25,220.03	-7005
Telangana (excluding Hyderabad)	41,391.92	49,798.97	-8407
Hyderabad	20,022.22	7,168.38	+12854
Total AP	1,27,566.74	1,29,440.92	-1874

(Rs. in crores)

**Table 3: Comparison of socio-economic status of
Rayalaseema with Special Category States**

State/Region Parameter	Assam	Himachal Pradesh	Uttarakhand	Jammu & Kashmir	Rayalaseema
Area (‘000 sq. km, Census, 2011)	78.43	55.67	53.48	222.2	67.4
Population (in millions, Census, 2011)	31.20	6.86	10.08	12.54	15.18
Population Density (per sq. km, Census, 2011)	398	123	189	56	225
Infant Mortality Rate (per 1000 live births, 2011, SRS Bulletin 2012)	55	38	36	41	44.5 <i>(Annual Plan of AP 2013-14)</i>
Literacy Rate (in percentage, Census, 2011)	72.19	82.8	78.82	67.16	66.34
Female Literacy Rate (in percentage, Census, 2011)	66.27	75.93	70.01	56.43	56.5
% Non-availability of drinking water source within premises (Census, 2011)	45.2	44.5	41.7	51.8	70.99
% of HH without latrine facility (Census, 2011)	35.1	30.9	34.2	48.8	60.58
% of Population Below Poverty Line (Planning Commission, 2011-12)	31.98	8.06	11.26	10.35	28 <i>(2007-08, Srikrishna Committee Report)</i>
Per Capita Net State Domestic Product (current prices 2009-10 in Rs, MoSPI Press Release)	27197	50365	59584	30582	42320
Installed Capacity of Power Utilities (in MW, as on 30.06.2011, All India Installed Generation Capacity Report, Ministry of Power)	978.84	2826.72	2455.24	2296.14	1840 Power Generation Installed Capacity <i>(Srikrishna Committee Report as on 30.06.2010)</i>

Table 4: Comparison of Grants allocated by the Centre to various States (2012-13 BE)

S No	Item	ASSAM	HIMACHAL PRADESH	UTTARA KHAND	JAMMU & KASHMIR	MIZORAM	MANIPUR	MEGHALAYA	TRIPURA	ARUNACHAL PRADESH	NAGALAND	SIKKIM	ANDHRA PRADESH
(i)	Total Revenue Receipts of the State(<i>Rs. in Cr</i>)	37662.8	16342.97	16158.95	29947.74	4796.48	7746.43	6975.42	7164.14	6522.31	6521.7	4792.91	116786.96
(ii)	Total grants from the Centre to State (<i>Rs. in Cr</i>)	15157.5	6910.15	5582.07	18165.73	3562.92	5670.74	4546.79	4712.39	4820.5	5162.36	2690.92	14948.68
(iii)	Of which Non Plan Revenue Deficit Grant (<i>Rs. in Cr</i>) (% Of Item(i))	-	1883 (11.5%)	-	3355 (11.2%)	908 (18.9%)	1379 (17.8%)	819 (11.7%)	1030 (14.4%)	623 (9.6%)	1719 (26.4%)	-	-
(iv)	Percentage of Grants from the centre of Total Revenue Receipts of State	40.30%	42.30%	34.50%	60.70%	74.30%	73.20%	65.20%	65.80%	73.90%	79.16%	56.14%	12.80%
Total Grants from the Centre= State Plan Schemes + Central Plan Schemes + Centrally Sponsored Schemes + NEC/ Special Plan Scheme + Non-Plan Grants (Non Plan grants = Statutory Grants + Grants for relief on account of Natural Calamities + Others)													
(Based on RBI's <i>State Finances: A Study of Budgets of 2012-2013</i>)													

3. Enabling Constitutional framework for transfer of functions to Governor in the common capital area

Public order is listed as Item – I of List II in the Seventh Schedule to the Constitution of India. Public order is thus a State subject, and the State Legislature has exclusive power to make laws with respect to public order.

Therefore, transfer of functions with respect to law and order (for the common capital area) to the Governor by the Parliament, as sought to be done through the original text of Section 8 cannot be achieved without an amendment to the Constitution. Similar transfer of special responsibility to the Governor of Arunachal Pradesh has been done in the past by way of the Constitution (55th Amendment) Act, 1986. Thus, a Constitutional Amendment is necessitated here, as well.

