

**Minutes of the meeting of the Development Council for Automobile and Allied Industries (DCAAI) held on 11<sup>th</sup> March 2015 at 3 PM at Udyog Bhavan, New Delhi**

I. The meeting of the Development Council for Automobile and Allied Industries (DCAAI) was held on 11<sup>th</sup> March 2015 at 3 PM at Udyog Bhavan, New Delhi under the Chairmanship of Dr. Rajan Katoch, Secretary DHI. The list of participants is placed at Annexure 1.

2. The Chairman welcomed the members of the Development Council for Automobile and Allied Industries (DCAAI) and after a brief introduction, expressed that the automobile sector is one of the important sectors of Indian Economy in terms of its contribution to Gross Domestic Products (GDP) and employment generation. Chairman expressed that Automobile sector has very important role to play in Governments ambitious 'Make in India' initiative and Department of Heavy Industry is committed for this. He requested Shri Ambuj Sharma, Additional Secretary to initiate the discussion as per agenda items.

3. **Confirmation and adoption of the minutes of last DCAAI meeting held on 02 September 2013.**

As no comments have been received on the minutes of the meeting of the DCAAI held on 02/09/2013, the same were confirmed.

**II. Auto Cess Fund:**

4. Initiating the discussion, Shri Ambuj Sharma, Additional Secretary apprised the members that Development Council is basically responsible for administration of Auto Cess Fund. He informed that, as discussed in last meeting, Auto Cess is being collected @1/8% (0.125%) advalorem of ex-factory price imposed on all automobiles w.e.f. 01-01-1984 and on all tractor sales w.e.f. 01-10-1985 (exceeding 1800 cc engine capacity). For convenience, this cess is being collected along with Excise Duty and are credited to the Consolidated Fund of India. This is non-Plan fund and annual allocation to DHI from this fund is to the tune of Rs. 25 crores approximately. This is being used to fund different projects for the benefit of the industry through a transparent process where in Technical Screening Committee chaired by Additional Secretary shortlists the projects and recommends it to Cess Committee, chaired by Secretary DHI, for final approval. This mechanism, as well as the composition of Technical Screening Committee and

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Sanctioning Committee, has been duly approved by Development Council in the last meeting and Department is following the same.

5. Elaborating further on the Cess fund, Additional Secretary apprised the committee that the main purpose of this fund is to promote scientific and industrial research in Auto Sector, promoting improvement and innovation in auto design, training of technicians and labour and for functional and administrative expenses of the Development Council. Every year, DCAAI under DHI receives the budgetary allocation of cess fund. Till date, DCAAI has approved the 209 projects related to Research and Development in Auto Sector since 1984-85 with total project cost of Rs. 543.55 crore.

6. Additional Secretary further added that some of the major organizations associated with R&D under cess fund are ARAI, NATRiP, IIT, FCRI, ACMA, SIAM, TIFAC, UNIDO etc. He also informed the council that DHI has decided to have a detailed technical audit of projects funded under Cess Fund for improvement in selection and sanctioning of projects to achieve the purpose of this fund. Accordingly, a Technical Audit team has submitted its report and DHI has started implementation on the suggestions given in the Audit report. To sum up the discussion on Auto Cess Fund, Additional Secretary informed that, for the year 2015-16, Rs. 48 crore has been allotted in the budget. He requested the Development Council to approve the action taken by DHI on Auto Cess Fund.

7. Committee lauded the efforts of DHI in the implementation of projects under Auto Cess Fund and approved the action taken by DHI therein and requested the DHI to ask for release of entire cess amount of approx. Rs 350 crore collected in the last year as allotment for next year for increased activities under Auto cess Fund.

### **III. Launching of FAME-India Scheme:**

8. Additional Secretary, made a detailed power point presentation about the FAME India Scheme. He informed that in this scheme there are four verticals i.e. Demand incentives to customers, Charging Infrastructure, Technology platform and Pilot Projects. This scheme will start from 1<sup>st</sup> April 2015 and by 2020, about 6-7 million units of xEVs are expected to be on road. It is estimated that this scheme will result into cumulative fuel saving of 9500 million liters, equivalent of Rs 62000 crores. This will result in substantial reduction of Green house gas emission and also contribute to "Make In India" Initiative of the government by way of local manufacturing and employment generation.

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9. In its first phase of two years, Government has sanctioned Rs. 795 crore. He informed the members about the salient features of the scheme, level of incentives each vehicle category will get, proposals to develop centers of excellence under technology platform, pilot projects to be taken up etc. He sought the help of OEMs for large-scale investment in the sector of Hybrid and Electric vehicles for successful implementation of the scheme.

