REPORT NO.
303

सत्यमेव जयते

PARLIAMENT OF INDIA
RAJYA SABHA

DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE ON INDUSTRY

THREE HUNDRED AND THIRD REPORT

ON

Downturn in Automobile Sector - Its Impact and Measures for Revival

(Presented to the Hon'ble Chairman, Rajya Sabha on15th December, 2020)
(Forwarded to the Hon'ble Speaker, Lok Sabha on 15th December, 2020)

भारतीय संसद, राज्य सभा
PARLIAMENT OF INDIA, RAJYASABHA

Rajya Sabha Secretariat, New Delhi
December, 2020/Agrahayana, 1942 (Saka)

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COMPOSITION OF THE COMMITTEE
(2019-20)
(Constituted w.e.f. 13th September, 2019)

1. Dr. K. Keshava Rao - *Chairman*

RAJYA SABHA

2. Shri Birendra Prasad Baishya
3. Shri Subhasish Chakraborty
4. Shri Shwait Malik
5. Shri Jose K. Mani
6. Shrimati Ranee Narah
7. Dr. Amee Yajnik
8. Shri K.C. Ramamurthy[&]
9. Shri Sanjay Seth[$]
10. Shri Subhas Chandra Bose Pilli[@]

LOK SABHA

11. Kunwar Danish Ali
12. Ms. Mimi Chakraborty
13. Shri Bharatsinhji Shankarji Dabhi
14. Shrimati Annpurna Devi
15. Dr. S. T. Hasan
16. Ms. S. Jothimani
17. Shri Mohanbhai Kalyanjibhai Kundariya
18. Shri Ravindra Kushawaha
19. Shrimati Poonamben Hematbhai Maadam
20. Shri Bidyut Baran Mahato
21. Shri Rampreet Mandal
22. Shri Vincent H. Pala
23. Shri T. R. V. S. Ramesh
24. Shri Y. S. Avinash Reddy
25. Shrimati Gomati Sai
26. Shri Ganesan Selvam
27. Shri Chandan Singh
28. Shri Sunil Soren
29. Shri Sunil Dattatray Tatkare
30. Shri Su Thirunavukkarasar
31. Shri Hemant Tukaram Godse[#]

[&]Nominated *w.e.f* 17th January, 2020 against the vacancy caused due to the resignation by Shri Ram Kumar Kashyap, MP on 4th November, 2019.

[$]Nominated *w.e.f* 4th February, 2020 against the vacancy caused due to the resignation by Shri Vijay Goel, MP on 21st November, 2019.

[#]Nominated *w.e.f* 25th February, 2020 in place of Shri Arvind Ganpat Sawant, MP on his nomination to the Committee on Railways, Lok Sabha *w.e.f.* 25th February, 2020.

[@]Nominated *w.e.f* 22nd July, 2020 against the vacancy caused due to the expiration of term of Shri Raj Kumar Dhoot, MP in Rajya Sabha *w.e.f.* 2nd April, 2020.

COMPOSITION OF THE COMMITTEE
(2020-21)
(Constituted w.e.f. 13th September, 2020)

1. Dr. K. Keshava Rao - *Chairman*

RAJYA SABHA

2. Shri Birendra Prasad Baishya
3. Shri Subhasish Chakraborty
4. Shri Shwait Malik
5. Shri Jose K. Mani
6. Shrimati Ranee Narah
7. Shri Subhas Chandra Bose Pilli
8. Shri K.C. Ramamurthy
9. Shri Sanjay Seth
10. Dr. Amee Yajnik

LOK SABHA

11. Shri Hanuman Beniwal
12. Ms. Mimi Chakraborty
13. Shri Bharatsinhji Shankarji Dabhi
14. Shrimati Annpurna Devi
15. Shri Hemant Tukaram Godse
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23. Shri Vincent H. Pala
24. Shri Chirag Paswan
25. Shri T. R. V. S. Ramesh
26. Shri Y. S. Avinash Reddy
27. Shrimati Gomati Sai
28. Shri Ravindra Shyamnarayan Shukla *alias* Ravi Kishan
29. Shri Sunil Soren
30. Shri Sunil Dattatray Tatkare
31. Shri Su Thirunavukkarasar

SECRETARIAT

1. Shri Jagdish Kumar, *Additional Secretary*
2. Shri Arun Sharma, *Joint Secretary*
3. Smt. M. Sasilekha Nair, *Director*
4. Shri J.K. Mallick, *Additional Director*
5. Smt. Sreeja. V., *Deputy Secretary*
6. Shri. Ajin J. R., *Under Secretary*
7. Smt. Deepti Rana, *Assistant Committee Officer*

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorized by the Committee, do hereby present this Three Hundred and Third Report on the Downturn in Automobile Sector - Its Impact and Measures for Revival.

2. The Committee took up the subject for detailed examination and notified the same *vide* Parliamentary Bulletin Part-II dated 31st October, 2019. As part of examination of the subject, the Committee deliberated in detail in its meetings held on 4th & 13th November, 2019 wherein it heard the views of Secretary, the Department of Heavy Industry and representatives of Auto Industry Association *viz* Society of Indian Automobile Manufacturers (SIAM), Automotive Component Manufactures Association of India (ACMA), Federation of Automobile Dealers Associations (FADA) and Adityapur Small Industries Association (ASIA) from the MSME Sector, respectively. The Committee also obtained information through its Questionnaires on the subject from the Department of Heavy Industry, the Ministry of Finance, the Ministry of Road Transport and Highways, the Ministry of Environment, Forest and Climate Change and the Ministry of Petroleum and Natural Gas.

3. This Report is based on the submissions made by the Secretary of the Department of Heavy Industry and its Senior Officers and other materials such as the Background Notes etc. also the information submitted by the representatives of SIAM, ACMA, FADA, ASIA and replies to the questionnaire furnished by the Ministry of Finance, the Ministry of Road Transport and Highways, the Ministry of Environment, Forest and Climate Change and the Ministry of Petroleum and Natural Gas.

4. The Committee considered the Draft report and adopted the same at its meeting held on 16th October, 2020.

5. The Committee expresses its sincere gratitude to all the representatives of various Auto Industry Associations and Ministries/Department concerned for placing before it their valuable suggestions, Notes and information required in connection with the examination of the subject.

Dr. K. Keshava Rao
Chairman
Department -related Parliamentary Standing Committee on Industry

New Delhi
October 16, 2020
Asvina 24, 1942 (Saka)

ABBREVATIONS

2W	-	Two Wheeler
3W	-	Three Wheeler
ACMA	-	Automotive Component Manufactures Association of India
AVSF	-	Automobile Vehicle Scrapping Facility
BEE	-	Bureau of Energy Efficiency
BIS	-	Bureau of Indian Standards
BS	-	Bharat Stage
CAFE	-	Corporate Average Fuel Efficiency
CBU	-	Complete Built Unit
CC	-	Cubic Centimeters
CIBIL	-	Credit Information Bureau (India) Limited
CMVR	-	Central Motor Vehicles Rules
CO	-	Carbon Monoxide
COVID-19	-	Corona Virus Disease 2019
CV	-	Commercial Vehicle
DFG	-	Demands for Grants
DHI	-	Department of Heavy Industry
DoC	-	Department of Commerce
DPIIT	-	Department for Promotion of Industry and Internal Trade
EoI	-	Expression of Interest
EU	-	European Union
EV	-	Electrical Vehicle
FADA	-	Federation of Automobile Dealers Associations
FAME- India	-	Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India
FDI	-	Foreign Direct Investment

FTA	-	Free Trade Agreement
GDP	-	Gross Domestic Product
GoI	-	Government of India
GST	-	Goods and Services Tax
GVW	-	Gross Vehicle Weight
HC	-	Hydro Carbon
IC-	-	Internal Combustion
ICE	-	Internal Combustion Engine
IIT	-	Indian Institute of Technology
KYC	-	Know Your Customer
LIB	-	Lithium Ion Battery
M&HCV	-	Medium and Heavy Commercial Vehicles
M/o MSME	-	Ministry of Micro, Small and Medium Enterprises
MoEFCC	-	Ministry of Environment, Forest and Climate Change
MoF	-	Ministry of Finance
MoP	-	Ministry of Power
MoPNG	-	Ministry of Petroleum and Natural Gas
MoRTH	-	Ministry of Road Transport and Highways
NBFC	-	Non Banking Financial Companies
NCR	-	National Capital Region
NEMMP	-	National Electric Mobility Mission Plan
NOx	-	Nitrogen Oxide
NPA	-	Non Performing Assets
OEM	-	Original Equipment Manufacturer
PM	-	Particulate Matter
PMP	-	Phased Manufacturing Programme
PSU	-	Public Sector Undertaking
PV	-	Passenger Vehicles

R&D	-	Research & Development
RCEP	-	Regional Comprehensive Economic Partnership
SIAM	-	Society of Indian Automobile Manufacturers
STU	-	State Transport Undertaking
SUV	-	Sports Utility Vehicle
UNFCCC	-	United Nation Framework Convention on Climate Change
UoI	-	Union of India
USD	-	US Dollar

REPORT

The Indian Automobile Industry comprising automobile and the automotive component segments is one of the key contributors to economic growth of India. Being deeply integrated with other industrial sectors, it is a major driver of the manufacturing Gross Domestic Product (GDP), exports and employment. India is a prime destination for many multinational automobile companies with the aspirations of business expansion, and the basic advantages that the country provides as an investment destination, includes cost-effective operations, efficient and large scale manpower, a fast growing dynamic market, since the liberalization of the sector in 1991, and allowing 100% FDI through automatic route. In Indian Automobile Sector today, there is presence of almost every global auto manufacturer in the country. All categories of vehicles like Two Wheelers, Three Wheelers, passenger cars, light commercial vehicles, trucks, buses, tractors, Heavy commercial vehicles *etc.* are produced in India. India is the largest manufacturer of Two Wheelers and Three Wheelers and the fourth largest manufacturer of passenger cars in the world. Further, the manufacturing of automobiles including trucks, buses, cars, three wheelers/two wheelers *etc*, has risen at a very high pace in India. Indian Automobile Industry today is a ₹8.2 lakh crore industry. Presently, the automobile industry turnover constitutes 7.1% of GDP, 27% of Industrial GDP and 49% of Manufacturing GDP and provides about 3.7 crore direct and indirect employment. Besides the current annual sale of vehicles is about 26 million and 8% of the total exports worth 27 billion USD come from the automobile industry. It is also a large contributor to the national exchequer, contributing ₹1.5 lakh crore in the total GST which corresponds to 15% of the total GST collected. Indian Auto Components Industry is also 57 billion USD *i.e.* ₹3.95 lakh crore industry. The Indian Auto component turnover constitute 2.3% of GDP and provides 5 million employment and exports to the tune of 15-16 billion USD *i.e.* ₹1.06 lakh crore.

