

Minutes of the meeting of the Development Council for Automobile and Allied industries (DCAAI) held on 02.09.2013 at 11.00 AM at Udyog Bhawan, New Delhi.

The meeting of **Development Council for Automobile and Allied Industries (DCAAI)** was held on 02.09.2013 at 11.00 AM at Udyog Bhawan, New Delhi under the Chairmanship of **Shri Sutanu Behuria, Secretary, DHI**. The list of participants is placed at **Annexure**.

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, in terms of employment and revenue generation, is one of the important sectors of Indian economy, which is presently passing through a difficult phase, and hoped that, as in the past also, would soon overcome this phase of economic downturn by dint of its innate resilience and the strength of the domestic market.

3. The Chairman then called upon the industry representatives to present their views/opinions before the council. **Mr. Lowell Paddock, President and MD General Motors India**, initiating the discussion, agreed that automobile sector is playing a major role in terms of employment generation as well as revenue generation, but this sector is now passing through desperate times and needs govt. support for its sustainability. **Mr. Cyrus Mistry, Chairman, Tata Motors** also underlined the criticality of the situation stating that the industry is in the throes of a slow down for the second consecutive year. This is an inflexion point for the automobile industry, and strong steps from Govt. are urgently needed in order to put the industry back on its track. **Mr. S. Vishwamohan, Vice Chairman, Toyota Kirloskar Motors**, echoing the sentiment, requested that the government needs to intervene like it did during the 2008 crisis, and, department should take up the issue with Ministry of Finance for providing some stimulus package. **Mr. S Sandilya, President, SIAM**, observed that both short term and long term measures are required to handle the crisis at hand. **Mr. Surinder Kanwar, President, ACMA** shared that the effect of slow down in the economy, and in the automobile sector, has now percolated to the auto components sector as well, which is in a bad shape now. **Mr. Pawan Munjal, MD and CEO, Hero Motor Corp.**, stated that the current state of the auto industry is a result of the over-all slow-down in the economy, which is evident from the negative growth of even the 2 wheeler segment which illustrates the stress on the purchasing power of the particular consumer segment. He also expressed hope that in the coming festival season demand should rise, and the industry is banking on this. Responding to the concern expressed across the board by the industry representatives, the Chairman gave assurance that the department is fully seized of the

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212 present condition of the automobile industry and is actively pursuing these issues with the concerned stake-holder ministries.

4. **Agenda of the meeting were then taken up as follows: Agenda Item No. 1: Confirmation and adoption of the minutes of last DCAAI meeting held on 04.10.2012.**

4.1 **Shri Ambuj Sharma, Joint Secretary, Department of Heavy Industry** informed that the minutes of the meeting of the Development Council for Automobile and Allied Industries(DCAAI) held on 04.10.2013 at Udyog Bhawan, New Delhi had been circulated and posted on DHI website, no comments have been received thereon and accordingly requested for confirmation of the minutes.

4.2 The council confirmed the minutes without any modification.

5 **Agenda Item No. 2: review of Action Taken on the decisions of previous DCAAI meeting.**

5.1 Shri Ambuj Sharma, Joint Secretary, DHI apprised the DCAAI, one by one, about the action taken on various issues discussed in the previous meeting. He mentioned that in the previous meeting, SIAM had, inter alia, requested the govt. to consider the following main items-

- (i) Extension of Automotive Mission Plan(AMP) beyond 2016 to 2026
- (ii) Support for commercial vehicle sector performance improvement
- (iii) Long term emission road map
- (iv) Investment-tariff policy and investment support. Rationalization of high embedded tax in automotive sector

5.2 **As regard point no.(i)**, a meeting of Core Group was held on 2.4.2013 to discuss the roadmap and approach to the AMP 2016-26 wherein it was decided that iMaCS (ICRA Management Consulting Services) will prepare an inception report on AMP 2006-16 and identify focus areas for AMP 2016-26. Accordingly, DHI will constitute various sub-groups involving all stake-holding Ministries, industries representatives, and representatives from academia/R&D fraternity etc. to study issues to be covered in AMP 2016-26. Sub Groups will

submit their reports to Steering Committee that will be constituted for this purpose. Action has been initiated on this issue and already two meetings have been held with SIAM and IMaCS so far.

