

Minutes of the 4th meeting of the Development Council for Automobile and Allied Industries (DCAAI) held on 28.8.2010 in Room No. 47, Udyog Bhawan, New Delhi

The 4th Meeting of the Development Council on Automobile and Allied Industries (DCAAI) was held on 28.08.2010 in Room 47, Udyog Bhawan, New Delhi under the Chairmanship of Shri B.S. Meena, Secretary, Department of Heavy Industry. The list of DCAAI members and special invitees who attended the meeting is placed at **Annex- A**.

2. Opening Remarks of Chairman DCAAI.

2.1 Welcoming the members of the Development Council on Automobile and Allied Industries (DCAAI) and other special invitees, Chairman, DCAAI expressed satisfaction that the stimulus measures announced by GoI last year, to counter the impact of global slowdown, have resulted in Indian automotive industry bouncing back on the high growth track as enshrined in the AMP 2006-16. He further informed the members about the status of some of the initiatives taken by the Department for furtherance of the Indian automotive sector such as setting up of National Automotive Design Institute (NADI), formulation on Skill Development Plan for Automotive Sector, constitution of National Automotive Authority (NAA), accelerating the pace of Electric Mobility in the country. While concluding the opening remarks, Chairman, DCAAI requested Shri Ambuj Sharma, JS to take up the agenda items for deliberations.

3 Agenda Item No. 1 – Adoption of the minutes of the 3rd meeting of the Development Council for Automobile and Allied Industries held on 22nd Feb, 2010.

3.1 Shri Ambuj Sharma, JS, DHI welcomed the members and informed that the minutes of the 3rd meeting of the Development Council for Automobile and Allied Industries held on 22nd Feb, 2010 at Udyog Bhawan, New Delhi, had been circulated and that no comments have been received thereon and accordingly requested for confirmation of the minutes.

3.2. The council confirmed the minutes without any modification.

4. Agenda Item No; 2 – Review of the Action taken on the decisions taken in the last meeting held on 22nd Feb, 2010.

4.1 JS, DHI briefed the members about the latest status of the action taken on the decisions of the 3rd meeting of DCAAI. The council appreciated the prompt action taken in respect of all the items discussed in the second meeting. In regard to the fuel efficiency labeling programme, SIAM viewed that this should be done by a single agency and work already done in this regard by the Sub Committee of SCOE should be adopted as the starting point with further tightening of norms in next 4-5 years. It was emphasized that sufficient time should be given to the Industry to prepare itself in this regard. On the issue of roll out of BS-III norms for the rest of the country, SIAM informed that considerable confusion and unnecessary complications were caused due to non availability of BS-III fuel all over India by 1.4.2010. The representative from MoPNG informed that close to Rs. 32,000 Cr had been spent on upgradation of refineries and now the BSIII fuel will be available before the 1.10.2010 deadline across the entire country. SIAM requested that further

efforts should be made to have uniform emission standards for the entire country. On the issue of Ethanol blending, SIAM expressed its concern on the proposed variation of blending level from 0% to 10% levels. It was informed that this will have negative impact on two wheelers and older “on road” vehicles and also lead to 3% less in energy efficiency. It was opined that in order to resolve the problems, both E0 and E10 fuels should be made available to consumers simultaneously. MoPNG was requested to look into these issues.

4.2 DCAAI members appreciated the action taken by DHI in setting up of NAA and apex level structure for encouraging electric mobility and manufacturing of electric vehicles in India. It was requested by some members that instead of naming the proposed coordinating body for the DHI automotive testing clusters as National Automotive Authority (NAA), it may instead be named as National Automotive Board. JS(S) agreed to examine the request and said that final name will be decided based on all inputs. On the issue of NADI, CEO, NATRiP informed that the DPR is under preparation by the core group formed for the purpose after taking into account the industry need and existing gap analysis. Shri Gaurav Dave, JS, NMCC viewed that common facilities in the areas of designing and styling are essential for growth of the sector. JS(S) informed that once the report of the core group and the DPR is ready, the same will be put up for consideration of the DCAAI members.

5. Agenda Item No; 3 – Ratification of the Decisions of the Cess Committee on Projects Sanctioned during 2009-10 & 2010-11.

5.1 DCAAI was informed that a meeting of the Cess Committee was held under the Chairmanship of Secretary, DHI on 31st May, 2010. The DCAAI members were apprised of the decisions of the Cess Committee on the UNIDO-ACMA Partnership Programme. Shri Jayant Davar, Past President ACMA requested for a separate meeting with SHI and Chairman, DCAAI in regard to the UNIDO-ACMA Partnership Programme. It was agreed that the meeting would be held in the first half of September, 2010.

5.2 The Council was further apprised of the status of fund released to ARAI/NATRIP from cess fund in 2009-10 and the balance to be released during the current financial year 2010-11 towards the various approved projects.