2. Agricultural Machinery is mainly dominated by agricultural tractors. Indian Tractor Industry is the largest in the world, accounting for the third of the Global production. Indian Tractors are gaining acceptance in international markets and therefore Indian Tractors are exported to US and other countries like Malaysia, Turkey and Africa.

As the cost of tractors in India is cheapest in the world, there is tremendous scope for improvement of export of tractors in future.

Category wise production statistics (in Million Units)

Category	Total Production	Total Sales	Total Exports	World wise Position
2 Wheeler	24.5	21.18	3.28	No 1
3 Wheeler	1.27	0.70	0.57	No 1
***4Wheeler Passenger Car**	4.02	3.37	0.68	No 4
Commercial Vehicles	1.11	1.01	0.10	No 7
Total	**30.9**	**26.26**	**4.62**	**No 4**

*India has 22 cars per 1000 people as against USA: 980, Europe: 580; China: 170; and Singapore: 120.

3. Taking cognizance of media reports and flagging by some associations, regarding slowdown in the Automobile Sector, the Committee sought certain facts and figures from the Department of Heavy Industry on the performance of the Auto Sector. In response thereto, the Department furnished the data of growth rate, month-wise, year on year since July 2018 which is as under:

Seg	**Jul-18**	**Aug-18**	**Sep-18**	**Oct-18**	**Nov-18**	**Dec-18**	**Jan-19**	**Feb-19**	**Mar-19**	**Apr-19**	**May-19**	**June-19**	**July-19**	**Aug-19**	**Sep-19**
PV	-2.7	-2.5	-5.6	1.6	-3.4	-0.4	-1.9	-1.1	-3.0	-17.1	-20.6	-17.5	-31	-31.6	-23.7
CV	29.6	29.6	24.1	24.8	5.7	-7.8	2.2	-0.4	0.3	-6.0	-10	-12.3	-25.7	-38.7	-39.1
3W	46.2	22.8	11.6	12.9	-11.2	-23.4	-13.3	-4.2	-8.5	-7.4	-5.8	-8.8	-7.7	-6.9	-3.9
2W	8.2	2.9	4.1	17.2	7.1	-2.2	-5.2	-4.2	-17.3	-16.4	-6.7	-11.7	-16.8	-22.2	-22.1

Domestic Automobile Production:

4. The table below shows the total number of Units produced and the percent of the growth year-wise:-

(No. in thousands)

	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
No. of Vehicles Produced	20,626	21,500	23,366	24,016	25,330	29,094	30,915
Growth%	1.20	4.24	8.68	2.78	5.48	14.86	6.26

Domestic Automobile Sales:

5. The following table shows the total unit sales and the percent of sale growth year-wise:-

(No. in thousands)

	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
No. of Vehicles Sold	17,815	18,423	19,752	20,468	21,863	24,981	26,267
Growth%	2.61	3.41	7.22	3.63	6.81	14.26	5.15

Automobile Export:

6. The details of the vehicle Exports and its percent of growth year-wise is as under:-

(No. in thousands)

	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
No. of Vehicles Exported	2,898	3,110	3,573	3,643	3,480	4,042	4,629
Growth%	-1.34	7.31	14.89	1.95	-4.47	16.15	14.50

7. Further the year-wise and quarter-wise growth of the different segment is as under:

YoY Growth	**17-18 (%)**	**18-19 Q1 (%)**	**18-19 Q2 (%)**	**18-19 Q3 (%)**	**18-19 Q4 (%)**	**19-20 Q1 (%)**	**19-20 Q2 (%)**
PV	7.9	2.7	-3.6	0.8	-2.0	18.4	28.73
CV	20.0	17.6	27.5	6.7	0.6	-9.5	-34.97
3W	24.1	10.3	24.6	-6.8	-8.6	-7.4	-6.08
2W	14.8	4.9	4.9	8.4	-9.0	-11.7	-20.51

8. The Year on Year growth and sales volume month-wise comparison of years 2018 and 2019 is provided below:-

Domestic Sales Volume (In Number & % Change)							
Category	**April 2019**	**May 2019**	**June 2019**	**July 2019**	**Aug 2019**	**Sept 2019**	**Apr-Sept 2019**
PVs	2,47,541	2,39,347	2,25,732	2,00,790	1,96,524	2,23,317	13,33,251
% in 2019 vs 2018	-17.07	-20.55	-17.54	-30.98	-31.57	-23.69	-23.56
CVs	68,680	68,847	70,771	56,866	51,897	58,419	3,75,480
% in 2019 vs 2018	-5.98	-10.02	-12.27	-25.71	-38.71	-39.06	-22.95
3W	46,262	51,650	51,885	55,719	58,818	66,362	3,30,696
% in 2019 vs 2018	-7.44	-5.76	-8.79	-7.66	-6.93	-3.92	-6.66
2W	16,38,388	17,26,206	16,49,477	15,11,692	15,14,196	16,56,774	96,96,733
% in 2019 vs 2018	-16.36	-6.73	-11.69	-16.82	-22.24	-22.09	-16.18
Grand Total	20,01,096	20,86,358	19,97,952	18,25,148	18,21,490	20,04,932	1,17,36,976
% in 2019 vs 2018	-15.93	-8.62	-12.34	-18.71	-23.55	-22.41	-17.08

9. An analysis of the above tables reflects that there is a tremendous dip in the Automobile production and sales indicating negative growth or slowdown in the Auto Sector. Since the Department of Heavy Industry is envisaged with the onus of Policy advocacy for promotion of Automobile Industries, the Committee is seriously concerned about the slump in the Auto Sector, which is having a cascading impact on all economic activities, as the Auto Industry, the backbone of Indian Economy, is the largest and fastest growing sector today contributing 49% of manufacturing GDP of the country.

10. The Committee, therefore, decided to take up the issue of slowdown in Automobile Sector for detailed examination in consultation with all the stakeholders associated with the Auto Industry for analysing the causes, impact and for recommending remedial measures for reviving the Auto Industry.

11. Though the Department of Heavy Industry is mainly engaged in Policy advocacy for promotion of Automobile Industries, it is not the custodian of any Act/Rules related to

Automobile Sector. Automobile Sector is regulated and impacted by various rules and regulations enacted by various other Departments/Ministries *viz*.:

Ministry/Department		**Act/Rules/Engagements**
Ministry of Road Transport and Highways(MoRTH)	-	Central Motor Vehicle Rules
Ministry of Environment, Forests and Climate Change(MoEF&CC)	-	Emission Regulations
Ministry of Petroleum and Natural Gas (MoP&NG)	-	Regulations related to fuel efficiency and fuel used for vehicles (BS VI)
Ministry of Power(MoP)	-	Energy Efficiency requirement through BEE
Ministry of Finance (MoF)	-	Taxation Structure
Department of Commerce (DOC)	-	Foreign Trade Agreement
Department for Promotion of Industry and Internal Trade (DPIIT)	-	Internal Trade and Make in India

12. The Committee in its meeting held on 4th November, 2019 heard the views of the representatives of Auto Industry Associations *viz* Society of Indian automobile Manufacturers (SIAM), Automotive Component Manufacturers Association (ACMA), Federation of Automobile Dealers Association (FADA) and Adityapur Small Industries Association in the Automobile segment from the MSME Sector engaged in the automobile component manufacture, to analyse the causes and impact of the slowdown in Automobile Sector upon the economy as well as the stakeholders. The Committee also invited suggestions from these Associations for consideration and to recommend remedial measures to revive the auto industry. The Secretary, Department of Heavy Industry presented their views on the down turn in the automobile sector and the action taken by them for stalling de-growth, before the Committee in its meeting held on 13th November, 2019.

Global Scenario of Automobile Sector (Pre-pandemic era)

13. To Committee's inquisitiveness on the Global trend in the Automobile Sector, SIAM informed that there is a phenomenal slowdown worldwide, but India is the worst affected of all. However, due to the outbreak of COVID-19 pandemic, the countries world over have been badly affected owing to the lockdown imposed by them to contain the spread. The post pandemic lockdown scenario has been elucidated in the latter part of the Report.

Implications of Slowdown

14. The sharp decline in sales numbers of leading manufacturers display the decline in consumer sentiment and indicate an overall slowdown in the economy. The drop in sales over the last one and half years has forced major manufacturers to cut production including the automobile components and ancillaries. The continuous decline in sale is putting pressure on the manufacturers to downsize their manpower. The details of reduction in finance/liquidity in Auto Sector are as under:

Annual addition to Auto Sector Loans

Auto Loans	Q1 (Rs Cr)	Q2 (Rs Cr)	Q3 (Rs Cr)	Q4 (Rs Cr)	Total (Rs Cr)
FY 2018	400.38	453.76	513.18	554.73	1922.05
FY 2019	512.00	480.08	327.21	173.18	1492.72

15. The Committee was informed by the Auto Industry Associations that all the major Original Equipment Manufacturer (OEM) have cut down their production by 18-20% due to low demand and decline in sales of vehicles. As a result, the employment scenario in the Automobile Sector has been affected and the estimated job loss in the auto sector at various segments is as under:

Category	***Employment (in Nos.)***
OEM Unit	15,000
Components Sector	1,00,000
Dealership level	2,30,000

16. The Committee was also informed by the Automobile Sector Associations that new hiring of manpower has been stopped in the auto industry sector. Besides, 286 Auto Dealers who could not sustain operations in the downturn of Auto Industry have been closed. Further, the production cuts in the Automobile Sector have a percolating negative impact on the component industry adversely affecting the MSMEs engaged in the automobile spare parts manufacturing. Auto Industry being the backbone of Indian Economy, any strain in the Automobile Sector will have a major impact on the Indian Economic growth, as a whole.