5.3 As regard point no. (ii), Ministry of Urban Development (MOUD) has made a provision of ₹ 6800 cr. under JNNURM scheme for procurement of 10,000 buses this year. DHI is interacting with MOUD and all concerned to ensure inclusion of XeV buses in the fleet. At the time of circulation of draft EFC note by MoUD, DHI had indicated the need for having a certain percentage of fleet to be XeV Buses and putting away a budget for this. However, MoUD is agreeable, at present, to the idea of inclusion of XeV buses in the fleet. In an IMG meeting on electric mobility, MoUD also proposed to issue guidance to STUs to ascertain a certain percentage of their fleet to consist of XeV Buses. SIAM and concerned OEMs may now interact with STUs closely to obtain orders for the same.

5.4 As regard point no.(iii), Active consultations have been undertaken with the industry and the Ministry of Power, the Bureau of Energy Efficiency and the Ministry of Road Transport & Highways to arrive at the feasible emission norms. Strong interventions have been made to convey the concerns on the practicability and implementation issues of certain norms. Due to active intervention of the Department, implementation time frame has been got shifted by two years, (to 2017 and 2022 respectively). The emission norms are likely to be notified in a month or two.

5.5 As regard point no.(iv), industry's concerns on various investment and tariff related issues have been conveyed to Ministry of Finance along with pre-budget recommendations and on other occasions too. A meeting of IMG under DHI has been recently held to deliberate upon all issues of concern, and again stake-holder ministries will be suitably addressed.

5.6 Regarding ACMA's request for Govt. intervention on the issues of availability of skilled man-power, development of managerial depth across tiers, raising capital to meet the projected growth etc, the Joint Secretary stated that the Cess Committee has given approval to Phase-I of **UNIDO-ACMA Cluster Development Project** at the cost of ₹ 11.25 cr. wherein ₹ 0.40 cr. has been released in the year 2012-13 from the Auto Cess fund. This project, which is basically a counselor based scheme, aims to provide support to Small and Medium Enterprises (SMEs) for enhancing the performance of domestic SMEs in the automotive component industry. Further, an **Automotive Skill Development Council (ASDC)** has been set up under the oversight of NSDC with a view to make available adequate, trained

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manpower for automotive sector including other sectors. He mentioned that, in the last meeting, NATRiP had shared with the DCAAI the initiatives taken for adoption of electric mobility and manufacture of electric vehicles (including hybrid) in India, further stating that the National Electric Mobility Mission Plan (NEMMP) 2020 has been launched in January 2013 by the Hon'ble Prime Minister, and a pilot project on XeV is being launched in Delhi shortly, which would be followed by other cities, and a detailed demand incentive scheme is in the final stage of formation, to be placed for Govt. approval.

6. Agenda Item No.3: (i) Discussion on administration of Auto Cess Fund and (ii) approval of projects funded by the auto Cess Fund and sanctioned by the sanctioning Committee after the last DCCAI meeting.

6.1. Initiating the discussion, Shri Ambuj Sharma, JS(DHI) apprised the members that establishment and Constitution of Development Council is governed by the **Industries (Development and Regulation) Act, 1951, section 6; and Development Councils (Procedural) Rules, 1952**. As per the Act, Development Council shall perform to increase the efficiency or productivity in the scheduled industry or group of scheduled industries for which the Development Council is established, to improve or develop the service that such industry or group of industries renders or could render to the community, or to enable such industry or group of industries to render such service more economically.