Hence, an enabling Constitutional provision, by way of *Constitution (121st Amendment) Act, 2014* is required. This enabling provision would create a Constitutional basis for the common capital area and transfer of specified functions (including special responsibility over life, liberty and property, law-and-order, internal security and security of vital installations and such other functions as may be transferred by the President) to the Governor of the successor States to promote harmonious and equitable development in the common capital area, by inserting a new Art. 371K under Part XXI ('TEMPORARY, TRANSITIONAL AND SPECIAL PROVISIONS') of the Constitution:

<p>Original clause in the <i>AP Reorganisation Bill, 2013</i></p>	<p>Section 8</p> <p>(1) On and from the appointed day, for the purposes of administration of the common capital area, the Governor shall have special responsibility for the security of life, liberty and property of all those who reside in such area.</p> <p>(2) In particular, the responsibility of the Governor shall extend to matters such as law and order, internal security and security of vital installations, and management and allocation of Government buildings in the common capital area.</p> <p>(3) In discharge of the functions, the Governor shall, after consulting the Council of Ministers of the State of Telangana, exercise his individual judgment as to the action to be taken: Provided that if any question arises whether any matter is or is not a matter as respects which the Governor is under this sub-section required to act in the exercise of his individual judgment, the decision of the Governor in his discretion shall be final, and the validity of anything done by the Governor shall not be called in question on the ground that he ought or ought not to have acted in the exercise of his individual judgment:</p> <p>(4) The Governor shall be assisted by two advisors to be appointed by the Central Government.</p>
<p>Amendment Required (including Amendment to the Constitution of India)</p>	<p><u>Before enactment of Section 8, the Constitution (121st Amendment) Bill, 2014 must be introduced in the Parliament with the following provisions:</u></p> <p><i>An Act further to amend the Constitution of India. Be it enacted by the Parliament in the Sixty-fifth Year of the Republic of India as follows:-</i></p> <p><i>1. This Act may be called the Constitution (One Hundred and Twenty First Amendment) Act, 2014</i></p> <p><i>2. After Article 371J of the Constitution, the following Article shall be inserted, namely –</i> <i>“371K. Special Provisions with respect to the common capital area for the States of Andhra Pradesh and Telangana.</i></p> <p><i>Notwithstanding anything in this Constitution,</i></p> <p><i>(1) The Parliament may by law provide for a common capital area for the State of Andhra Pradesh and the State of Telangana for a period as may be specified by the law.</i></p>

(2) For the purposes of administration of the common capital area, as specified by the law under sub-section (1), the Governor for both the successor States of Andhra Pradesh and Telangana shall have special responsibility for the security of life, liberty and property of all those who reside in such area.

(3) Notwithstanding anything in sub-sections (1) and (2), the Governor for both the successor States of Andhra Pradesh and Telangana shall have such other functions as may be transferred by the President of India from time to time, for the harmonious and equitable governance in the common capital area of Hyderabad, during the period for which it remains the common capital.”

Section 8 of the Andhra Pradesh Reorganisation Bill, 2013 must be accordingly amended to read:

To give effect to the provisions of Article 371K of the Constitution of India,

(1) On and from the appointed day, the responsibility of the Governor for both the successor States of Andhra Pradesh and Telangana of Andhra Pradesh shall extend to matters such as law and order, internal security and security of vital installations, and management and allocation of Government buildings in the common capital area of Hyderabad, **and such other functions as may be transferred by the President from time to time, as specified in Article 371K of the Constitution of India.**

(2) In discharge of the functions, the Governor for both the successor States of Andhra Pradesh and Telangana shall, after consulting the Council of Ministers of the State of Telangana, exercise his individual judgment as to the action to be taken:

Provided that if any question arises whether any matter is or is not a matter as respects which the Governor for both the successor States of Andhra Pradesh and Telangana is under this sub-section required to act in the exercise of his individual judgment, the decision of the Governor for both the successor States of Andhra Pradesh and Telangana in his discretion shall be final, and the validity of anything done by the Governor for both the successor States of Andhra Pradesh and Telangana shall not be called in question on the ground that he ought or ought not to have acted in the exercise of his individual judgment:

(3) The Governor for both the successor States of Andhra Pradesh and Telangana shall be assisted by two advisors to be appointed by the Central Government.