#### **IV Presentation by CEO & PD, NATRIP**

10. CEO&PD, NATRIP briefed the Council on the current status of the NATRIP project. He stated that NATRIP has been created with a vision for establishing seven state-of-the-art R&D testing and infrastructure centres across in India. Out of Project's approved outlay of Rs.2288 crore, the cumulative expenditure till date is around Rs.1720 crore. For the next year, the budgetary provision for the project is Rs. 300 crore. He stated that the project has entered the final Installation and Commissioning stage in most of the labs and presented details of several facilities that have been completed such as Pedestrian Safety lab at ICAT and GARC, and Air bag lab at GARC, Chennai; Mileage Accumulation Chassis Dyno (MACD) Sealed Housing Evaporative Determination (SHED) Vehicle Test Cell (VTC) under the powertrain lab at ICAT, Manesar and Powertrain lab at NATRAX, Indore. The certification labs at ICAT and GARC, Chennai have also been completed. Electromagnetic compatibility (EMC) facility is operational at VRDE, Ahmednagar. Vehicle dynamic labs including Kinematics and compliance Rig and component development test rigs which is first of its kind in the country is operational at NATRAX Indore and several OEM's have started availing the facility.

11. He also stated that at NIAIMT, Silchar I&M station, Hill driving training institute and mechanics training have been completed and are operational for the last one year. Accident Data Analysis Centre (ADAC) is also functional and it has signed an MoU with IIT-Delhi for in-Depth Scientific Accident Data Collection and Analysis on Gurgaon-Jaipur stretch of NH8. ADAC has also conducted a National workshop on "Need of Accident Data Collection & Analysis in India and Future Roadmap for Pan-India Implementation" in association with SIAM and IIT Delhi. He informed that efforts will be made to coordinate and to conduct Seminar/workshops for the training of officials of state governments in the next financial year.

12. He briefed that Noise, Vibration and Harshness lab (NVH) at ICAT is progressing well and will be completed by November end. CAD/CAE labs at GARC and NATRAX are fully functional. Infotronics lab at GARC, Chennai and ICAT, Manesar including ECU management has been awarded. Several facilities under the Passive Safety labs, Fatigue labs, Powertrain lab at ICAT and ARAI are at advanced stage of completion and most of

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these facilities will be commissioned by end of this year. He therefore requested the industry to make full use of these facilities for their testing and R&D purposes and also to assist in the capacity development of the engineers in these centres. He stated that Automotive Skills Development Council (ASDC) may also examine imparting of skills and training at NIAIMT Silchar and explore linkages with industry, and engineering institutes in all the other labs that are expected to be functional during the current year.

## V Presentation by SIAM:

13. President SIAM gave a detailed presentation on the activities of SIAM and issues being faced by Automobile industry in the present economic scenerio. He highlighted the fact that there is a slow down since last 2 years in almost all segments except Two wheeler segment. This resulted in only 60% Capacity utilisation and also resultant job losses. He thanked in the past in Excise Duty reduction the Government for, timely intervention because of which market responded positively. In his presentation he has highted the followings

- Eventhough Production of Passenger Vehicles has grown by over 5 times, in India, it is still very slow compared to China in same period, where it has grown almost 30 times in same period.
- Penetration of cars in India is 18/1000 people, which is quite very low by any stabdard compared to any country of same socio-economic standard of living.
- Automobile Industry can generate huge value addition and employment.
- Automotive industry and Auto component industry has huge export potential. India's share in global vehicle trade can increased from 1% to 2-3 % in next 10 years if Government supports this industry.

14. He also put forward following suggestions for the consideration of Development Council and Department of Heavy Industries:-

- **Rationalisation of Excise Duty for Uvs/SUVs:** SIAM requested the council to sensitize the Ministry of Finance and rationalize the present four different slabs to maximum two slabs.
- **Fleet Modernisation:** SIAM is of the opinion that there is a need of one time incentive scheme for retirement of old vehicles and replacing them with modern, safe and fuel efficient vehicle.