Financial Issues for Customers

17. The Committee was informed by the Auto Industry Associations that the non-availability of finance to consumers due to tightening of norms for retail financing by the Banks across the board in rural as well as urban areas has affected the growth of the Auto Industry Sector. This approach by banks has reduced the availability of finance to customers to go in for new vehicle purchase. Further, Banks are following CIBIL ratings in a very rigorous manner as a result of which the customers are finding it difficult to get automobile loans. Most of the two wheeler customers are first time users and they don't have any CIBIL ratings or credit ratings. Moreover, the markets are shifting towards rural markets, where potential customers find in difficult for getting loans as they do not have any record of financial security, since they do not pay income tax. So with increasing stringent compliance measures, the rural customers find it difficult to avail finance from the banks for purchasing new vehicles. Earlier financing of about 85-90 percent was available but now it is limited to only 60-70%. **As per the submission of Department of Heavy Industry, amongst all the sectoral loans, NPAs are the least at 1.5 - 2% for Auto Loans. The Committee notes that majority of vehicle purchases are made through loans. The Auto loan is a secured loan as the vehicle itself is collateral. The Committee, therefore, finds no reason why the banks should be refusing auto loans to prospective consumers. The Committee, therefore, recommends that Department of Heavy Industry should take up the matter with Department of Financial Services for issuing required instructions to all banks throughout the country to adopt a**

liberal policy in sanctioning of vehicle loans subject to minimum regulations of fulfilling the eligibility condition.

18. The Committee was further informed by the Auto Industry Associations that the level of funding from Non-Banking Financial Corporations (NBFCs) and Banking Industry as a whole has reduced. Credit requirement norms of the customer including their credit scores have been made stricter resulting in denial of finance for purchase of vehicles by last mile customer. About 85-90% of the vehicle cost which could be financed earlier has now in many cases been reduced to 60-70%. In this regard, Department of Heavy Industry in their presentation stated that one of the factors that contribute to slowdown was reduction of exposure of banks and Non-banking Financial Companies to Automotive Sector. NBFCs earlier used to have exposure of ₹90,000 crore, which has been reduced to ₹60,000 crore in the last one year. Due to lack of funds, NBFCs which used to be the main contributor in lending capital/Loans on automobiles, is now trying to keep away from giving loans.

19. **The Ministry of Finance in their written submission has stated that funds worth ₹70,000 crore have been released for PSU banks recapitalization to improve liquidity situation. The Committee is pleased to note the action taken by the Government to strengthen the bank liquidity and believes that such a move will help PSU Banks to boost lending and improve liquidity situation. Further, the NBFCs will be allowed to use Aadhar authenticated KYCs to take up credit which would further help them to lend more Auto Loans. The Committee hopes that this move by the Ministry of Finance would bring some respite to the Auto buyers in the country and help improve the downturn in the Automobile Sector.**

20. **The Committee notes that in the year 2019, repo rate has come down by about 1.1% and reduction in the repo rate means the consumers may be able to get loans at cheaper interest rates from the Banks. Therefore, there is likelihood of commodities becoming cheaper due to lower interest cost, benefitting the end consumers. However, banks have not passed on the reduced rates to customers.**

Instead many retail auto loan rates have increased by 0.05% to 0.4%. In this regard, the Auto Association have highlighted that even 1% reduction in rates would motivate small car buyers to go in for the purchase of a new vehicle. The Department of Expenditure in its written reply has stated that the Government has recently announced linking of repo rate to interest rates charges for vehicle purchase, to provide impetus to the local manufacturing including automotive industry. The Committee however, has been informed that on ground, the reduction in repo rate by RBI has not been transferred to the customers by reducing interest rates. Therefore, the Committee is of the view that Department of Heavy Industry should take up the matter with Ministry of Finance and the Reserve Bank of India for issuing strict guidelines to all banks for linking repo rate to interest rates on loans to the consumers, to help revival of the Automobile Sector.

Financial Issues of Dealers

21. Regarding the inventory finance by the Banks, the Committee was informed that the Banks have reduced the inventory finance to dealers and raised the requirement of collaterals to cover the loans. For an example, till March 2019 inventory funding was done at zero collateral but post March 2019, it was increased to a minimum of 25% and goes as high as 60%. Apart from inventory funding, norms for availing credit facilities like Term Loans, Cash Credit and Bank Guarantees have been made more stringent. In many cases, the unused credit limit has been suddenly withdrawn and as a result, the new credit limit is only up to the credit used historically. The high rates of inventory funding has become a cause of worry for the Auto Industry.

22. Further, the Committee was informed by the Auto Association that easier access of financing to manufacturers, sellers and consumers have become difficult as banks have tightened credit lines in recent years due to rising bad loans. Consequently Banks have tightened norms for vehicle finance that resulted in reduced finance availability for purchasing new vehicles. Further, the Committee was apprised that Inventory finance by banks to dealers has been reduced and the requirement of collaterals to cover the loans has been raised. The risk appetite of finance sector has gone down because of which dealers had to reduce their working capital limit as a result their viability went down.

23. **The Committee is therefore of the considered opinion that as far as the working capital requirement of Auto Dealers is concerned, collateral norms for regular loan products should be moderate for availing required finance. The Committee is of the view that though banks have been facing various challenges because of bad loans, however, they should not look at all financial lendings with the same eye as the recovery rate is very high in the auto sector. Therefore, all measures needs to be taken to ease the availability of finance to the stakeholders in order to help them contribute substantially for the revival of auto sector.**

Transition in Emission Norms

24. The Committee was informed by the Auto Associations that the Dealers Associations have raised apprehensions based on the judgement dated 24th October 2018 of the Hon'ble Supreme Court, directing that no motor vehicle conforming to the emission standards of BS-IV shall either be sold or registered in the entire country with effect from 1st April, 2020. The Auto Industry's contention was that although the industry is ready to introduce BS-VI complaint models from April 2020, but due to the direction of Hon'ble Supreme Court that, the major challenge is that if any stock of BS-IV vehicles remain unsold with the Dealers, such stock cannot be sold anywhere in the country after 31.03.2020.

25. Further, the Auto Associations submitted that it is highly impractical as there will always be some stock on cut-off date with the Auto Dealers or Manufacturers and it would be very difficult to optimize or to plan the production in such a manner that not a single vehicle of BS-IV is left with Auto Dealers on 31st March 2020. This situation has given birth to conservatism amongst the manufacturers as no one wants to incur losses on BS-IV vehicle stock. Accordingly, the Auto Associations have sought extension of the cut off date for selling BS-IV vehicles on the plea that the contribution of cars in overall pollution is around 4% and out of that for diesel cars it would be 1%. If three months of a grace period is allowed, the car manufacturers can clear their BS-IV vehicle stock.

26. The Ministry of Road Transport and Highways (MoRTH) was asked by the Committee to clarify the necessity to leapfrog from BS-IV to BS-VI directly and at short notice for its implementation *w.e.f.* 1st April, 2020. The MoRTH clarified in their written submissions that the EURO VI emission norms from which the BS VI emission norms have been derived, were implemented in Europe in September 2014. On 2nd October, 2016 India acceded to 'The Paris Agreement' within the United Nations Framework Convention on Climate Change (UNFCCC), dealing with green-house-gas emissions mitigation, adaptation and finance in the year 2016. The implementation of BS-VI norms in India is already six year behind than that of Europe and other high automobile consumption markets. The MoRTH *vide* its GSR 889(E) dated 16th September 2016, had notified the implementation of BS-VI emission norms *w.e.f.* 1st April, 2020 through an amendment in CMVR, 1989. Further, the Ministry *vide* its GSR 178(E) dated 20th February, 2018 notified that new motor vehicles conforming to Emission Standard BS-IV, manufactured before the 1st April 2020 shall not be registered after the 30th June, 2020 and new motor vehicles of categories M and N conforming to Emission Standard Bharat Stage-IV manufactured before the 1st April, 2020 and sold in the form of drive away chassis shall not be registered after the 30th September, 2020.

27. However, the Hon'ble Supreme Court *vide* its Order dated 24th October 2018 has directed that no new motor vehicles conforming to the emission standard Bharat Stage-IV shall be sold or registered in the entire country with effect from 1st April, 2020. In this regard, the MoRTH informed that as the BS-VI emission norms were announced/notified on 16th September, 2016, the manufacturers had sufficient time to plan their inventory.

28. In response to a query raised by the Committee about the leapfrogging from BS-IV norms to BS-VI skipping BS-V, when it took almost 17 years of journey from BS-II to BS-IV, the Committee was informed that it was a gradual transition for all the corresponding stakeholders especially for the Ministry of Petroleum and Natural Gas because it is incurring huge amount in giving cleaner fuel for *eg.*, for BS-VI, the Industry would require around ₹80000 crore or more and for BS-IV, the target was ₹55000 crore to bring in the fuel technology upgradation. In this regard, the MoRTH in their written

submission have stated that the Government is committed to promote clean transport system with the implementation of BS-VI emission norms and as a result exhaust emissions from vehicles will improve significantly. It is envisaged that the implementation of BS-VI norms will have a significant bearing on the Air Quality Index in the country. With the growing population of vehicles on road, it was pertinent to take stringent measures to improve exhaust emissions from vehicles. It can be inferred that 25 to 87% reduction in NOx and 40 to 82% in PM is observed while moving to BS-VI emission norms. The BS-VI emission norms offers improved exhaust emissions as compared to BS-IV emission norms, which is as under:

Comparison of BS-IV and BS-VI norms	**BS-IV**		**BS-VI**		**% Reduction**		**Remarks**
	NOX	**PM**	**NOX**	**PM**	**NOX**	**PM**	
2W-PI, mg/km	390	-	60	4.5	-84.6	-	Introduced PM norms in BS-VI
2W-CI, mg/km	-	-	90	4.5	-	-	Introduced NOx & PM norms in BS-VI
3W-PI*, mg/km	940	-	130	-	-86.2	-	
3W-CI*, mg/km	380	42.5	160	25	-57.9	-41.2	
4W-PI, mg/km	80	-	60	4.5	-25.0	-	Introduced PM norms in BS-VI
4W-CI, mg/km	250	25	80	4.5	-68.0	-82.0	
HDV-PI, mg/kWh**	3500	30	460	10	-86.9	-66.7	
HDV-CI, mg/kWh**	3500	30	460	10	-86.9	-66.7	

*HC+NOx combined limit in BS-IV, separate limit for NOx in BS-VI
** Transient Cycle Limits

29. The MoRTH also informed the Committee that with the introduction of BS-VI emission norms, the vehicles manufactured in India can be exported to advanced countries and gain wider market foot print where equivalent norms have already been notified. Further, the oil refineries are expected to make the BS-VI fuel available across the country from 1st April 2020. It was also informed by the MoRTH that almost all major automobile manufacturers in India have taken approval for models as per BS-VI emission norms and BS-VI models in each category are available for sale in the market.