4. Protecting interests of citizens of origin from outside the State

After the creation of new States, a perceived sense of loss, insecurity and fear may arise among people of origin from the successor State of Andhra Pradesh residing in Telangana, with likely correspondingly reciprocal feelings among people of origin from the successor State of Telangana residing in Andhra Pradesh. Protection of such cultural minorities' interests through an explicit and unambiguous provision in the *Bill*, rooted in the Constitutionally-guaranteed Fundamental Rights (Art. 29), would go a long way in comprehensively addressing any such insecurity. Thus, unity in diversity can be fostered, social harmony can be promoted and the prosperity of Telugu speaking people can be shared even after the bifurcation of the existing State. Hence, the following amendment to the *Bill* is necessitated:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	None
Amendment Required	<p>Insertion of a new Part IIA with a new Section 10A after Section 10 of Part II</p> <p style="text-align: center;">PART IIA PROTECTION OF INTERESTS OF CITIZENS OF ORIGIN FROM OUTSIDE THE STATE</p> <p>10A. Any section of the citizens residing in either of the successor States of Andhra Pradesh or Telangana being of origin from outside that State shall be considered as a minority for the purposes of Article 29 of the Constitution of India and shall enjoy the protection of interests of minorities guaranteed therein.</p>

5. Expediting River Projects: Submergence Areas under Polavaram Multipurpose Project to successor AP State & Krishna River surplus water based projects

The Polavaram Project is primarily intended for the integrated and effective utilization of water resources in the existing State of Andhra Pradesh for irrigation, power generation and water supply for industrial and drinking purposes. Therefore, it must be designated as a Multipurpose Project. The project diverts the unutilized waters of Godavari to Krishna basin, and thus saves 80TMC of water in the much-harnessed Krishna river basin. These waters can be utilized upstream of Nagarjuna Sagar Dam for the benefit of Telangana and Rayalaseema areas, as well as the upper riparian States of Karnataka and Maharashtra. Moreover, a major portion of this project has already been completed, with substantial expenditure and a significant escalation of the cost of construction of the Project is estimated.

Given the above and in light of declaring it a Multipurpose national project, the mandate of obtaining all requisite clearances, including those with respect to Odisha and Chhattisgarh must be placed on the Central Government and consent of Telangana for the project must be deemed to have been given in order to avoid future disputes. More importantly, those areas of the existing State of Andhra Pradesh that would be subjected to submergence due to the Polavaram Multipurpose Project should be included in the successor State of Andhra Pradesh

Therefore, the following amendments are required

<p>Clause No. (With Original Clause)</p>	<p>Section 3</p> <p>On and from the appointed day, there shall be formed a new State to be known as the State of Telangana comprising the following territories of the existing State of Andhra Pradesh, namely:-</p> <p>Adilabad, Karimnagar, Medak, Nizamabad, Warangal, Rangareddi, Nalgonda, Mahbubnagar, Khammam and Hyderabad districts,</p> <p>and thereupon the said territories shall cease to form part of the existing State of Andhra Pradesh.</p>
<p>Amendment Proposed</p>	<p>On and from the appointed day, there shall be formed a new State to be known as the State of Telangana comprising the following territories of the existing State of Andhra Pradesh, namely:-</p> <p>Adilabad, Karimnagar, Medak, Nizamabad, Warangal, Rangareddi, Nalgonda, Mahbubnagar, Khammam and Hyderabad districts, <i>excluding the areas of submergence in the existing State of Andhra Pradesh under the Polavaram Multipurpose Project</i></p> <p>and thereupon the said territories shall cease to form part of the existing State of Andhra Pradesh</p>

Special efforts of the Central Government are needed to ensure expeditious completion of the project, in a time-bound manner, as given below:

<p>Clause No. (With Original Clause)</p>	<p>Section 90</p> <p>(1) The Polavaram Irrigation Project is hereby declared to be a national project.</p> <p>(2) It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation and development of the Polavaram Irrigation Project for the purposes of irrigation.</p> <p>(3) The Central Government shall execute the project in consultation with the Governments of the two successor States following all environmental, forests, and rehabilitation and resettlement norms.</p>
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Amendment Proposed	<p>(1) The Polavaram Irrigation Project is hereby declared to be a national Multipurpose Project and the Central Government shall fully fund the project from the Consolidated Fund of India.</p> <p>(2) Consent for the Polavaram Multipurpose Project is deemed to have been given by the successor State of Telangana.</p> <p>(3) The areas of the existing State of Andhra Pradesh subjected to submergence under the Polavaram Multipurpose Project should be included in the successor State of Andhra Pradesh.</p> <p>(4) The Central Government shall obtain all requisite clearances including environmental, forests, and rehabilitation and resettlement clearances.</p> <p>(5) The Central Government shall ensure completion of the Polavaram Multipurpose Project within a period of three years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</p>
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Similarly, it must be ensured that the on-going surplus water based projects on the Krishna River are not stalled on account of any objections from the successor States. It is important that the on-going projects namely -- Bheema, Nettempadu, Kalwakurthi, Srisailam Left Bank Canal (SLBC) and others in Telangana; and Galeru-Nagari, Handri-Neeva Sujala Sravanti, Velugonda and others in Rayalaseema, are completed on time. To ensure this the deemed approval of the successor States is necessary. Hence, the following amendment to the *Bill* is necessitated:

