

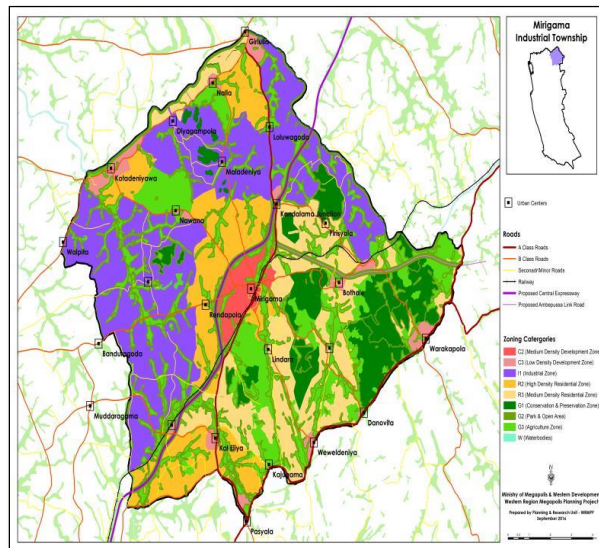
Project No 10

MIRIGAMA INDUSTRIAL TOWNSHIP DEVELOPMENT PROJECT PROPOSAL

1. Project implementation agency: Urban Development Authority
2. Estimated project cost; US \$ 700 million
3. Method of procurement: By open tender.
4. Development model: Joint Venture under PPP system
5. Implementation period: 7 Years

Introduction

Mirigama has been identified as one of the key centers for industrial development, as an important project under the Western Region Megapolis Development Plan (WRMDP). The objective of Mirigama Industrial Township is to develop the area as a vibrant industrial township, supplied with high quality infrastructure and utility services. Presently, Mirigama is a transport center with entry point to northern, eastern and central province of the country. Also to the West it is directly connected with Bandaranaike International Airport and Colombo Port and the new contiguous logistics corridor that connects International Airport and Colombo Harbour.



Study Area Overview

Mirigama industrial township development will be a key strategic project of WRMDP linking Sri Lankan economy with the World economy. It is located in the North East section of Gampaha District, occupying approximately an area of 186.6 sq.km. There are 149 Grama Niladhari Divisions including 273 of villages in the Mirigama DSD. The Division has a lot of available land for development with comparatively low cost of labor.



Accessibility to the proposed industrial area is highly important with direct rail and highway connections to many parts of the country. Mirigama will be the center of proposed Colombo - Kandy expressway and Colombo - Jaffna expressway.

As per census 2012, total population of Mirigama DSD was 140,057, and estimated to increase to 264,277 by 2030 due to natural increase and migration as a result of the proposed industrial and

commercial development. The present housing stock of the Division 37,714 will have to be increased by another 43,668 new housing units to fulfill the residential requirement of increased population.

Present Status of Development

The current land use pattern in Mirigama is dominated by coconut and paddy. Total land extent is 18,389 ha of which coconut plantation dominates with 3,670 ha (19%) and 1,200 ha (6%) with paddy. The remaining land area is forest. Mirigama has an export processing zone (industrial estate) operates under BOI. There is ample land available for future development with comparatively low wages. Details of the present export processing zone of Mirigama are given in table 1, below.

Table 1: Details of Export Processing Zone, Mirigama

Location	65Km North-East of Colombo and 35Km from Katunayake Air Port
Year of Commencement	1998
Total Extent	260.509 Acres
Industrial Area	173.563 Acres
Worker population	3830 (Female:2590, Male, 1240)
Transport	Rail facilities, Bus terminals, Dry Port facility
Environmental	Landscaping
Access	Tarred road, security lighting, chain link
Water	Adequate supply treated to WHO standards storage facility within zone 900 meter cubes
Power availability	10 MVA through grid submission
Centralized	Administrative building

(Source- BOI, Sri Lanka)

There are 8 industries within the zone and BOI is providing service of a total of 19 enterprises within Mirigama.

Project Objectives and Components Of Industrial Township

Following are the objectives of proposed Mirigama Industrial Township Development Project.

- a) To facilitate development of high value added, technology based industries, agro based products and aviation industry related products through provision of modern industrial, infrastructure and utility services.
- b) To induce commercial development in and around the township.
- c) To make it a preferred township for living with state of urban facilities, including housing, transport and other amenities.

- d) Encourage the development of export oriented industries taking into advantage of location facilities (close access to the Airport and logistics corridor.
- e) To develop a vibrant urban living environment.

In order to develop Mirigama as a vibrant living city, the following components have been identified to include in the township development plan.

- Use of wetlands and forest areas as green buffers for industrial development
- Develop Mini Logistics Hub with multimodal access
- Expand density in the existing town center to cater to future demand
- Develop Multimodal Transport Hub at city center
- Preserve environmentally sensitive areas through regulation, and
- Establish green link between forest patches.

There are few major zones proposed for development within the industrial township, namely, industrial zone, logistics zone, residential zone, common facility area and the City Center, which consists of commercial zone, recreational area and civic zone. In each zone the following activities and facilities are planned.