30. **The Automobile Sector, due to its strong forward and backward linkages with several key segments of the economy, occupies a prominent place in the fabric of Indian Economy. Since the number of vehicles exported in various segments is nowhere near the potential, exporting vehicles in a large scale would significantly contribute to employment generation, trade balance and economic growth of the country. The Committee therefore recommends that constructive steps should be taken by the Government to promote export of vehicles in various segments, particularly the BS-VI compliant vehicles, and their engine & spare parts to various countries across the globe, especially to Africa, Latin America, Southeast Asia and West Asia where there is still huge potential for the global automobile companies operating from India. The Committee also recommends that the Government in coordination with the automobile companies should take appropriate steps to explore the rural markets, particularly in Two Wheeler and Three Wheeler segments that would contribute substantially for the growth of the Auto Sector.**

31. The Ministry of Petroleum and Natural Gas in their written submission have informed the Committee that Oil Refineries have undertaken projects to supply BS-VI fuels as per the mandated date *i.e, w.e.f.* 1st April, 2020 across the country. Public Sector refineries have approved projects like new and revamp of Naphtha Hydro Treater, Isomerization Unit, Continuous Catalytic Reformer, Fluidized Catalytic Cracker, Gasoline Hydro Treater, Diesel Hydro Treater, Hydrogen Generation Unit, Sulphur Recovery Unit, Amine Regeneration Unit etc, to supply fuel as per prescribed standards. BS-IV vehicles would be able to run on BS-VI fuel. However, usage of BS-VI auto fuels in the non BS-VI compliant fleet of automobiles would reduce the emissions to some extent, but full benefits will only be realised in BS-VI compliant vehicles. The total estimated investment by PSU Refineries to switch over from BS-IV to BS-VI fuels is ₹28,750 crore.

32. Besides, the Ministry of Environment, Forest and Climate Change in their written submission have stated that leapfrogging from BS-IV standards to BS-VI standards will reduce NOx emissions in case of light duty gasoline and diesel vehicles, and HC, PM and

NOx emissions in case of heavy duty vehicles which will help in reducing pollution load from transport sector in the country. There will be reduction of 25% in NOx (g/km) emissions in BS-VI gasoline/diesel based light duty vehicles (Upto 6 seaters and Gross vehicle Weight (GVW) up to 2500 kg) as compared to BS-IV vehicles. Further, there will be reduction of 72% in HC (g/kwh), 88.5% in NOx (g/kwh) and 50% in PM(g/kwh) emission standards in BS-VI diesel based Heavy Duty Vehicles (Buses & Trucks) as compared to BS-IV vehicles.

33. The following Tables compare the emission standards between BS-III, BS-IV and BS-VI compliant vehicle:

Emission standards for gasoline based light duty vehicles

***Up to 6 seaters and Gross Vehicle Weight (GVW) up to 2500 kg**

Emission Standards	**CO(g/km)**	**HC (g/km)**	**NOx(g/km)**
BS III*	2.30	0.20	0.15
BS IV*	1.00 (Reduction of 21.8% *w.r.t.* BS-III)	0.10 (Reduction of 50% *w.r.t.* BS-III)	0.08 (Reduction of 47% *w.r.t.* BS-III)
BS VI*	1.00 (Reduction of 0% *w.r.t.* BS-IV)	0.10 (Reduction of 0% *w.r.t.* BS-IV)	0.06 (Reduction of 25% *w.r.t.* BS-IV)

Emission standards for Diesel based Light Duty Vehicles

* Up to 6 seaters and Gross Vehicle Weight (GVW) up to 2500 kg

Emission Standards	**CO(g/km)**	**HC (g/km)**	**NOx(g/km)**
BS III*	2.30	0.20	0.15
BS IV*	1.00 (Reduction of 21.8% *w.r.t.* BS-III)	0.10 (Reduction of 50% *w.r.t.* BS-III)	0.08 (Reduction of 47% *w.r.t.* BS-III)
BS VI*	1.00 (Reduction of 0% *w.r.t.* BS-IV)	0.10 (Reduction of 0% *w.r.t.* BS-IV)	0.06 (Reduction of 25% *w.r.t.* BS-IV)

Emission standards for Diesel based heavy Duty Vehicles (Buses & Trucks)

Emission Standards	**CO(g/km)**	**HC (g/km)**	**NOx(g/km)**	**PM(G/kwh)**
BS III*	2.1	0.66	5.0	0.10
BS IV*	1.5 (Reduction of 28.0% *w.r.t.* BS-III)	0.46 (Reduction of 30.0% *w.r.t.* BS-III)	3.5(Reduction of 30.0% *w.r.t.* BS-III)	0.02(Reduction of 80.0% *w.r.t.* BS-III)
BS VI*	1.5(Reduction of 0.0% *w.r.t.* BS-IV)	0.13(Reduction of 72.0% *w.r.t.* BS-IV)	0.4(Reduction of 88.5% *w.r.t.* BS-IV)	0.01(Reduction of 50.0% *w.r.t.* BS-IV)

34. In its written submission to the Committee, the Ministry of Petroleum and Natural Gas had stated that oil refineries had started undertaking projects to supply BS VI fuels as per the mandated date of 1st April 2020, across the country. However, representatives of ACMA had voiced apprehensions regarding availability of BS-VI compliant diesel fuel *w.e.f.* 1st April 2020.

35. **Further, the Committee feels that as a respite to the already stressed Automobile Sector, the DHI in collaboration with other concerned Ministries may work out some measures to ensure that the surplus stock of non-BS-VI compliant vehicles left unsold, if any, is disposed off. Through a Review Petition, the Hon'ble Supreme Court may be convinced to consider the extension of period for disposal of surplus stock of BS-IV compliant vehicle particularly taking into account the unexpected national lockdown imposed due to Covid-19 Pandemic. The Committee is of the opinion that this would provide the much needed leeway of considerable time over and above the mandated date of 1st April, 2020 to the dealers to dispose off their buffer stock of vehicles. Besides, the recent Coronavirus outbreak has taken its toll on the Indian Auto Industry, which is dependent on its component supplies from China. However, the Committee feels that even in the pervading gloom of the Coronavirus scare, there is a silver lining owing to the fact that the supply disruption may force manufacturers to look within and source their component parts locally. The Committee feels that such a de-risking plan is expected to boost the Auto Components Industry. Further, the Committee is also of the opinion that the disruption in the supply chain should also be counted as a**

reason to extend the deadline of 1st April 2020, as in the absence of a robust and consistent supply chain of Auto Components, there is bound to be a lesser capacity utilisation in the manufacture of BS-VI vehicles. To fill in this temporary shortfall of BS-VI vehicles, the inventory stock of BS IV vehicles, lying unsold with dealers can be utilised.

Migration to Electric Mobility

36. The National Electric Mobility Mission Plan 2020 is one of the most important and ambitious initiative undertaken by the Government of India that has the potential to bring about a transformational paradigm shift in the automotive and transportation industry in the country. It is the culmination of a comprehensive collaborative planning for promotion of hybrid and electric mobility in India through a combination of policies aimed at gradually ensuring a vehicle population of about 6-7 million electric/hybrid vehicles in India by the year 2020 along with a certain level of indigenisation of technology, thereby ensuring India's Global leadership in some vehicle segments. To promote hybrid/electric technology in transportation to reduce dependence on fossil fuels, FAME India (Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India) Scheme has been formulated and is one of the most important green initiatives of the Government of India. It will be one of the biggest contributors to reduction of pollution from the road transport sector. The FAME India Scheme has four focus areas *i.e.,* Technology Development, Demand Creation, Pilot Project and Charging Infrastructure. Market creation through demand incentives is aimed at incentivizing all vehicle segments *i.e.,* 2-wheeler, 3-wheeler Auto, Passenger 4-Wheeler vehicles, Light Commercial Vehicles and Buses. The demand incentive is available to buyers (end users/consumers) in the form of an upfront reduced purchase price and also by establishing the necessary charging infrastructure to enable wider adoption of electric vehicles. Thus the Scheme aims to create demand by way of supporting 7000 e-Buses, 5 lakh e-3 wheelers, 55000 e-2 wheelers.

37. The Committee was informed that shift towards zero emission mobility is an inevitable transition. Although the MoRTH had made aggressive statement of turning 100% electric mobility by 2030, however due to large scale criticism, the target has been

set 30% to Electric Mobility by 2030 which means cleaner fuel technologies and electric vehicle will co-exist and over the years, the consumption will increase for complete adoption of Electric Mobility.

38. **The Committee is of the view that while migrating to Electric Mobility, the whole system of manufacturing needs to be overhauled. Hence it would be advisable for adopting phased manufacturing Programme rather than putting all the eggs in one basket and in case if the new technology does not yield the desired outcome, the existing established Auto Industry should be incentivised for better performance.**

39. **The Committee also notes that the current state of EV infrastructure in the country is not encouraging for switching over to Electric Mobility on a large scale. The Committee therefore expresses its concern over the proposal of the Government to move to 30% EV by 2030 which is seemingly a big challenge amid lack of charging infrastructure and therefore a clear roadmap may be drawn up for achieving parity in terms of cost with fuel based engines to start going electric, so that demands for EV is generated among the people.**

40. **With regard to charging station infrastructure, the Committee recommends that specific Rules/guidelines should be formulated, wherein it is ensured that both, foreign companies as well as indigenous ones, desiring to set shop in the country, should adhere to the proposed stipulated guidelines. The Committee also desires that the proposed guidelines invariably, should specify *inter alia*, the designated places, such as parks, housing Society Complexes *etc*, wherein charging stations can be set up. The Committee also desires that it be apprised of the targets set in terms of numbers, for setting up of such charging stations.**

41. **The Committee also recommends that the fee to be charged from the clientele, by the service provider should invariably be regulated and they should be allowed to charge as per laid down norms.**

42. **The Committee notes that the over impetus and aggressive targeting by the Government on EV and its high cost price, have created confusion in the minds of the consumer whether to go in for purchase of EV or ICE vehicle, who were already**

in the wait and watch mode in the wake of mandated transition from BS-IV to BS-VI *w.e.f.* 1st April, 2020. The Committee recommends that the MoRTH should come out with clear picture on the future of ICE technology and adoption of Electric Mobility for a synergised co-existence.