Original clause in the AP Reorganisation Bill, 2013	None
Amendment Proposed	<p>Insertion of a new clause 84(4) after clause 84(3) of Part IX</p> <p>(4) Notwithstanding any other provision in this Act or any other act, all on-going Krishna River surplus water-based projects and projects involving inter basin transfer in Telangana and Rayalaseema regions of the existing State of Andhra Pradesh are deemed to have been approved by the successor States of Telangana and Andhra Pradesh.</p>

6. The Power Sector

Item 8 of the list under Part C (Power) of the Twelfth Schedule of the *Bill* reassigns the districts of Anantapur and Kurnool from the AP Central Power Distribution Company Ltd (APCPDCL, a DISCOM) to the AP South Power Distribution Company Ltd. (APSPDCL) following bifurcation. As a consequence, while the existing Power Purchase Agreements (PPAs) of the DISCOMS would continue for both on-going projects and projects under construction, they should be adjusted for the above reassignment of power consumption from these two districts which would form part of the successor State of Andhra Pradesh. Hence the amendment as follows:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	<p>TWELFTH SCHEDULE – C, Item 2</p> <p>Power</p> <p>2. Existing Power Purchase Agreements (PPAs) with respective DISCOMS shall continue for both on-going projects and projects under construction. ☐</p>
Amendment Required	<p>Power</p> <p>2. Existing Power Purchase Agreements (PPAs) with respective DISCOMS shall continue for both on-going projects and projects under construction, <i>after adjusting for Item 8 of this list, pertaining to power consumption of the districts of Kurnool and Anantapur.</i></p>

Next, the allocation of the power of the Central Generating Stations to the State of Telangana and the State of Andhra Pradesh should be on the basis of existing guidelines of allocation of power, as applied in other States (Gadgil Formula). Any other new formula will be arbitrary and distortionary, and will lead to wrong incentives in policies. The time-tested Gadgil formula applicable to all the States is appropriate in respect of the successor States of Andhra Pradesh and Telangana as well. Hence, the amendment required to the *Bill*, is as follows:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	TWELFTH SCHEDULE – C, Item 6
	Power 6. The power of the Central Generating Stations will be allotted in such ratio to the State of Telangana and the State of Andhra Pradesh based on the actual energy consumption of the last 5 years of the relevant DISCOMS in the respective successor State.
Amendment Required	Power 6. The <i>unallocated</i> power of the Central Generating Stations shall be allotted to the State of Telangana and the State of Andhra Pradesh in accordance with the Gadgil formula for allocation of power based on existing guidelines, as applied in the case of other states.

6. Guaranteeing budgetary allocation

In order to avoid the extra burden that may be incurred by the successor States of Andhra Pradesh and Telangana, the expenses mentioned above must be funded by the Central Government from the Consolidated Fund of India, as provided for in the amendment proposed as follows:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	None
Amendment Required	Insertion of a new Section 67A after Section 67 of Part VI <i>All expenses incurred in the establishment of infrastructure projects as enumerated in the Thirteenth Schedule, for the completion of the Polavaram Multipurpose Project as specified in Section 90, and in furtherance of benefits to the RAYALSEEMA SPECIAL CATEGORY REGION as provided for in Sections 46(2) and 94(1) shall be charged from the Consolidated Fund of India.</i>

7. Infrastructure development in successor States

Along with the development of Duggirajapatnam port, the Central Government should set up another major port at Ramayapatnam in Prakasam district, which has a huge hinterland available, is closer to Chennai-Kolkata rail and road connectivity and is located in a safe zone. Also, the cabinet of existing State of Andhra Pradesh has recommended Ramayapatnam as a suitable location. This would serve the infrastructural needs of the Krishna delta region in the districts of Prakasam, Guntur and Krishna thus facilitating the economic development of the surrounding areas. Hence the amendment required to the *Bill*, is as follows:

Original clause in the <i>AP Reorganisation Bill, 2013</i>	THIRTEENTH SCHEDULE – INFRASTRUCTURE, Item 1
	<p>Infrastructure</p> <p>1. The Government of India shall develop a new major port at Duggirajapatnam in the successor State of Andhra Pradesh to be completed in phases with Phase I by end-2018.</p>
Amendment Required	<p>1. The Government of India shall develop a new major port at <i>Ramayapatnam in addition to Duggirajapatnam</i> in the successor State of Andhra Pradesh to be completed <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i></p>

In order to ensure that the education and infrastructure projects listed by the Thirteenth Schedule of the *Bill* are established in a time-bound manner, a firm commitment by the Government as to the same is required.