6.2. He mentioned that as per the Industries (Development and Regulation) Act, 1951, (Act no. 65 of 1951), Chapter II Section 9(1), Central Government can levy and collect cess on all goods, manufactured or produced by issue of notification to this effect, and hand over the proceeds of the Cess to the Development Council established for that industry. The Development Council shall utilize the said Cess fund to promote scientific and industrial research, improvements in design and quality, provide for the training of technicians and labour and to meet such expenses in the exercise of its functions and its administrative expenses with reference to the scheduled industry or group of scheduled industries in respect of which the development council is established.

6.3 He further added that Automotive Cess is levied and collected in terms of Notification No. S.O. 932 (E), dated 28.12.1983 of Department of Heavy Industry issued under sub-section (1) of Section 9 of the ID Act; and, further, as per the Auto Cess Rules, 1984. Cess on sale of automobiles is levied @ $1/8^{\text{th}}$ of one percent ad valorem which, for convenience of collection, is being collected along with Excise Duty and annually allocation under Non Plan head is being given to DHI for specific amounts, generally `25 cr. per year of late. This

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money is being used to fund different projects for the benefit of the industry through a transparent process of Cess committee which is chaired by Secretary, DHI. Since 1984, till 2013-14, about 200 projects have been funded from the auto Cess, with a total project cost of about 410 cr.

6.4 . Elaborating on the methodology of funding of R&D projects under Cess fund for project appraisals and approvals, the Joint Secretary explained that the DCAAI follows a transparent mechanism of **Sanctioning Committee and Technical Screening Committee**. The Sanctioning Committee is headed by Secretary, Heavy Industry. Committee also consists of AS&FA(DHI) (as decided in the last meeting of Sanctioning Committee, on 25.07.13), along with representatives of related Ministries/ Departments, industry associations and autonomous organizations having expertise in Automotive R&D etc. It approves the projects on the basis of the recommendations of the TSC (**Technical Screening Committee**), which is headed by Joint Secretary, DHI and also consists of Director Finance (DHI), along with industry representatives, representatives from autonomous bodies having expertise in automotive R&D, along with representatives from other stake-holder ministries/departments. The Sanctioning Committee appraises each proposal for Automotive R&D with respect to project activities and expected outcomes, financial aspects and managerial competence etc., implementing agencies, monitoring/evaluation mechanism etc. while also reviewing the progress of the running projects as well. Recommendations of TSC are placed before the Sanctioning Committee under Secretary, DHI for approval and funds are released by DHI from its Non Plan budget, directly to the implementing agencies. The approval and sanctioning of projects, as well as progress of the Auto Cess fund projects is apprised to the DCAAI at its meetings regularly. Availability of Funds, sanction and release thereof under Auto Cess is linked to annual budgetary exercise, quarterly schedule of expenditure as per Finance Ministry guidelines and limits put therein on release of funds, especially in the last month of FY. This also depends upon the timing of the receipt, appraisal and approval of specific project proposals. Therefore, there is a need to suitably design the schedule, during the year, for project approvals to ensure optimal utilization of funds. It was explained that as the meetings of DCAAI (to be held twice in a year) may not coincide with the required timings and frequency of project screening-approval exercise, the system of concurrent approval of DCAAI is not feasible.

6.5 After deliberating on this issue, the **Development Council approved**: (i) Methodology of administration of funding under Auto Cess Fund as explained i.e. the approvals and sanctioning of projects by TSC and Sanctioning Committee as well as progress of the Auto Cess Fund projects, which is to be apprised to the DCAAI at its following meeting, regularly.;

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and (ii) the Composition of the Sanctioning Committee and the Technical Screening Committee, as described.