43. The adoption of electric vehicles also faces the challenge of higher cost because lithium ion batteries used in the vehicles are very expensive and they constitute a large chunk of the cost of the electric vehicles. The MoEF&CC in their written submissions have stated that Lithium ion Batteries (LIBs) are so far identified as reliable batteries for E-Vehicles and its demand is expected to increase over coming years. However, the end of life or used LIBs would require environmentally sound management. LIBs used in E-Vehicles are expected to last for 4 to 8 years, therefore quantity of used LIBs waste is expected to grow slowly in coming years. It is possible to recycle used LIBs for recovery of Lithium and other metals through authorized E-Waste Recyclers under E-Waste Management Rules, 2016. Further, as a policy initiative, the MoEF&CC also started revising the existing Batteries (Management & Handling) Rules, 2001 which would encompass management of all types of end of life or used batteries including Lithium ion batteries.

44. **The Committee is of the view that the Government should conduct a thorough study and incorporate necessary provision for eco-friendly management/disposal of used LIBs so that E-waste does not turn out to be environment hazard.**

45. **The Committee also recommends that DHI should take initiatives to foray into new and emerging technological areas instead of concentrating solely on the expensive lithium ion based battery operated electric vehicles. The Committee feels that other avenues such as hydrogen based fuel cell technology *etc*. may be tapped and explored. By adopting such multi-pronged approach, the Committee is of the opinion that the EV industry would not be constrained to depend on its survival solely on the imported lithium based ion cell battery.**

46. The shared taxi segment of online booking like Ola, Uber *etc*. has emerged as one of the most preferred transport among customers commuting within the cities since they are turning out to be affordable and convenient. The Committee has been informed that the new trend of shared mobility through aggregator services like Uber, Ola *etc*. has to some extent reduced the purchase demand of new vehicles.

47. **The Committee is, however, not willing to buy the argument that** the **new trend of shared mobility through aggregator services like Uber, Ola *etc*. has to some extent reduced the purchase demand of new vehicles as these aggregator services are available only in major cities and they also need to buy vehicles to run their business. Moreover, most of the users are already owners of personal vehicles, but they prefer to avail Uber, Ola *etc*. service to avoid irritant driving on heavy traffic roads and also to disengage themselves from the parking hassles. The Committee while appreciating carpooling/shared mobility recommends for better Public Transport Services which would provide larger benefits in terms of emission reduction as well as increase in the demand for new heavy vehicles.**

Rationalization of GST Rate

48. In India, GST rates on ICE based vehicles are taxed at the highest rate of 28%. An Additional compensation cess ranging from 1% to 22% is also levied. In this regard, the Ministry of Finance in their written replies to the questionnaire has stated that the present GST rate on vehicles is based on the pre-GST tax incidence and is prescribed on the recommendation of the GST Council. Based on the recommendation of the GST Council, concessional rate of GST has been provided on the following category of vehicles:-

Category of Vehicles	***GST***	***Cess***
Buses for Public Transport running exclusively bio-fuels	*18%*	*Nil*
All old and used motor vehicles	*12/18%*	*Nil*
Cars for physically handicapped persons	*18%*	*Nil*
All electrically operated vehicles	*5%*	*Nil*
Agricultural tractors (<1800 cc)	*12%*	*Nil*

49. **The Committee notes that the GST rates on ICE based vehicles are at the highest slab of 28%. GST on all electrically operated vehicles are fixed at 5% to promote electric mobility. The Committee, therefore, feels that if GST rebates for EVs could be given for creating Public demand, there is scope for reducing GST on ICE Vehicles also to spur its demand to overcome the present slump in the Automobile Sector. The cost of BS-VI vehicles is expected to be higher by 10-15% due to upgraded technology. To mitigate this cost increase, the Committee is of the view that a reduced GST rate to 18% will bring down a sizeable amount in vehicle price creating more demand for newer vehicles. The increased sale due to the reduction in GST rate, will cover up the loss in GST revenue.**

50. **Further, there has been a consistent drop in the International Crude oil prices, which can prove to be advantageous to the Government as the expected loss to the exchequer, due to the proposed reduction in GST slab in the Auto Sector, can be offset by the crude oil price fall. The Committee feels that the slump in the crude oil price will translate into huge savings on imports for the Government, besides benefitting the industries that are dependent on crude oil and its derivatives.**

51. **The Committee recommends that the DHI may bring these observations of the Committee to the notice of GST Council for a quick and expeditious action thereof.**

52. **Further, the Committee recommends that the Government may consider rationalization in GST rates on ICE vehicles based on their size, CC, Price Brackets, Seating Capacity *etc*. rather than having a fixed slab on all categories without distinction of Standard, Popular, Luxury *etc.* in order to raise the demand for newer vehicles.**

Reduction in GST on Pre-owned Vehicles

53. The Committee was informed by the Auto Association that Sale/Purchase of used cars has become a big market. It is one of the entry points for a customer from Two wheeler to getting into Four wheeler. These pre-owned cars have already been taxed at the highest rate of 28% and now on their resale, Small Cars, Buses and Commercial Vehicles attract 12% GST, while large cars and SUVs attract 18% GST. The pre-owned car business in India grows 15-20% a year and is 1.4 times the size of new car market. Authorised Dealers transact only 10-15% of this trade as 85-90% remains in unorganized sector paying no tax.

54. **The Committee is of the considered opinion that a thrust to increase automobile business would be to reduce GST on used cars from 12-18% on value difference to flat 4% so that this sector becomes organized and the used car market will grow manifold paving way to create a seamless market to the entire vehicle purchasing mechanism for smoother upgradation of existing vehicle owners to new vehicles.**

Mandatory Third Party Insurance

55. The Committee was informed by the Auto Associations that increase in vehicle cost due to Supreme Court Order for upfront collection of long term Third Party Insurance premium for 3 years for new cars and 5 year for new two wheelers, has been one major reason for fall in demand for 2 wheeler purchase.

56. The Ministry of Road Transport & Highways in their written submission have stated that the Supreme Court of India *vide* its order dated 20th July, 2018 in WP(C)No.295/2012- *S. Rajaseekaran Vs Union of India and Ors*. has directed that the third party insurance cover on the new cars should mandatorily be for a period of three years and for two-wheelers, it should mandatorily be for a period of five years. The Ministry has mandated third party insurance for non-transport category of vehicles accordingly.

57. The Committee notes that the Hon'ble Supreme Court had to take a policy decision which was in the ambit of the MoRTH, because of the failure of the implementation mechanism at the ground level through meticulous checking for non-violation of Insurance renewal by the Vehicle Owners. As the premium for Third Party Insurance have been hiked manifold, the aggregate amount of Third Party Insurance for 5 years for 2 wheelers comes to a huge sizeable amount depriving the consumers of 2 wheeler, who are usually first time buyers, to own/buy new Two Wheelers.

58. **The Committee feels that the Government should work out a feasible measure to help these customers to own new Two Wheelers which would also help revival of the Auto Industry. Further, the Committee recommends that the Government should gear up the implementation mechanism to ensure that there is no defaulting in Insurance Renewal by the Vehicle Owners.**

59. **Further, to offset the burden on the consumer due to hike in the amount as well as number of years of Insurance coverage, the Committee recommends that facility for provision of loan to meet the cost of Insurance coverage be made, by taking up the matter with the appropriate authorities by the DHI.**

Introduction of One Nation-One Road Tax

60. The Committee was informed by the MoRTH through their written submissions that Road Tax across States are at varied rates. Like GST, Road Tax/Registration Charges needs to be fixed at par across all the states. Presently there is no parity in the Road Tax imposed by different States. Citing an example of the State of GOA, where Road Tax was reduced to 50% to improve demand resulted in increased sales of vehicles and the GST collection was more than 50% that was reduced in Road Tax. Further, the Ministry stated that on purchase of a non-transport category of vehicle, a lifetime road tax is charged by the registering authority for registration for a period of 15 years. But when the vehicle is moved from one state to another, the owner is supposed to pay a lifetime tax to the new state. Though there is a provision to get refund from parent state on pro-rata basis, for an average person, who has shifted to new state for a new job, it is not only a

tedious process but also impractical, as first he/she has to get registered his/her vehicle in the new state and pay lifetime road tax there and then apply for refund (sometime state may insist for his/her physical presence) on pro-rata basis to State where it was registered earlier.

61. Further, the Committee was informed that this process is difficult at present. However, the Centre and the States can devise a mechanism through which the life time registration tax amount of a Non-Transport vehicle can be transferred from one State to another, and person shall be asked to pay only difference in amount. The complete process may be made online without physical interaction with state authorities. The MoRTH has been discussing this issue with States in various forms and is proposing an agenda on One Nation One Tax for the forthcoming Transport Development Council meeting in which all the state Transport Ministers are the Members, for deliberations.

62. **The Committee notes that the present system of transferring of vehicles from one state to other states is time consuming and cumbersome because it involves manual interaction with State Transport Authorities. Taking cue from this situation, the Committee in its recent Report on the Demands for Grants (2020-21), in respect of DHI, which was presented to the House on 3rd March 2020, had recommended for a uniform Road Tax across all States. The Committee is hopeful that Government will be able to get through the proposal in the Transport Development Council for introducing One Nation-One Tax for benefit of the people.**

63. **The Committee observes that the proposal of the Government to raise registration charges on new vehicles has been kept on hold. The Committee recommends that in the wake of introduction of BS-VI vehicles in the country *w.e.f.* 1st April, 2020 and subsequent increased cost due to upgraded technology, the Government may defer the proposed hiking of Registration Charges till the situation of Covid-19 crisis improves, to help revival of the stressed Automobile Industry.**

Increased Depreciation Rate for Vehicles

64. To improve the sales of vehicles in the stressed Automobile Industry, the Government increased the depreciation rate. Higher depreciation rate will mean that the resale value will come down faster which will prompt customers to replace the car sooner. The Committee notes that the government recently increased the depreciation rate by 15% for all types of vehicles, acquired on or after 23rd August, 2019 but before 1st April 2020 and put to use before 1st April, 2020.