- Industrial Zone**
- Precision Engineering,
 - Bio Medical,
 - Electronics,
 - Associated SME's,
 - Agro based Industries,
 - Gem & Jewelry,
 - Common Health Care Facilities,
 - Fire rescue facilities.

- Logistics zone**
- Container Yard
 - Container Handling Facility
 - Warehousing
 - Cold storage
 - Office Space
 - Inter-modal transfer Facilities
 - Banking and Insurance etc.

- Residential Zone**
- Workers Quarters
 - Housing Units
 - Recreational activities
 - Day Care nursery
 - Retail Shops

- Proposed Common Facilities**
- Fire Rescue Facility
 - Waste Water Treatment
 - Solid Waste Management
 - Storm /water Management
 - Telecommunication
 - Rail Connectivity for Cargo
 - Multi Modal Logistics
 - Transport Facility
 - Shuttle Bus Services

Commercial Zone

- Multi modal Transport Hub
- Wholesale/ Retail Marts
- Shopping Malls
- Hotels/Restaurants
- Public Parking Areas
- Banks/commercial Offices
- Professional Offices
- Open Trading Areas
- Customer Care Areas
- Socio Cultural Institutions
- Information Centers
- Service Industries
- Filling Station

Recreational Area

- Public Open Space
- Water Front Public Space
- Eco Park
- Restaurant
- Tree Line/Nature Trails
- Public Parking Areas

Civic Zone

- Administrative Offices
- Educational Facilities
- Convention Center

Project Implementation Plan

This project implementation plan is formulated on the assumption that the Mirigama Industrial Zone is established as a Limited Liability Company land owners and prospective investors to be shareholders.

A total land extent of 657.56 ha has been identified for the Mirigama Industrial Zone in GN Divisions of Giriullagama, Hapugahagedara, Kandangamuwa, Loluwagoda, Loluwagoda South and Madurupitiya in Mirigama Divisional Secretariat. Out of the total land extent only 1.5 ha is owned by the State, of which majority is presently owned by the Land Reforms Commission and the rest of 656.06 ha owns by a large number of private owners. A detailed list of owners of identified land plots are available at Megapolis Planning Project.

Since land owners will be shareholders of the company, Mirigama Industrial Project proposes that it should negotiate with land owners on the methodology and process of transferring their land to company and agree on the terms and conditions of compensating for land other matters relating to the share ownership. A request may be made to all landowners to voluntarily transfer the land to the company provision of alternative accommodation for residence within the same area.

Construct Houses to Relocate Households Living In the Project Area

An estimated number of 600 houses will be required to relocate those families whose land have been taken over. These houses will be of different of sizes extending from 450 sq. ft. to 1,000 sq. ft. supplied with all amenities. Estimated Cost of constructing the houses for relocation will be approximately Rs. 3,000 million.

Provision of Infrastructure Services Up To the Industrial and Commercial Sites

The following infrastructure services need to be provided to the land plots for the benefit of investors.

- Road development to provide access to all land plots; to meet this requirement three types of roads (Internal roads within the industrial zone – 11.6 km of 30 m wide, 8 km of 20 m wide and 46 km of 15 m wide and external roads), including culverts; **Estimated Cost Rs. 6,859 million.**
- Construction of External Roads to improve road transportation to and from Mirigama Industrial City; **Estimated cost Rs. 7,372 million.**
- 5.2 km length of railway line from main rail road (Colombo – Polgahawela) up to industrial zone together with construction of railway terminal; **Estimated cost Rs. 654 million including cost of land.**
- Construction of 80 MW Power Station and distribution lines; **Estimated cost Rs.8,500 million.**
- Construction of a Water Supply scheme with a treatment plant, water towers and distribution system; **Estimated cost Rs. 9,500 million.**
- Construction of a Transport Hub; **Estimated cost Rs. 89 million including cost of land.**
- Storm Water Drainage network with length of 67.6 km; **Estimated cost Rs. 320 million.**
- Solid Waste management system; **Estimated cost Rs. 1,540 million.**
- Waste Water Management system; **Estimated cost Rs. 2,540 million.**
- Other facilities such as Bus-stops, Fire Station with Fire Rescue systems, **(Estimated cost Rs. 40 million)**; Medical center **(Estimated cost Rs. 20 million)**; Commercial complex **(Estimated cost Rs. 35 million)**; Administrative complex **(Estimated cost Rs. 15 million)** Housing scheme with 10,000 units to provide housing to industrial workers **(Estimated cost Rs. 32,750 million)**;

Estimated cost of above infrastructure facilities will be Rs. 107 billion, including the cost of land.

Selection of investors on Industry and Commercial Development

As an initial step of selecting industrial and other business investors, an international tender may be called for applications to be made for the selection of industrialists and other investors. There will be two types of investors to be selected.

- i. Industrial Investors, and
- ii. Commercial) Investors.

The industries propose to establish inside the Zone will be in the categories of:

- manufacturing of Electrical and Electronic items,
- Manufacturing of pharmaceutical products,
- Manufacturing of computer and computer software systems,
- Vehicle assembling and manufacturing,
- Value added Vegetable and Fruits based Food processing.