- **Goods and Service Tax:** SIAM informed that Industry welcomes the GST to be introduced from 1<sup>st</sup> April 2016. However, industry desired that all types of taxes like Road Tax, R&D Cess, Octoi etc should be subsumed in the proposed GST as suggested by Kelkar Committee. For organised trade in second hand vehicles, SIAM recommends introduction of GST, on second hand trade of vehilces. After introduction of GST, no new tax should be levied and such provision should be there in the law to this effect.
- **Allocation for FAME:** SIAM informed that recently launched scheme of Faster Adoption and manufacturing of Electric Vehicles (FAME), initial allocation of RS. 75 crore is too modest and needs to be incresed.
- **Foreign Trade Agreements:** SIAM informed the council that Export Import data with all countries with who India signed Free Trade Agreements indicated that Automobile sector has tremendous negative impact of such FTA. President SIAM informed that India-EU Trade agreement is at an advanced stage and Government should ensure to exempt Automobile and auto components from such agreements else it will be detrimental to investment, local value addition and employment potential from this sector.
- **Vehicle carrier Dimensions:** SIAM informed that 18.75 m length vehicle carrier is the standard in many countries. However, in India, it is only 18 meter and this affects economy of transportation of vehicles. Haryana Government stopped issuing fitness certificates and this issue needs to be resolved early.
- **Auto Fuel Vision and Policy:** SIAM informed that Government should come out with a clear Auto Fuel Vision and policy which should not be changed in between. As against agreed implementation of BS VI by 2024 in auto fuel vision and policy 2025, MoPNG informed to the court that BS VI fule will be available by 2020. Industry requires high investment for shifting from BS IV to V and then BS V to BS VI and such random changes in policy affects industry negatively. Industry desired the Council to take a call on it and finalise Auto Fuel Vision and policy which will be acceptable to all stakeholders.
- **Technical Regulations:** SIAM informed that currently Government is formulating several regulations for the automotive sector like emission regulation, safety regulations, fuel efficiency, alternative energy vehicles etc. SIAM is of the view that each regulation involves huge cost in the form of investment and as such recommned that's such regulations to be introduced after proper cost benefit analysis. National Automotive Board can take up such cost benefit analysis.

## VI Presentation by ACMA

15. President ACMA informed that Auto Components Manufacturers Association (ACMA) represents more than 700 companies. In the domestic markets, they supply components to vehicle manufacturers, tier one suppliers, state transport undertaking, railways, defense establishments etc.

16. President informed that the turnover of the auto component industry stood at Rs. 2,11,765 crores (USD 35.13 billion) for the period April 2013 to March 2014, registering a decline of 2 percent over the previous year and a CAGR of 14 percent over the last six years. The auto component sector recorded almost 17% growth in exports the first six months of FY 14-15, scaling USD 5.68 billion. Imports, in the same period grew by 5.7% to USD 6.85 billion. It can be seen that the sector is a net importer as traditionally imports have been higher than exports and is a matter of concern for us. He reiterated that with various Foreign Trade Agreements, the threat of increasing imports is getting bigger.

17. ACMA submitted following recommendations during its presentation for kind consideration of Council and Department of Heavy Industry.

a) Technology-R&D Up gradation & Development- Interest Subvention Scheme for the Auto Component Industry.

**Additional Secretary suggested** ACMA to submit a fresh proposal and ask for a specific project for Terminology up gradation common facility centres etc. rather than asking for interest subvention scheme.

b) Eliminate Customs Duty on Alloy Steel, Mild Steel, Aluminium Alloy and Secondary Aluminium Alloy:

Since cost of raw material constitutes 60% of cost of Auto components, increase of custom duty from 10to15% in recent budget will affect the entire supply chain. ACMA suggested the Council to take up the matter with appropriate authority to eliminate custom duty on Alloy Steel, Mild Steel, Aluminium Alloy and Secondary Aluminium Alloy:

c) Uniform rate Custom duty on Auto Components:  
ACMA desired that there should be uniform 10% custom duty on Auto Components. This will also help additional revenue generation and resisit import of substandard import of auto components. Additional Secretary (DHI) asked ACMA to submit a proposal on the same to DHI & M/o Finance.

d) Allow Input Credit on Diesel:

In order to increase competitiveness, ACMA suggested that duty paid on diesel used as power generator may be allowed against input credit.

e) 100 per cent Cenvat Credit on Capital Goods in Year of Purchase:

Currently, 50% Cenvat Credit is allowed on capital goods in year of purchase balance 50% to be availed in subsequent years. This results in cash flow problems within companies. Allowing 100% of Cenvat Credit immediately in the year of purchase itself would ease the financial burden on them to some extent and allow for better cash flow that would benefit the industry. ACMA requested DHI's support to allow 100% cenvat credit on capital goods in year of purchase to encourage Investments

f) Encourage Research & Development:

Presently 200% Weighted Deduction under section 35(2AB) of the Act is available for In-House R & D facility. 175% Weighted Deduction is also allowed on outsourced R&D from approved Institutions i.e National Laboratories, Universities, Scientific Research Institutes and IITs. Spending on R&D in Indian Manufacturing Industry is very low vis-à-vis other emerging markets. To encourage R&D, it is recommended 200 % weighted deduction of R&D expenses should also be allowed to third party R&D service providing companies like Fraunhofer, MIT, etc to encourage localized designing of products.

g) Depreciation Rate on Capital Goods:

Current depreciation rate of 15%, being very low, should be increased to at least 25% and to 40% for domestically manufactured capital goods to encourage local manufacturing.

h) Revamping of MSME definition:

Enterprises	Investment in Plant & Machinery (Current)	Plant & Machinery Limits (Suggested)
Micro	< 25 lakhs	<1 crore
Small	>25 lakhs	> 1 crore
	< 5 crore	<10 crore
Medium	>5 crore	> 10 crore
	< 10 crore	<25 crore

Council members in general agreed to the proposal and suggested that DHI may take up this matter with the concerned Ministry.

i) To sustain export growth in Auto component Industry, ACMA suggested the following points to include in upcoming Foreign trade policy

- All Export Promotion Schemes to continue for the next five years

- Extend MLFPS to all tariff lines in Chapter 87 for exports to EU; Enhance benefit from current level of 2%
- Increase Export Interest Subvention for Working Capital; include all Auto Component Tariff lines. Presently, only 11 tariff lines are included
- Increase benefits to both the 'Growth Markets' and 'Protected Markets'
  - ✓ Extend benefits under MLFPS to the 'Growth Markets' that include EU, USA, Germany, UK, Italy on all auto components
  - ✓ High potential for export of auto components to countries such as Mexico, Brazil, South Africa, and Russia. These markets levied high import duty on auto components to offset high import duty, need to include these countries under Focus Market Scheme with higher benefit of 5%

Additional Secretary suggested to take up this matter with Economic Advisor DHI for further deliberation on this issue before taking the matter with appropriate Ministry.

**VI Presentation by ARAI:**

18. **Shri Neelkanth Marathe, Senior Dy. Director, ARAI** made a power point Presentation explaining the vision, R&D activities, homologation facilities and manpower development being done in ARAI. He informed that ARAI has chosen Fuel Economy improvement, Co2 reduction; exhaust emission and noise emission reduction, alternate fuel, safety and innovation in engine and transmission as thrust area for R&D. He gave the gist of completed projects and also informed that many completed projects have been commercialized. He also provided the gist of all the services being provided by ARAI to the industry and projects, which ARAI has taken up.
19. Shri Marathe further presented the status of ongoing DHI funded projects and informed the Council that all these projects will be completed by March 2017. He also informed the Council about status of NATRiP funded projects. and Technology Road Map projects taken up by ARAI to establish in- house competencies by 2020.
20. Shri Marathe further invited the attention of Council members by presenting the list of new potential R&D projects and informed that ARAI is looking forward to funding assistance from sources like DHI, MoRTH, DST, MoPNG, PCRA, Industry. While discussing on the issue, Additional Secretary, DHI suggested ARAI to give thrust in the area of bio-diesel, ethanol & hybrids for both road and waterways transportation. He also remarked to give emphasis on tire safety, Crash safety and Adaptive Front Lighting Systems (AFLS).



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He further suggested that ARAI should evaluate the work being done by ICAT in the area of AFLS and take up further items in coordination with them. With regarding to funding for projects, Additional Secretary asked ARAI to submit detailed proposals for consideration of DHI funding under Auto Cess Fund.

## **VII Presentation by Automotive Skill Development Council (ASDC)**

21. Shri Sunil Chaturvedi, Chief Executive Officer of Automotive Skill Development Council (ASDC) made a presentation covering status of its activities. During presentation, he highlighted following.

- ASDC has cumulatively certified 67,000 candidates across Manufacturing, Sales, Service and Driving domains
- These 67,000 candidates have been certified to the Skill Standard developed by ASDC
- These Candidates are spread throughout India
- ASDC has built up a capacity through its affiliated Training Delivery and Assessment Partners to handle 5,00,000 enrolments annually
- This number could be scaled up even higher if there are adequate funds made available viz through Auto Cess

During discussion, it was decided that ASDC should put up a proposal to DHI for funding requirement during 2015-16, if any, by 15/04/2015.

21. Secretary, DHI, while concluding the meeting, thanked all the participants for attending the meeting and expressing views for the development of auto sector in the country. He assured the members that DHI would look into all issues raised by the members and take appropriate follow up action on the same.

Meeting ended with thanks to the chair.