65. **The Committee is of the opinion that the decision of the Government to increase the depreciation rate for vehicles is a short term measure and therefore, recommends that the Government may consider introducing an effective depreciation rate as 25% (Written Down Value) on a permanent basis to have depreciation value equal to real useful life of the vehicles.**

Incentive based Scrappage Policy

66. The Committee was informed that for cleaner environment, the old vehicles plying on roads registered before the year 2000 when the first emission norms were introduced, needs to be scrapped with an incentive based policy to generate demand for purchase of new vehicles.

67. The MoRTH in their written replies to the questionnaire has informed that draft guidelines for setting up Automotive Vehicle Scrapping Facility (AVSF) dated 24.10.2019 has been issued and is under finalization. The draft guidelines propose to provide definition of end of life of vehicles and the criteria for scrapping of vehicles. It proposes the conditions for eligibility to become authorized AVSF and the operation procedure. Further it proposes that a certificate of vehicle scrapping will be issued by authorized AVSF centres. It is envisaged that it can be a tradable document which can be used at the time of purchase of new vehicles. It is expected that Manufacturers will offer favourable options in exchange of the certificate. This will encourage users of unfit

vehicles to scrap their vehicles and boost demand for new technology based vehicles. However, the draft guidelines exclusively do not offer any financial incentives.

68. **The Committee is of the view that in addition to setting of Automotive Vehicle Scrapping Facility (AVSF) centres across the country, the government should make provisions for upfront financial incentives in the Scrappage Policy to boost demand for purchase of new vehicles. The proposed financial incentives would encourage end users to discard their old and polluting vehicles and go in for purchase of the new BS VI compliant vehicles.**

69. **Further, the Committee also recommends that adequate transparency should be maintained while selecting the proposed AVSF centre, which should be based on adherence to pre decided parameters that have to be met by such centres.**

Scrappage Policy with special reference to NCR

70. **The Committee observed that the Apex Court mandated Scrappage Policy of scrapping Diesel Vehicles that are 10 years old and petrol vehicles that are 15 years old in the NCR is a welcome measure to contain pollution related issues to a substantive effect. However, the Committee is of the unanimous view that scrappage policy should be based on the fitness level, *i.e.*, the road worthiness of the vehicle concerned and not on the exclusive parameter of the vehicle's age. It was also brought to the notice of the Secretary, DHI during the course of the presentation that DHI had contested the decision of the court but unfortunately, the court had not found merit in their argument. The Committee recommends that DHI should continue its pursuit to impress upon the Apex Court, to consider the fitness of a vehicle, rather than its age, as a parameter for condemning it.**

71. **The Committee notes that the core objective of Automotive Mission Plan (2026) is to propel the Indian Automobile Industry to be the engine of the "Make in India" Programme as it is among the foremost drivers of the manufacturing sector.**

In this regard, the Committee was informed by the Federation of Automobile Dealers Association that if Foreign Direct Investment is allowed in auto sector, it will allow Indian Auto Dealers to expand by attracting foreign investment and collaborate with dealership groups internationally, without compromising their ownership. FADA also stressed the need to have a Franchise Act for Auto Dealers specifically in our country, on the lines of other countries in the world. The Committee, therefore, agree to the suggestions made by the FADA and recommends that Government should come out with a Franchise Act for Auto dealers.

72. **The Committee appreciates that Government has decided not to sign Regional Comprehensive Economic Partnership(RCEP). Sharing the views expressed by Auto Associations, the Committee is of the opinion that in any case the Completely Built Units (CBUs) *i.e.* Full Cars/Two Wheelers *etc.* should not be a part of the India-EU FTA as it will adversely impact the Indian Auto Sector. The Committee suggests that the Automobile Sector should be kept out of the India-EU FTA too.**

73. **In its presentation before the Committee, the SIAM had suggested that duty levied on Auto Components should be kept high so as to counter the decimating effect of the slowdown in the Auto Sector. The Committee is in agreement with the suggestion of SIAM and is of the opinion that such a move would encourage off-shore investors to set up shop in India, which would have a ripple effect of more job creation and providing a decent livelihood to the youth of the country. Conversely, the Committee observed, that in case the export duty is lowered, it would provide a fillip to foreign investors to export more from their countries to India, rather than 'Make them in India'. The Committee accordingly, recommends that export duty should be kept high and that DHI may convey the views of the Committee to the Ministry of Finance.**

Precedents of slow down

74. In the past, the automobile industry has always been supported by the Government during demand slowdown, *i.e.*, the period of 2008-09 and 2013-14, when the excise duty rate on vehicles was reduced to lower the tax implication on vehicle purchase and boost demand for new vehicles. The de-growth and subsequent tax cut by the Government is highlighted in the table below:

Segment	Year	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
PVs	2008	8.7	8.1	11.2	21.2	16.6	8.0	-1.7	-1.2	4.4	-8.9	-23.7	-13.8
	2009	-6.8	15.1	-1.0	4.6	-0.6	8.7	29.2	22.4	20.3	33.1	66.6	50.0
	2013	-4.6	-16.7	-13.0	-8.2	-8.5	-4.8	-7.8	4.5	-4.3	-2.0	-10.2	-9.1
	2014	-9.3	-3.9	-7.4	-9.5	2.8	11.2	6.6	12.5	3.3	-7.5	5.4	12.4
CVs	2008	-0.1	2.6	15.2	8.2	7.1	15.2	1.9	-6.4	-0.9	-36.0	-49.5	-58.3
	2009	-51.0	-31.8	-26.4	-11.3	-14.0	-11.5	9.4	18.4	7.5	53.5	98.0	171.6
	2013	-9.5	-11.1	-6.0	0.8	-10.6	-13.5	-14.9	-23.1	-26.9	-19.7	-28.8	-25.5
	2014	-20.9	-29.8	-24.5	-24.0	-15.3	-9.1	-13.6	-5.5	8.5	-2.9	9.0	9.0
3W	2008	-15.1	-15.7	-14.8	6.0	-1.7	-4.4	1.5	-4.9	7.1	-6.7	-23.1	-29.0
	2009	-12.3	5.1	11.4	1.7	5.3	13.2	15.3	22.8	13.5	20.9	68.5	83.7
	2013	6.3	4.5	2.9	7.2	-3.3	-8.7	-6.1	-6.3	-5.5	-10.5	-21.7	-21.2
	2014	-25.6	-14.0	-5.2	-2.6	12.6	23.3	23.8	23.5	22.0	6.2	3.6	13.7
2W	2008	-10.9	-14.2	-0.4	8.1	7.0	6.5	19.5	14.2	14.5	-14.5	-14.7	-15.5
	2009	-4.0	16.2	3.7	13.7	12.4	17.4	20.1	25.1	7.7	10.6	39.3	66.6
	2013	8.5	-2.8	-6.9	0.9	1.1	-4.5	-0.1	6.7	18.4	18.0	5.6	2.3
	2014	8.9	9.7	21.2	10.4	15.9	13.1	14.7	19.2	22.7	-3.6	4.9	3.6

75. The Committee was informed by the Department of Heavy Industry that in December 2008, the excise duty on vehicles was reduced from 12% and 24% to 8% and 20%. In the interim budget of 2014 (February), the excise duty on vehicles that were 12%, 24%, 27% and 30% were reduced to 8%, 20% and 24% respectively to help the revival of Auto Industry.

76. The Committee appreciates many of the remedial measures taken by the Government like the following:

- **Reduction in Corporate Tax.**
- **Reduction of GST rate on Electric Vehicles from 12% to 5%, on charger and charging station for EVs from 18% to 5% and GST exemption on hiring of e-buses by local authorities.**

- **Additional Income Tax deduction of rupees 1.5 lakh on interest paid on loans for purchase of EVs.**
- **Enhancement of duty on select items such as oil & air filters, glass, lighting, vehicular locks, horns, sound signal equipment, wind screen wipers, catalytic convertors *etc*.**
- **Exemption on import duty on certain EV parts.**
- **Lifting of ban on purchase of new vehicles for replacing all old vehicles for Government Departments.**
- **Reduction in GST rate for 10-13 seaters vehicles falling in tariff line 8702, of length <4 m and engine capacity <1200 CC for petrol and <1500 CC for diesel.**

77. **The Committee desires that the government may take measures to promote more Public Transportation in various cities beyond what is being done under FAME-II Scheme, augment spending on infrastructure building, including Road & Highways, Airports, Railways *etc.*, reduction in GST rate on ICE vehicles *etc.* to boost demand for new vehicles in all segments.**

Post Covid-19 Pandemic Lockdown Scenario

78. The outbreak of Corona virus Pandemic world over took many countries *viz.*, China, Italy, Spain, France, Germany, United Kingdom, United States, Brazil *etc* under its grip and India has been no exception. Like other countries, India too imposed nationwide lockdown commencing from 25th March, 2020 to curtail the spread of the Covid-19 infection, followed by extensions with calibrated opening easing the restrictions. However, the National lockdown led to a total shut down of all Automotive Plants that further pushed down the Indian Automotive Sector which was already reeling under a prolonged slump with sales down nearly to 18% in 2019-20. As informed by the Automobile Industry Associations, the production stoppage at the automotive OEM and component supplier due to Covid-19 pandemic and subsequent lockdowns led to a loss of approximately Rs.2300 crore per day to the automotive sector. But the actual magnitude

of the impact depends on the duration of lockdown period, the intensity and extent of spread of the Covid-19 outbreak. Considering the crisis, it is predicted that the automobile industry is likely to go through at least two consecutive years of severe contraction, leading to low levels of capacity utilization, lack of future CAPEX investment, high risk of bankruptcy and job losses across the entire automotive value chain.