These industry categories have been identified to safeguard the prevailing environmental status of the area without polluting the present environment. In order to safeguard the environment, a solid waste collection and disposal system, using incineration technology, and waste water collection and treatment system has been proposed. Cost estimates for waste disposal/treatment systems have been included in the project costs.

Qualifications to be fulfilled by Industrial Investors

Industrialists who qualify to perform the following conditions will be considered in the selection

- i. All selected investors have to be shareholders of Mirigama Industrial Zone Co Ltd, and there shareholding will be limited to the capital investment;
- ii. Minimum 80 % of capital investment shall be raised from foreign financing sources;
- iii. Other than the senior managerial positions, other managerial and employment positions should be filled by local skilled persons;
- iv. Industrialists shall be able to transfer production technology to locals;
- v. At least 75 % of total production shall be exported;
- vi. Only 25 % of the estimated cost of serviced land shall be paid immediately to handover land for investment and the balance cost of land to be paid over a period of 10 years at 7% interest per annum on reduce balance method.
- vii. If investor proposes to affiliate with another investor, the proposal will be considered as a joint investment and shares will be issued to all affiliated investors but only one vote will be offered at the shareholder meetings. All details of affiliated investors need to be given to the Company.
- viii. All industrialists who are selected as prospective investors need to start construction of industries as early as possible and should start production within a period of two years after selection. Non commencement of work within the first six months, the selection and offer will be cancelled and offered to the next eligible investor.

All tax and fiscal incentives applicable to investors under the Board of Investment (BOI) will be applicable to the industrial investors of Mirigama Industrial Development Co Ltd, and government will take action to grant those tax and fiscal incentives.

Non industrial and commercial investors shall not eligible for BOI benefits. Prior to the calling of applications from investors, WRMP, the major shareholder on behalf of the State and main organizer of the company, shall establish the company and register at the Department of Company Registration.

Establishment of SMEs

There will be two sites allocated for the establishment of SMEs. One site is supplied with all infrastructure facilities and other site also provided with basic infrastructure. The first site is reserved for mainly manufacturing SMEs and priority will be given to those SMEs producing components and spare parts to be used with main industries established in the Zone. The site has an extent of about 80 acres and approximately ¼ to ½ acre will be allocated for one enterprise, on similar terms offered to other investors (25 % of cost of serviced land immediately and balance in 10 years at 7% interest on reducing balance). These SMEs will be given prior information about the industries proposed to establish in the Zone and

allow them to negotiate with them and arrive at decisions on the quality of products and their ability to supply regular basis. If they cannot find agreement on supply, respective SMEs have to take the responsibility of marketing their products. However, the SMEs. The second site which is equivalent to about 100 acres will be allocated for trade and services based SMEs but eligible to establish even processing industries (food or vegetable) at same terms of payment for land. Since Mirigama and close by area is within the coconut triangle of the country, the establishment of coconut based industries and production of machinery and equipment for the development of coconut based industries as well as production 'virgin coconut oil' is also encouraging within the SME sector.

These SMEs will not be shareholders of the Mirigama Industrial Zone Co. However, those SMEs will be organized into industrial clusters and organized into few clusters based on the use of raw materials as inputs and similarity of final products. Each cluster will form into a group and organize as a corporative body and be responsible for the supply of inputs and find markets for the group products. The accounting and book-keeping responsibility of all member SMEs will rest in the hand of the group organization. Eventually these individual groups will be given computer knowledge and provided with digital facilities including digital banking and e-accounting etc and promoted with international marketing etc.

Commercial Investors

In the selection of Commercial Investors, too, the same procedures will follow. They will be selected through public advertisement. However, a section of commercial investors will be offered shops constructed within the commercial complexes on full payment of the cost of construction. Those who are willing to construct their own commercial establishments will be offered land to be paid at cost. The building may be constructed, according to individual requirement. No concessions will be given for such investments.

Operations of the Company

For day to day operations of the Company a Board of Directors will be established on the proportional representation of shareholdings. The total number of members of the Board of Directors will be 9, where 2 members (including the Chairman) to be represented public sector and 5 members to represent industrialist and the balance 2 members to represent commercial investors. The Chairman of the Company will appoint by the public sector shareholder. A Company Secretary will be appointed to undertake the secretarial work of the Company.

Project Feasibility

The estimated total cost of Mirigama Township Development Project will be Rs. 111.1 billion (or US \$ 766 million). The project implementation period, land acquisition an provision of infrastructure, will take a period of 3 years. After the allocation of land to selected industrial and commercial investors, it is assumed to take another two years for development. In other words, from the date of commencement of project implementation, industrial production will take a period of 5 years to start revenue generation from project outputs.

The revenue flow of the project has been identified to commence as follows:

- Industrialists and other users to pay for the land on the basis of 25 % down payment and balance to be paid in 10 years, on equal installments, with 7 % interest p.a. on reducing balance method;
- Middle-income Houses to be sold in 5 years on equal proportion;
- User charges for electricity and water to be paid from the 1st years of project implementation
- Profits to be distributed among shareholder after 5 years of industrial production (Government to get 20 % of dividends as its profits share).

Total Estimated cost will be US \$ 700 million.