



भारत सरकार
GOVERNMENT OF INDIA
भारी उद्योग एवं लोक उद्यम मंत्रालय
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
भारी उद्योग विभाग
DEPARTMENT OF HEAVY INDUSTRY

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Office Memorandum

Sub: Action points arising out of the 2nd Meeting of the newly reconstituted Development Council on Automobile and Allied Industries (DCAAI) held on 09.07.2009 at 3:30 PM in Room 47, Udyog Bhawan, New Delhi

The undersigned is directed to refer to the 2nd meeting of the Development Council on Automobile and Allied Industries (DCAAI) held on 9.07.2009 under the chairmanship of Dr. S. N. Dash, Secretary, and Department of Heavy Industry and to say that as per the minutes of the meeting, the status of action taken on some of the important issues deliberated upon in the meeting is as under:

Sr No	Action point	Comments of the DHI/Action taken
1	<p>Investment incentives:</p> <p>Para 7.1: Shri Bijon Nag, Chairman IFB Automotive Pvt Ltd., informed that they have immensely benefitted on account of their investment in plant in Thailand on account of reasonable cost of setting up plant, power costs which is 50% less than what is charged in India, no power outages, no import duty on capital goods, no import duty on raw material and income tax benefits etc. Therefore, it was, at present, more beneficial to import components from their plant in Thailand. It was emphasized that similar investment incentives and improvements in Infrastructure need to be made in India.</p> <p>Para 11.11: It was mentioned that more investment is getting re-directed to ASEAN countries, like Thailand, which are offering huge incentives for attracting investments</p>	<p>In order to examine this, an analysis based on actual facts of incentives being provided by other LCC countries, the proposals of the industry along with their financial implication and a cost benefit analysis would need to be undertaken.</p> <p>The Industry associations are being requested to provide the details of the proposed incentives so that the matter can be taken up for deliberation either under the IMG on taxation and fiscal policy or the relevant JWG of DCAAI.</p>

	<p>in auto component industry. Therefore, India needs to compete appropriately.</p> <p>Para 11.12: Shri Chopra, President ACMA requested that Government should explicitly support the auto component industry through a comprehensive Investment Policy Package comprising of a 5-8 years corporate tax holidays for incremental / Greenfield investments of more than Rs. 50 crores, exemption of Customs Duty on raw material and capital goods, and re-introduction of Investment Allowance @ 25% on acquisition of plant & machinery, under Section 32A of the Income Tax Act.</p>	
2	<p>FTAs</p> <p>Para 7.2: Shri Mody felt that since upcoming FTAs was an important issue, representative from Ministry of External Affairs may also be invited to the DCAAI Meeting.</p>	<p>M/o External Affairs (MEA) is normally not deeply involved in the FTAs. Currently FTA with Japan and EU is under consideration. Ministry of Commerce, the nodal Ministry is already a part of the DCAAI.</p> <p>In light of above facts no further action in this regard is required to be taken.</p>
3	<p>Implementation of AMP</p> <p>Para 7.3: Dr. Pawan Goenka, Dr. Goenka recommended that an actionable plan or blue print for implementing the AMP 2006-16 should be made in order to ascertain shortfalls, if any, in the AMP. Dr. Goenka suggested that this action plan should also be included in the 100 days agenda of DHI and regularly reviewed in the future DCAAI meetings.</p> <p>Para 7.7: Mr. Karl Slym, MD, General Motors was of the view that the efforts should be to stick to the <u>AMP 2006-16 and review action taken viz-a-viz that.</u></p>	<p>Efforts are continuously being taken to ensure that the AMP recommendations are implemented. As per the presentation of Shri Goenka, it can be seen that progress has been made in several areas; however certain areas remain to be tackled.</p> <p>In order to ensure speedy and effective implementation of AMP recommendations five Inter Ministerial Groups were constituted. These groups have been meeting to take forward important issues. In addition with a view to have greater industry participation, three JWG under DCAAI have also been formed. These JWG have also been activated.</p> <p>DHI is also periodically reviewing the progress of the various AMP recommendations.</p> <p>The 100 days program of DHI has already been finalised therefore there is no scope for inclusion of this issue in the 100 days program.</p>

		As far as regular review is concerned, this is already being done by DHI. However, as and required this will also be taken up in the JWG (of DCAAI) on infrastructure, HRD and AMP related matters.
4	<p>Problems relating to investments in Uttarakhand:</p> <p>Para 7.4.1: Mr. R. Shesasaye, mentioned that in Uttarakhand there are several outstanding issues related to excise duty exemption, in terms of taxation and implementation of incentives for which he requested department to facilitate their amicable resolution through round table discussions involving the revenue department and the Industry. Mr. Shesasaye requested that efforts should be made to ensure that there are no open ended issues so that litigation in this regard does not arise in the future.</p>	At the first instance, SIAM is being asked to provide the detailed position and issues involved. Once this is received this matter will be taken up for discussion with all the stakeholders in the IMG on taxation, fiscal matters.
5	<p>DHI taking over running of UNIDO cluster program:</p> <p>Para 7.6: Shri Jayant Daver, Vice President, ACMA informed that ACMA had been running the UNIDO Cluster programme for the past 7 years and this is coming to an end now. Shri Daver felt that DHI can consider the possibility of taking over this programme from UNIDO or asking UNIDO to continue the programme for a further period. This would be an extremely important step for the auto component industry.</p> <p>Para 11.15: President ACMA requested DHI to consider taking over of the ACMA-UNIDO-GOI project for productivity clusters which will come to an end in December 2009. SHI & Chairman, DCAAI informed that this can be considered and requested ACMA to provide the details in this regard.</p>	A meeting has been called with ACMA to understand the details of the request for examining the feasibility of considering this request.
6	<p>Formation of smaller groups to take up important initiatives:</p> <p>Para 7.9: After deliberations Shri Ambuj</p>	The Joint Working Group (JWG) on