6.6. Apprising the Council of the Cess Committee approvals, it was elaborated that the Committee in its meeting held on 30.01.2013 approved for release of ` 20.00 cr. for various projects in 2012-13. But only an amount of ` 8.25 cr. (` 2.95 cr. - soft component and ` 5.30 cr. - capital component) was released due to expenditure ceiling of 33% which came into being vide Ministry of Finance (D/o Economic Affairs) OM No.21(1)/PD/2005, dated 05/12/12. Even as exemption was sought from Ministry of Finance on the ceiling, only relaxation of expenditure ceiling of 15% in respect of release of fund during the month of March, 2013 was allowed. Further, Cess Committee, in its meeting held on 25 .07.13, has approved for release of ` 22.23 cr. for various projects for FY 2013-14.

6.7. Development Council was also apprised of the on-going projects, new projects and the projects which got completed in 2012-13. After detailed discussion, **DCAAI gave its concurrence for previous release of ` 8.25 cr. in FY 2012-13 and further release of ` 22.23 cr. in FY 2013-14 approved by the Cess Committee in its meetings on 30/01/2012 and 25/07/2013 for various projects.**

7. Agenda Item No. 4: Presentation by SIAM and ACMA

7.1. **Presentation by SIAM: Shri S. Sandilya, President, SIAM** made a presentation on the industry performance, Automotive Mission Plan and the issues faced by the automobile Industry, highlighting the following:

- This is the worst and most protracted slowdown faced by the industry since the last 10 years. Passenger vehicle segment accompanied by 2W segment slow down indicated severity of the situation.
- Going by the trend, AMP 2006-16 targets need downward revision, for USD 37 Bn. shortfall in projected turn-over is predicted even if 10% growth rate assumed, or term extension required.

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- to consider the concept of fleet modernization as it would help in removing older, potentially polluting and unsafe vehicles from the road , incentivizing required to promote vehicle replacement by owner.
- NCCD should be removed from auto sector
- Excise duty be reduced from cars/vehicles, as at 58%-90% total tax incidence, vehicle is one of the most highly taxed commodity. Amendment in Central Excise Act, 1944 required in view of Supreme Court judgment on basic valuation system for duty application.
- Excise and custom duties on XeV/EV be rationalized and incentivized.
- Restoration of duty draw back rates to pre Oct'12 levels.
- India EU FTA be pursued cautiously, to continue keeping auto in negative list.
- Roadmap for AMP 2016-2026 to be formulated.

7.2 On the **issue of Fleet Modernization**, Joint Secretary Mr. Ambuj Sharma was of the view that effective policy frame work, I&C regime along with a credible scrappage system was required to be in place. **IMG on Vehicle Recall and ELV** had discussed this issue in detail, including the global best practices. A demonstration centre under NATRiP is functional in Chennai. Secretary also desired that global practices need to be looked into which can be suitably customized for Indian requirements. Further, there is need for private entrepreneurs to set up modern scrapping centres. Mr. Lowell Paddock gave example of US where strict adherence to policy is ensured. Mr. Cyrus Mistry added that even though there are such centres in place in the private sector domain , what is actually required is the policy framework, with sufficient incentives in place, for example, credit points for new vehicle in case old vehicle has been got scrapped by the owner, etc.

7.3 **Regarding excise duty on cars**, there was consensus to pursue the matter with the Finance Ministry for reduction of excise duty on small cars from 12% to 10% and for all other categories of vehicles, from 27% and 30% to one rate of 24%. It was also decided to pursue **removal of NCCD from automobile**, to effectively continue to address the concerns of the industry regarding India-EU FTA, extension of AMP period to AMP-II etc.

8. **Presentation by ACMA: MR. Surinder Kanwar**, President, ACMA informed that **Auto Component Manufacturers Association (ACMA)** represents over 600 companies. In the domestic market, they supply components to vehicle manufacturers, tier-one suppliers, state transport undertakings, defense establishments, Railways and also to the replacement market. A variety of components are also being exported to OEMs and after-markets

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worldwide. It was informed that in the year 2012-13, the component industry has registered a turnover of US\$ 39.07 billion which translates to YOY growth of 9.9% and the export of Auto-components registered a growth of 9.7% whereas import of Auto-components registered a negative growth of -0.6%. However, negative growth in OEMs during this year is also reflecting upon the component sector adversely.