5.3 The Committee ratified the decisions of the Cess Committee on projects sanctioned during 2009-10 & 2010-11.

6. Agenda Item No: 4 – Presentation by ACMA on Performance of Auto Component Industry.

6.1 **Presentation by ACMA:** Shri Srivats Ram, President, ACMA made a presentation (copy enclosed) on behalf of ACMA on the performance of Auto Component Industry. It was informed that in the year 2010-11, the component industry has registered a turnover of USD 26 billion which translates to a YoY growth of 18%, however, the exports remained flat due to slow

off-take in North America and Europe. The import of auto components registered a growth of 20% at US\$ 8.2 bn. The increase in imports is mainly on account of supply shortage from domestic vendors, newer vehicles being launched and also to some extent due to cost benefits. It was informed that imports from China remain a matter of grave concern. It was apprised that in 2010-11, the auto component industry is expected to add additional USD 2 billion in capacity.

6.2 Shri Ambuj Sharma, JS, DHI desired to know the level of India's component exports to China. Shri Jayant Davar informed that India's component export to China is around Rs 340 Cr vis-à-vis imports of approx. Rs. 3400 Cr. It was emphasized that, seven years ago, India and China were both at the same level and the sharp increase in imports from China is a matter of concern. Further, there are several components being imported from China to India at a price that is even cheaper than the price of raw material and Department of Commerce has also been informed of this fact. It was informed that besides above, other problems like smuggling, counterfeiting, etc., are also adversely impacting the growth of India's component sector.

6.3 Mr Balendran, GM Motors mentioned that in certain items the import of components would continue to happen due to non availability of some components. However, every auto manufacturer has to go in for localization in order to survive and be competitive.

6.4 Shri Srivats Ram, President, ACMA informed that the auto component industry needs Government backing on issues relating to capacity building, access to capital, creation of fund for technology & infrastructure development and setting up of auto component supplier parks, skill development – ASDC, taxation and other fiscal issues and conducive trade policy with long term stability.

6.5 For capacity creation and creation of fund for technological development, Shri Gaurav Dave, JS, NMCC informed that NMCC has got a program approved viz. NMCT, which has around ten major schemes relating to setting up of infrastructure, facilities, centres and clusters and other schemes like quality upgradation, technology upgradation etc.

6.6 For creation of auto component parks/clusters, Shri Vikram Gulati, Director, DHI informed that the DIPP already has a scheme viz. Industrial Infrastructural Upgradation Scheme (IIUS) for creation of common facilities and infrastructure in industrial clusters and requested ACMA to explore this scheme of DIPP. It was mentioned that there are already six auto clusters that have been developed under this scheme.

7. Agenda Item No: 5 – Presentation by SIAM on Action Taken/ Review of Automotive Mission Plan (AMP) 2006-16.

7.1 **Presentation by SIAM: Shri P Balendran**, Vice President, General Motors made a brief presentation on behalf of SIAM on the Action Taken/ Review of Automotive Mission Plan (AMP) 2006-16 (**copy enclosed**). At the outset, it was informed that passenger vehicles segment has 18 manufacturers producing 2.35 million vehicles. Two wheelers segment has 10 main manufacturers

producing 10.5 million vehicles and the three wheelers segment has around 7 manufacturers producing 0.62 million vehicles. Further the commercial vehicles segment has 13 manufacturers who are manufacturing 0.57 million vehicles. The council was briefed that in all the vehicle segments, the vehicle turnover registered a healthy growth as compared to the last year.

7.2 On the issue of update on the AMP recommendation status it was informed that in the following areas, the intervention of the government is required:

- Investment - Tariff Policy & Investment Support
- Infrastructure
- Encouraging Exports
- Support to Develop R&D
- Long Term Emission Roadmap
- Incentivizing Modernization of Vehicle Fleet
- Setting up of Inspection & Certification Systems
- Computerization of RTOs & Driver Licensing System
- Ensuring Availability of Skilled Human Resource

7.3 On the issue of harmonization of safety standards & road safety, Shri K.K. Gandhi, SIAM informed that India is now being looked upon by WP 29 to provide data and technical inputs for various global technical regulations, in order to capture the actual scenario/conditions that is unique to India, especially as India is now fast emerging as an important automobile market. The collection of data would require funds that would be used by ARAI and other laboratories along with OEMs for this purpose. It was mentioned that recently India is required to generate data for WLTP, as India is also chairing this group. In case this particular data is not presented to WP 29 in time, there is a danger that regulations would be framed based on other data cycles and this would also be embarrassing as India is the chair for this group. It was highlighted that a proposal in this regard has also been put up to MoRTH long back, and it is yet to be cleared.

7.4 Shri S.R. Marathe further informed that ARAI has already started the exercise of data generation for WLTP with their own fund, since the data collection exercise is also expected to take 3-4 months and India's commitment to submit the data to WP29 is Dec, 2010, which is the extended deadline. It was further requested that in order to carry on this activity the immediate support is required from the MoRTH.