79. Further, the Auto Industry Associations have highlighted that the impact of Covid-19 would be felt on both the demand as well as the supply aspects of the automobile industry. Dried up source due to shutdown of domestic and international supplier operations, logistics logjam, insufficient workforce due to delay in return of migrant labour and financial insecurity caused by lack of sales and delayed payments, shortage in component parts which is mostly imported from China, re-allocation of production parts to Indian suppliers due to bottlenecks in global chain, decrease in export orders due to shutdown in Europe/USA, liquidity crunch for suppliers due to increased inventory as no production by OEMs are the major factors haunting the supply side of the automobile industry. On the other hand, demand would be impacted mainly due to negative consumer sentiments and liquidity crunch due to loss of income resulting from job lay-off estimated to be 24% since the implementation of national lockdown. But demand for individual passenger cars may increase slightly.

80. Given the characteristics of the Covid-19 pandemic world over, the Committee understands that this disease is expected to exist for more time. The Committee appreciates the Government's decision of graded opening of the lockdown and restarting the economic activity for life to move-on along with the Corona virus side by side. The Committee however recommends that with a view to protect life and livelihood, the economy needs to be opened up gradually ensuring the safety to life. Therefore, the Committee, with regard to Automobile Sector, recommends that the Government should issue guidelines and Standard Operational Procedures (SOP) that all the concerned stakeholders should prioritize employee protection and safety, regularly monitor and track health status of the

employees, follow disease control protocols, define travel guidelines, ensure quarantine facility, schedule for flexible working hours *etc.*

81. The Committee notes the recent announcement of relief package by the Government to reboot the economy to tide over the crisis and extend support to the various stakeholders, like infusion of liquidity through Collateral Free Automatic Loans, Subordinate Debt Scheme, financial support to NBFCs etc. which will encourage new investments, promoting growth across the supply chain, including Automobile Dealers, and safeguarding employment. Although the package has infused a fresh lease of life amid the gloom, but at the same time, the Committee however feels that this stimulus package in particular, falls short of addressing the issues of the Automotive Industry as the measures taken by the Government is targeted to boost only the supply side of the economy. The Committee, therefore, recommends that the government should focus on announcing a stimulus package for demand generation for the automotive sector where the government spending could boost a faster revival of the economy.

82. Further, in order to help the ailing Automobile Industries financially, the Committee after taking into consideration the inputs given by some of the Automobile Associations, recommends the following additional proposals for consideration of the Government:

- **the expenditure incurred by companies for making payments to temporary and contract labour during the lockdown period should be eligible as CSR expense;**

- **the condition to avail ITC (Input Tax Credit) requiring payment of invoice to the supplier within 180 days of invoice to be done away with till situation returns to normal or at least provide waiver of interest which is charged from date of invoice of supplier, as most payments to the vendors will be deferred in the present scenario;**

- **provision for acceptance of self certification by OEMs, instead of testing and approval by Government agencies for meeting regulatory requirements, prioritized attention to new approvals of alternate materials/parts identified**

for testing for compliance and validation purpose and fast track approvals by testing agencies;

- **instead of 50%, 100% waiver on demurrage charges to be provided at the Airports/Seaports and rail yards until 1 month post resumption of full commercial production;**

- **to make up the lost sales in March 2020, vehicles purchased till 30.05.2020 be permitted to enjoy 6 months depreciation in FY 2019-2020 which will help in stimulating sales; and**

- **Temporary exemption of import/export taxes on R&D/testing vehicles and 50% discount in testing prices in NATRIP facilities.**

83. Since the physical distancing is one of the pre-requisites to tackle the corona virus spread, it is expected that a large number of people would switch over to personal mobility from public transport to commute for safety reasons to avoid jostling with others on crowded buses and trains. As most of these people would be first time buyers, the Committee expects an immediate surge in the purchase of affordable two-wheeler or small and mid-sized cars. The Committee therefore, recommends that the Government should capitalize this trend for promoting sale of small and midsized cars by ensuring availability of finance through easy vehicle loans at low interest rates to the prospective customers to create demand in the Automobile Sector.

84. The Indian Auto Industry is highly dependent on automotive spare parts imported (around 27%) from China. However, due to the outbreak of corona virus, the component manufacturing units were shuttered down in China stalling the imports and subsequently affecting the whole value chain in India. Keeping in view the programme of "Make in India" and localized production, the Committee recommends that the Government should encourage and promote setting up of new automotive component manufacturing units/MSMEs to strengthen the economy and become a self-reliant country.

85. In the current Global scenario, the Committee observes that many of the countries are planning to pull out their manufacturing units from China and are looking for alternate lucrative and prospective countries for re-location. Since India could be a preferred destination for foreign investment due to its sustained GDP growth, expanded robust market, enabling environment and transparent open policy regime, the Committee desires that the Government should take all out efforts to seize this opportunity and turn the present adversity to a blessing in disguise .

86. Further, to attract the foreign Companies to set shop pertaining to the Automotive Sector in the Indian soil, the prevalent land and labour laws of the country may need an overhauling, so as to make it more investor friendly. The Committee, accordingly, recommends that DHI may take up the issue with the appropriate Departments of the Government of India to facilitate the same.

RECOMMENDATIONS/OBSERVATIONS — AT A GLANCE

The Committee was informed by the Auto Industry Associations that the non-availability of finance to consumers due to tightening of norms for retail financing by the Banks across the board in rural as well as urban areas has affected the growth of the Auto Industry Sector. This approach by banks has reduced the availability of finance to customers to go in for new vehicle purchase. Further, Banks are following CIBIL ratings in a very rigorous manner as a result of which the customers are finding it difficult to get automobile loans. Most of the two wheeler customers are first time users and they don't have any CIBIL ratings or credit ratings. Moreover, the markets are shifting towards rural markets, where potential customers find in difficult for getting loans as they do not have any record of financial security, since they do not pay income tax. So with increasing stringent compliance measures, the rural customers find it difficult to avail finance from the banks for purchasing new vehicles. Earlier financing of about 85-90 percent was available but now it is limited to only 60-70%. **As per the submission of Department of Heavy Industry, amongst all the sectoral loans, NPAs are the least at 1.5 - 2% for Auto Loans. The Committee notes that majority of vehicle purchases are made through loans. The Auto loan is a secured loan as the vehicle itself is collateral. The Committee, therefore, finds no reason why the banks should be refusing auto loans to prospective consumers. The Committee, therefore, recommends that Department of Heavy Industry should take up the matter with Department of Financial Services for issuing required instructions to all banks throughout the country to adopt a liberal policy in sanctioning of vehicle loans subject to minimum regulations of fulfilling the eligibility condition.**

(Para 17)

2. **The Ministry of Finance in their written submission has stated that funds worth ₹70,000 crore have been released for PSU banks recapitalization to improve liquidity situation. The Committee is pleased to note the action taken by the Government to strengthen the bank liquidity and believes that such a move will help PSU Banks to boost lending and improve liquidity situation. Further, the NBFCs**

will be allowed to use Aadhar authenticated KYCs to take up credit which would further help them to lend more Auto Loans. The Committee hopes that this move by the Ministry of Finance would bring some respite to the Auto buyers in the country and help improve the downturn in the Automobile Sector.

(Para 19)

3. **The Committee notes that in the year 2019, repo rate has come down by about 1.1% and reduction in the repo rate means the consumers may be able to get loans at cheaper interest rates from the Banks. Therefore, there is likelihood of commodities becoming cheaper due to lower interest cost, benefitting the end consumers. However, banks have not passed on the reduced rates to customers. Instead many retail auto loan rates have increased by 0.05% to 0.4%. In this regard, the Auto Association have highlighted that even 1% reduction in rates would motivate small car buyers to go in for the purchase of a new vehicle. The Department of Expenditure in its written reply has stated that the Government has recently announced linking of repo rate to interest rates charges for vehicle purchase, to provide impetus to the local manufacturing including automotive industry. The Committee however, has been informed that on ground, the reduction in repo rate by RBI has not been transferred to the customers by reducing interest rates. Therefore, the Committee is of the view that Department of Heavy Industry should take up the matter with Ministry of Finance and the Reserve Bank of India for issuing strict guidelines to all banks for linking repo rate to interest rates on loans to the consumers, to help revival of the Auto Industry Sector.**

(Para 20)

4. **The Committee is therefore of the considered opinion that as far as the working capital requirement of Auto Dealers is concerned, collateral norms for regular loan products should be moderate for availing required finance. The Committee is of the view that though banks have been facing various challenges because of bad loans, however, they should not look at all financial lendings with the same eye as the recovery rate is very high in the auto sector. Therefore, all measures**

needs to be taken to ease the availability of finance to the stakeholders in order to help them contribute substantially for the revival of auto sector.

(Para 23)

5. **The Automobile Sector, due to its strong forward and backward linkages with several key segments of the economy, occupies a prominent place in the fabric of Indian Economy. Since the number of vehicles exported in various segments is nowhere near the potential, exporting vehicles in a large scale would significantly contribute to employment generation, trade balance and economic growth of the country. The Committee therefore recommends that constructive steps should be taken by the Government to promote export of vehicles in various segments, particularly the BS-VI compliant vehicles, and their engine & spare parts to various countries across the globe, especially to Africa, Latin America, Southeast Asia and West Asia where there is still huge potential for the global automobile companies operating from India. The Committee also recommends that the Government in coordination with the automobile companies should take appropriate steps to explore the rural markets, particularly in Two Wheeler and Three Wheeler segments that would contribute substantially for the growth of the Auto Sector.**

(Para 30)

6. **Further, the Committee feels that as a respite to the already stressed Automobile Sector, the DHI in collaboration with other concerned Ministries may work out some measures to ensure that the surplus stock of non-BS-VI compliant vehicles left unsold, if any, is disposed off. Through a Review Petition, the Hon'ble Supreme Court may be convinced to consider the extension of period for disposal of surplus stock of BS-IV compliant vehicle particularly taking into account the unexpected national lockdown imposed due to Covid-19 Pandemic. The Committee is of the opinion that this would provide the much needed leeway of considerable time over and above the mandated date of 1st April, 2020 to the dealers to dispose off their buffer stock of vehicles. Besides, the recent Coronavirus outbreak has taken its toll on the Indian Auto Industry, which is dependent on its component**

supplies from China. However, the Committee feels that even in the pervading gloom of the Coronavirus scare, there is a silver lining owing to the fact that the supply disruption may force manufacturers to look within and source their component parts locally. The Committee feels that such a de-risking plan is expected to boost the Auto Components Industry. Further, the Committee is also of the opinion that the disruption in the supply chain should also be counted as a reason to extend the deadline of 1st April 2020, as in the absence of a robust and consistent supply chain of Auto Components, there is bound to be a lesser capacity utilisation in the manufacture of BS-VI vehicles. To fill in this temporary shortfall of BS-VI vehicles, the inventory stock of BS IV vehicles, lying unsold with dealers can be utilised.