8.1 President, ACMA highlighted the challenges being faced by the Indian Auto-Component Industry and requested for Govt. Intervention on the following issues-

- (i) Extend **Incremental Export Incentivization Scheme** beyond 31st March 2014
- (ii) Presently **200% Weighted Deduction under section 35(2AB)** of the Act is available for In-House R & D facility. 200% Weighted Deduction should be extended to out-sourced R&D, including that from Third-Party Service Providers/Other Institutions.
- (iii) Current Depreciation Rate of 15% on Capital Goods to be enhanced to 25%. Domestically manufactured Capital Goods sourcing to be encouraged by allowing 40% Depreciation.
- (iv) Condition of 'put to use' for 180 days restricting initial depreciation to 10%, should be removed.

5.10 Responding to the ACMA presentation, Secretary (HI) expressed difficulty in pressing for any across the board excise/customs reduction. However, it was decided that specific and concrete R&D proposals, depending on merit, can be considered for support from the Cess Fund. It was also felt that a more substantive step was required to institutionalize automotive R&D, by involving IITs or other premier R&D institutions from India or abroad.

9. **Agenda Item No.5: Presentation by CEO, NATRiP and by ARAI**

Presentation by CEO, NATRiP

9.1. **Shri Nitin Gokarn, CEO&PD, NATRiP** gave an overview of the background, current status and the future prospects of the project. Explaining the hurdles in the initial stages faced by the project on account of delays in acquisition of land at various sites, delays in clearances, shifting of utilities, contractual complications etc., he also explained the background of the further time extension that was approved by the CCEA, revising the project completion schedule to 31st December, 2014. He also provided a summary of progress of construction of various testing labs to be set up under the NATRiP project at each site.

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10. Presentation by ARAI

10.1 **Shri D. J. Kulkarni, Sr. Dy. Director, ARAI** made a power point presentation explaining the vision, R&D activities, homologation facilities and manpower development being done in ARAI. He also provided a gist of all the services being provided by ARAI to the industry and projects which ARAI has taken up.

11. Agenda Item No.6: Presentation by Automotive Skill Development Council (ASDC)

11.1 **Shri Sunil Kr. Chaturvedi, CEO, ASDC** made a power point presentation about the various programmes being run by ASDC for skill development in the automotive sector, providing the following highlights:

- Initial pilot project has been completed with curriculum standards developed, training of teachers, validation, examination, certification, all done and industry placement for students ensured
- Main project approved by NSDC recently
- National Occupational Standards being prepared for the main project with the help of industry
- Establishing ASDC Training Delivery Partners
- Aims to establish 500 Training Delivery Centres and to deepen industry connect through these and other measures like international collaborations, labour management info system, academics of excellence etc.

12. Agenda Item No. 7 & 8: Presentation on NEMMP and NAB by Director (Ops.), NATRiP

12.1 **Shri Vikram Gulati, Director (Operation), NATRiP** provided a brief outline of the National Electric Mobility Mission Plan 2020, about its launch by the Hon'ble Prime Minister on 9th January, 2013; along with the objectives and roadmap for implementation of the mission plan.

12.2 He further apprised the Development Council about the newly formed **National Automotive Board (NAB)** that has been approved by the Union Cabinet in its meeting held

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on 18.10.2012. Explaining the role of the NAB, he stated that it will steer, coordinate and synergize all efforts of the government in important ongoing and new initiatives for automotive sector especially in the areas of electric mobility, intelligent transport systems, automotive testing, collaborative R&D and for implementation of the recommendations of the Automotive Mission Plan 2006-16. It will be the nerve center of the organizational interactions between the government, industry and the academia, and, under DHI, will function as a repository of automotive domain expertise. NAB has been set up as an autonomous registered society, under the **Societies Registration Act (XXI OF 1860), (Punjab Amendment) Act 1957**. The total financial support required from the Government is estimated to be approx. 2.02 cr. The funds for NAB will be made available from the Automotive Cess (administered by the Development Council for Auto and Allied Industries within DHI) which is to be used for the benefit and development of the automobile industry. The Board will be housed in the National Capital Region. NAB is expected to become self-sufficient in three years and will not need any further support from the government thereafter.