	Sharma, JS(S) & Member Secretary, suggested that a smaller group will be constituted to chart out the road map for these items. This group will also include the representatives from the industry.	Infrastructure, HRD, Designing and AMP related matters has been activated for: a. Skill development initiative for auto sector. – First meeting held on 28/7/09. b. Feasibility for Development of new Auto clusters and augmentation of existing clusters. First meeting held on 12/8/09. c. Setting up of National Design Initiative. First meeting held on 12/8/09.
7	<p>Para 11.3: Dr. Goenka on behalf of SIAM recommended that the following key actions should be taken up at the earliest.</p> <ul style="list-style-type: none"> i. Time bound implementation of AMP – Regular meetings of IMGs and feedback ii. Fleet Modernization and Replacement of STU Buses. iii. Rationalization of Excise Duty. iv. Flow of Finance and Interest Rate: Repossession Guidelines. v. Export Package. vi. No action should be taken which increase input costs - Import Restrictions, License, Anti-Dumping, Safeguard. vii. Address Human Capital Challenges 	<p>The comments or the action taken item wise is indicated as under:</p> <ul style="list-style-type: none"> i. As already indicated this is being done. ii. This will be partially met through the JNnRUM scheme announced by the GoI. Fleet Modernization is a larger policy issue involving multitude of ministries and agencies that will be required to be examined separately. iii. The excise duties have already been reduced by the GoI, however the issue of removal of excise duty of Rs 15,000 is being taken up with FM from time to time. This will be taken up through the IMG (Taxation & fiscal policy) also. iv. This has already been taken up with FM v. The request of SIAM & ACMA for the new FTP has been recommended to M/o Commerce. vi. The issue is being continuously taken up with M/o Commerce. As a result, proposal for sageguard duty on Aluminium products and HR Coils has been dropped. vii. The automobile skill development initiative is being taken up in the JWG under DCAAI. This is also one of the focus points for Indo – German JWG on automobiles.
8	<p>Skill development for auto sector Para 11.8: After deliberations, it was decided that the concept of having a body to coordinate skill development for auto sector will be further refined. The report of ICRA can be taken as the starting point by a smaller group, which can make recommendation in this regard.</p>	<p>JWG (of DCAAI) on infrastructure, HRD and AMP related matters have been activated and first meeting has been held on 28/7/09.</p>

9	<p>Para 11.13: Shri Chopra felt that there is a strong need to evolve a Focused Sectoral Policy for export of Auto-Components, maintained through a stability of Policies e.g. DEPB for at least 3-4 years, Protection and enlargement of existing markets: USA and EU.</p> <p>Focus on Specialist Auto Shows in EU and USA, by promoting “New/Emerging Market Development” with focus on Iran, Russia, South Africa, and Inclusion of all auto-components under the Focus Product Focus Market Scheme, and by extending Tax Holiday to EOUs in line with SEZs.</p>	<p>In the matter of enhancement of DEPB rates and its extension by two more years along with the issue of stability of policy has already been taken up with M/o Commerce. M/o commerce in the new Foreign Trade Policy has announced the extension of DEPB rates.</p> <p>ACMA has also been provided assistance of Rs 25 lakhs for setting up pavilion at the Frankfurt Auto Show in 2009.</p> <p>In the matter of inclusion of all auto-components under the Focus Product Focus Market Scheme, and by extending Tax Holiday to EOUs in line with SEZs, this will be taken up in the relevant IMG/JWG.</p>
10	<p>Human resources development</p> <p>Para 11.15: In respect of area of human resources development, Shri Chopra recommended that Government should consider providing 150% Weighted Deduction under the Income Tax Act for Expenditure Incurred by Industry in Skill Building and Imparting Higher Vocational Training to the Workforce.</p>	<p>This was taken up as one of the pre-budget recommendations, but has not been accepted. The matter will be taken up again with MoF at appropriate time.</p>
11	<p>NRAT:</p> <p>Para 11.22: After due deliberation of facts and information on NRAT, the council directed to get the information of the certification bodies set up in other countries and how these bodies are organized in those countries. It was further directed to circulate a brief paper on this proposed body to the members in order get their views.</p>	<p>NATRiP is being advised for ensuring early compliance.</p>

(V.S Yadav)

Under Secretary to the Government of India

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To

All the members of DCAAI as per the list attached.

Copy to: SIAM, ACMA and NATRiP:- with the request for early inputs on various issues.

Copy also for information to:

(i) PS to SHI/JS(S)/ Dir(VG)

(ii) NIC Cell:- with the request to upload this OM on the DHI website
www.dhi.nic.in