<p>Original clause in the <i>AP Reorganisation Bill, 2013</i></p>	<p>THIRTEENTH SCHEDULE – EDUCATION</p> <p>Education</p> <ol style="list-style-type: none"> 1. The Government of India shall take steps to establish institutions of national importance in the 12th and 13th Plan periods in the successor State of Andhra Pradesh. This would include one IIT, one NIT, one IIM, one IISER, one Central University, one Agricultural University and one IIIT. 2. The Government of India shall establish one AIIMS-type Super-Specialty Hospital-cum-Teaching Institution in the successor State of Andhra Pradesh. 3. The Government of India shall establish a Tribal university each in the State of Andhra Pradesh and in the State of Telangana. 4. A Horticulture university shall be established in the successor State of Telangana.
<p>Amendment Required</p>	<p>Education</p> <ol style="list-style-type: none"> 1. The Government of India <i>shall establish</i> institutions of national importance <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013</i> in the successor State of Andhra Pradesh. This would include one IIT, one NIT, one IIM, one IISER, one Central University, one Agricultural University and one IIIT. 2. The Government of India shall establish one AIIMS-type Super-Specialty Hospital-cum-Teaching Institution <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013</i> in the successor State of Andhra Pradesh, 3. The Government of India shall establish a Tribal university <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013</i> in the State of Andhra Pradesh and in the State of Telangana. 4. A Horticulture university shall be established <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013</i> in the successor State of Telangana.

<p>Original clause in the AP Reorganisation Bill, 2013</p>	<p>THIRTEENTH SCHEDULE – INFRASTRUCTURE, Items 2 – 10</p> <p>Infrastructure</p> <ol style="list-style-type: none"> 2. SAIL shall examine the feasibility of establishing an integrated steel plant in Khammam district of the successor State of Telangana. 3. IOC or HPCL shall examine the feasibility of establishing a greenfield crude oil refinery and petrochemical complex in the successor State of Andhra Pradesh. 4. The Government of India shall examine the feasibility of establishing a Vizag-Chennai industrial corridor along the lines of Delhi-Mumbai Industrial Corridor. 5. The Government of India shall examine the feasibility of expanding the existing Visakhapatnam, Vijayawada and Tirupati airports. 6. NTPC shall examine the feasibility of establishing a 4000 MW power facility in the successor State of Telangana. 7. Indian Railways shall examine establishing a new railway zone in the successor State of Andhra Pradesh. 8. NHAI shall take necessary steps to improve road connectivity in the backward regions of the successor State of Telangana. 9. The Indian Railways shall examine the feasibility of establishing a Rail Coach Factory in the successor State of Telangana and improve rail connectivity in the State. 10. The Central Government shall consider measures to establish rapid rail and road connectivity from the new capital of the successor State of Andhra Pradesh to Hyderabad.
<p>Amendment Required</p>	<p>Infrastructure</p> <ol style="list-style-type: none"> 2. SAIL <i>shall examine the feasibility and establish</i> an integrated steel plant in Khammam district of the successor State of Telangana <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i> 3. IOC or HPCL <i>shall examine the feasibility and establish</i> a greenfield crude oil refinery and petrochemical complex in the successor State of Andhra Pradesh <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i> 4. The Government of India <i>shall establish</i> a Vizag-Chennai industrial corridor along the lines of Delhi-Mumbai Industrial Corridor <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i> 5. The Government of India <i>shall expand</i> the existing Visakhapatnam, Vijayawada and Tirupati airports <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i> 6. NTPC <i>shall examine the feasibility and establish</i> a 4000 MW power facility in the successor State of Telangana <i>within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.</i> 7. Indian Railways <i>shall establish</i> a new railway zone in the successor State of Andhra Pradesh <i>immediately after the date of enactment of the Andhra Pradesh</i>

Reorganisation Act, 2013.

8. NHAI shall take necessary steps to improve road connectivity in the backward regions of the successor State of Telangana ***on an immediate basis after the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.***
9. The Indian Railways ***shall examine the feasibility and establish*** a Rail Coach Factory in the successor State of Telangana and improve rail connectivity in the State ***within five years from the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.***
10. The Central Government ***shall take necessary steps to establish*** rapid rail and road connectivity from the new capital of the successor State of Andhra Pradesh to Hyderabad ***on an immediate basis after the date of enactment of the Andhra Pradesh Reorganisation Act, 2013.***

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