7.5 Mr Vishnu Mathur further added that now India is being looked upon by the international community for a greater role in formation of automotive regulations, as India is a fast emerging as a major auto mobile country. It was reiterated that, even if India is not chairing the group, that participation itself requires some data for which MoRTH would need to support the activity on a continuous basis.

8. Agenda Item No: 6 – Presentation by NATRiP on the Setting up of of “National Authority (NAA)”.

8.1 Presentation by NATRIP: Shri Rajesh Singh, CEO & P.D., NATIS made a brief presentation (copy enclosed) to apprise the members of the current status of NATRiP facilities being setup, the schedule of readiness of various facilities at the upcoming centres and the role being played by NATRiP to achieve the goals of AMP. Shri Singh mentioned that NATRiP is committed to implement the project in a time bound manner to achieve the goals of AMP and that all NATRiP facilities, except the high speed track at Indore and part of Rae Bareilly centre concerned with off road vehicles, are scheduled to be ready by September, 2011.

9. Agenda Item No: 7 – Presentation by Ernst & Young on the vision 2020 document for Indian Auto Component Industry.

9.1 Presentation by Ernst & Young: Shri Rakesh Batra, Ernst & Young gave a detailed presentation on the vision 2020 document for Indian Auto Component Industry. It was informed that the Indian automotive industry is expected to have a 15% to 16% CAGR growth till 2020, making India one of the top five vehicle producing countries in the world with over 44.1 million vehicles, with exports growing seven fold by 2020. It was briefed that driven by this growth, the domestic turnover has the potential to grow fourfold to Rs. 5.6 lakh crores by 2020.

9.2 It was further highlighted that India could become a highly competitive location for component manufacturing; however the industry is facing some immediate challenges on infrastructure like power availability, logistics, ports efficiency, skilled labour availability, financial performance etc. In order to address these issues companies would need to meet the challenges relating to necessary capital, scaling capabilities and capacities, building R&D competence, developing organizations, attracting talent etc.

9.3 It was felt that the government would also need to play an important role to support the automotive component industry in achieving its potential especially in the following areas:

- Facilitating Capital availability.
- Provide incentives to retail and private investors, domestic financial institutions, and strategic investors.
- Set up a technology development & upgradation fund.
- Set up auto supplier parks.
- State Govt. needs to play active role in land acquisition reforms
- Revise labor policies to allow manufacturers to maintain a flexible workforce
- Increase interactions between industry and education institutions to minimize gap between skill requirement and availability.

9.4 Mr Davar informed that industry would have review meetings every quarter on the vision 2020 document, and requested the indulgence of the Ministry by sending their representative to this meeting whenever it takes place. Chairman, DCAAI and SHI agreed with this and assured that concerned officials of the Department would be deputed.

The meeting ended with vote of thanks to Chair.

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List of participants

S.No.	Name & Designation
1.	Shri B.S Meena, Secretary, DHI - Chairman
2.	Shri. Ambuj Sharma, Joint Secretary, DHI – Member Secretary
3.	Shri Gaurav Dave, Joint Secretary, NMCC
4.	Shri P.K Singh, Director, MoPNG
5.	Shri A.K Arora, Dy. Secretary, Deptt. of Commerce
6.	Shri Sudhir Kumar, Dy. Advisor, Planning Commission
7.	Shri. Vikram Gualti, Director, DHI
8.	Shri V.S Yadav, Under Secretary, DHI
9.	Shri Sunil Kumar, Section Officer, DHI
10.	Shri. Sushil Lakra, Industrial Advisor, DHI
11.	Shri. S.R. Marathe, Director, ARAI
12.	Shri. Rajesh Singh, CEO&PD, NATRiP
13.	Shri Vats Ram, Vice President, ACMA
14.	Shri. Bijon Nag, Chairman, IFB Automotive Pvt. Ltd.
15.	Shri Jayant Davar, President, Past ACMA
16.	Shri P. Balendran, General Motors
17.	Shri T.C Gopalan, TMA
18.	Shri S.K Garg, TMA
19.	Shri. Vishnu Mathur, DG, SIAM
20.	Shri. Vinnie Mehta, ED, ACMA
21.	Ms. Subhag Naqvi, ACMA
22.	Shri Ranojoy Mukerji, Advisor, Natrip
23.	Shri Arvind Kapur, ACMA
24.	Shri K.K Gandhi, Executive Director(Tech), SIAM
25.	Shri Sugato Sen, Senior Director, SIAM
26.	Shri Rakesh Batra, Partner & National Leader Auto, Ernst & Young
27.	Shri Ashish Sharma, Manager, Ernst & Young
28.	Ms Rinki Verma, SIAM
29.	Shri Sushil Rajput, ACMA