12.3 He further added that in the meeting of **High Level Committee on Manufacturing** held on 09.07.2013 under the chairmanship of **Hon'ble Prime Minister**, it was decided to start **Electric Hybrid Vehicle Pilot Project in Delhi** to be followed by other cities. For implementing this, an **Inter-Ministerial Group has been constituted by DHI including Chief Secretary of NCT of Delhi**, to work out implementation modalities for this pilot project. Pilot Project will be executed through a Special Purpose Vehicle to be created, funded and run by Delhi Govt. Operations/running of the vehicles will be done by professional operators and DTIDC has been selected by Delhi Government as logistic service provider partner.

13. Continuing the discussion, **Mr. Jairath**, Ex Secretary, Govt. of Maharashtra noted that the industry is on the verge of entering a vicious cycle of down-turn, which can only be avoided by a two pronged strategy, i.e., excise duty cut on one hand, coupled with some other stimulus package for the industry, where the biggest role can be played by the DHI. **Mr. Lowell Paddock** expressed hope for a festival season recovery of the market over the coming 2-3 months. **Mr. Cyrus Mistry** stressed upon the need for explaining to all stake holders the importance of the automobile sector and the benefits its growth can entail. **Mr. U D Bhargava**, Director, MoRTH suggested that the scope of Cess fund needs to be expanded to cover more R&D projects.

14. Shri Ambuj Sharma, Joint Secretary, DHI, summarized the discussion stating that industry's concern on slowdown has been noted and remedial action has already been initiated by DHI. The Department is actively involved in ensuring the launch of pilot project on electric mobility in Delhi, followed by other cities. He exhorted the industry for active support in this important endeavor. He further added that Finance Ministry has agreed 'in-principle' to increase the allotment under Cess fund to DHI so that NEMMP 2020 and other initiatives may be smoothly implemented.

15. The meeting ended with vote of thanks to the Chair.

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List of Participant

S.No.		
1	Shri Sutanu Behuria	Secretary (HI)-in chair
2	Shri. Ambuj Sharma	Joint Secretary, DHI
3	Shri. V.K. Jairath	Ex. Pr., Secretary, Govt. of Maharashtra
4	Shri. Sumit Dasgupta	Adviser Planning Commission
5	Shri. Nitin Gokarn	CEO, NATRIP
6	Shri. U.D Bhargava	Director, (Road Trans.) MoRTH
7	Shri. Niraj Kumar	Director, DHI
8	Shri. Rama Kirshan N	Dy. Secretary, D/o Commerce
9	Shri. Santosh Kr. Vatse	US (Tax Research Unit, D/o Revenue, MoF
10	Shri. Cyrus Mistry	Chairman, Tata Motors
11	Shri. S. Sandilya	Chairman, Eicher
12	Shri. Surinder Kanwar	CMD, Bharat Gears Ltd.
13	Shri. Pawan Munjal	CEO & MD, Hero Motors Corp. Ltd.
14	Shri. Lowell Paddock	MD, General Motors India
15	Shri. Harish Lakshman	MD, Rare Group
16	Shri. S. Vishnathan	VC, Toyota Kirloskar Motor
17	Shri. Vishnu Mathur	DG, SIAM
18	Shri. Vinnie Mehta	ED, ACMA
19	Shri. Sunil K Chaturvedi	CEO, ASDC
20	Shri. Deepak J. Kulkarni	Sr. Dy. Director, ARAI