(Para 35)

7. **The Committee is of the view that while migrating to Electric Mobility, the whole system of manufacturing needs to be overhauled. Hence it would be advisable for adopting phased manufacturing Programme rather than putting all the eggs in one basket and in case if the new technology does not yield the desired outcome, the existing established Auto Industry should be incentivised for better performance.**

(Para 38)

8. **The Committee also notes that the current state of EV infrastructure in the country is not encouraging for switching over to Electric Mobility on a large scale. The Committee therefore expresses its concern over the proposal of the Government to move to 30% EV by 2030 which is seemingly a big challenge amid lack of charging infrastructure and therefore a clear roadmap may be drawn up for achieving parity in terms of cost with fuel based engines to start going electric, so that demands for EV is generated among the people.**

(Para 39)

9. **With regard to charging station infrastructure, the Committee recommends that specific Rules/guidelines should be formulated, wherein it is ensured that both, foreign companies as well as indigenous ones, desiring to set shop in the country, should adhere to the proposed stipulated guidelines. The Committee also desires that the proposed guidelines invariably, should specify *inter alia*, the designated places, such as parks, housing Society Complexes *etc*, wherein charging stations can be set up. The Committee also deserves that it be apprised of the targets set in terms of members, for setting up of such charging stations.**

(Para 40)

10. **The Committee also recommends that the fee to be charged from the clientele, by the service provider should invariably be regulated and they should be allowed to charge as per laid down norms.**

(Para 41)

11. **The Committee notes that the over impetus and aggressive targeting by the Government on EV and its high cost price, have created confusion in the minds of the consumer whether to go in for purchase of EV or ICE vehicle, who were already in the wait and watch mode in the wake of mandated transition from BS-IV to BS-VI *w.e.f.* 1^{st} April, 2020. The Committee recommends that the MoRTH should come out with clear picture on the future of ICE technology and adoption of Electric Mobility for a synergised co-existence.**

(Para 42)

12. **The Committee is of the view that the Government should conduct a thorough study and incorporate necessary provision for eco-friendly management/disposal of used LIBs so that E-waste does not turn out to be environment hazard.**

(Para 44)

13. **The Committee also recommends that DHI should take initiatives to foray into new and emerging technological areas instead of concentrating solely on the expensive lithium ion based battery operated electric vehicles. The Committee feels that other avenues such as hydrogen based fuel cell technology *etc*. may be tapped and explored. By adopting such multi-pronged approach, the Committee is of the opinion that the EV industry would not be constrained to depend on its survival solely on the imported lithium based ion cell battery.**

(Para 45)

14. **The Committee is, however, not willing to buy the argument that** the **new trend of shared mobility through aggregator services like Uber, Ola *etc.* has to some extent reduced the purchase demand of new vehicles as these aggregator services are available only in major cities and they also need to buy vehicles to run their business. Moreover, most of the users are already owners of personal vehicles, but they prefer to avail Uber, Ola *etc*. service to avoid irritant driving on heavy traffic roads and also to disengage themselves from the parking hassles. The Committee while appreciating carpooling/shared mobility recommends for better Public Transport Services which would provide larger benefits in terms of emission reduction as well as increase in the demand for new heavy vehicles.**

(Para 47)

15. **The Committee notes that the GST rates on ICE based vehicles are at the highest slab of 28%. GST on all electrically operated vehicles is fixed at 5% to promote electric mobility. The Committee, therefore, feels that if GST rebates for EVs could be given for creating Public demand, there is scope for reducing GST on ICE Vehicles also to spur its demand to overcome the present slump in the Automobile Sector. The cost of BS-VI vehicles is expected to be higher by 10-15% due to upgraded technology. To mitigate this cost increase, the Committee is of the view that a reduced GST rate to 18% will bring down a sizeable amount in vehicle price creating more demand for newer vehicles. The increased sale due to the reduction in GST rate, will cover up the loss in GST revenue.**

(Para 49)

16. **Further, there has been a consistent drop in the International Crude oil prices, which can prove to be advantageous to the Government as the expected loss to the exchequer, due to the proposed reduction in GST slab in the Auto Sector, can be offset by the crude oil price fall. The Committee feels that the slump in the crude oil price will translate into huge savings on imports for the Government, besides benefitting the industries that are dependent on crude oil and its derivatives.**

(Para 50)

17. **The Committee recommends that the DHI may bring these observations of the Committee to the notice of GST Council for a quick and expeditious action thereof.**

(Para 51)

18. **Further, the Committee recommends that the Government may consider rationalization in GST rates on ICE vehicles based on their size, CC, Price Brackets, Seating Capacity *etc*. rather than having a fixed slab on all categories without distinction of Standard, Popular, Luxury *etc.* in order to raise the demand for newer vehicles.**

(Para 52)

19. **The Committee is of the considered opinion that a thrust to increase automobile business would be to reduce GST on used cars from 12-18% on value difference to flat 4% so that this sector becomes organized and the used car market will grow manifold paving way to create a seamless market to the entire vehicle purchasing mechanism for smoother upgradation of existing vehicle owners to new vehicles.**

(Para 54)

20. **The Committee feels that the Government should work out a feasible measure to help these customers to own new Two Wheelers which would also help**

revival of the Auto Industry. Further, the Committee recommends that the Government should gear up the implementation mechanism to ensure that there is no defaulting in Insurance Renewal by the Vehicle Owners.

(Para 58)

21. **Further, to offset the burden on the consumer due to hike in the amount as well as number of years of Insurance coverage, the Committee recommends that facility for provision of loan to meet the cost of Insurance coverage be made, by taking up the matter with the appropriate authorities by the DHI.**

(Para 59)

22. **The Committee notes that the present system of transferring of vehicles from one state to other states is time consuming and cumbersome because it involves manual interaction with State Transport Authorities. Taking cue from this situation, the Committee in its recent Report on the Demands for Grants (2020-21), in respect of DHI, which was presented to the House on 3rd March 2020, had recommended for a uniform Road Tax across all States. The Committee is hopeful that Government will be able to get through the proposal in the Transport Development Council for introducing One Nation-One Tax for benefit of the people.**

(Para 62)

23. **The Committee observes that the proposal of the Government to raise registration charges on new vehicles has been kept on hold. The Committee recommends that in the wake of introduction of BS-VI vehicles in the country *w.e.f.* 1st April, 2020 and subsequent increased cost due to upgraded technology, the Government may defer the proposed hiking of Registration Charges till the situation of Covid-19 crisis improves, to help revival of the stressed Automobile Industry.**

(Para 63)

24. **The Committee is of the opinion that the decision of the Government to increase the depreciation rate for vehicles is a short term measure and therefore, recommends that the Government may consider introducing an effective**

depreciation rate as 25% (Written Down Value) on a permanent basis to have depreciation value equal to real useful life of the vehicles.

(Para 65)

25. **The Committee is of the view that in addition to setting of Automotive Vehicle Scrapping Facility (AVSF) centres across the country, the government should make provisions for upfront financial inentives in the Scrappage Policy to boost demand for purchase of new vehicles. The proposed financial incentives would encourage end users to discard their old and polluting vehicles and go in for purchase of the new BS VI compliant vehicles.**

(Para 68)

26. **Further, the Committee also recommends that adequate transparency should be maintained while selecting the proposed AVSF centre, which should be based on adherence to pre decided parameters that have to be met by such centres.**

(Para 69)

27. **The Committee observed that the Apex Court mandated Scrappage Policy of scrapping Diesel Vehicles that are 10 years old and petrol vehicles that are 15 years old in the NCR is a welcome measure to contain pollution related issues to a substantive effect. However, the Committee is of the unanimous view that scrappage policy should be based on the fitness level, *i.e.*, the road worthiness of the vehicle concerned and not on the exclusive parameter of the vehicle's age. It was also brought to the notice of the Secretary, DHI during the course of the presentation that DHI had contested the decision of the court but unfortunately, the court had not found merit in their argument. The Committee recommends that DHI should continue its pursuit to impress upon the Apex Court, to consider the fitness of a vehicle, rather than its age, as a parameter for condemning it.**

(Para 70)

28. **The Committee notes that the core objective of Automotive Mission Plan (2026) is to propel the Indian Automobile Industry to be the engine of the "Make in**

India" Programme as it is among the foremost drivers of the manufacturing sector. In this regard, the Committee was informed by the Federation of Automobile Dealers Association that if Foreign Direct Investment is allowed in auto sector, it will allow Indian Auto Dealers to expand by attracting foreign investment and collaborate with dealership groups internationally, without compromising their ownership. FADA also stressed the need to have a Franchise Act for Auto Dealers specifically in our country, on the lines of other countries in the world. The Committee, therefore, recommends the aforesaid suggestions made by the FADA.

(Para 71)

29. **The Committee appreciates that Government has decided not to sign Regional Comprehensive Economic Partnership (RCEP). Sharing the views expressed by Auto Associations, the Committee is of the opinion that in any case the Completely Built Units (CBUs) *i.e.* Full Cars/Two Wheelers *etc.* should not be a part of the India-EU FTA as it will adversely impact the Indian Auto Sector. The Committee suggests that the Automobile Sector should be kept out of the India-EU FTA too.**

(Para 72)

30. **In its presentation before the Committee, the SIAM had suggested that duty levied on Auto Components should be kept high so as to counter the decimating effect of the slowdown in the Auto Sector. The Committee is in agreement with the suggestion of SIAM and is of the opinion that such a move would encourage off-shore investors to set up shop in India, which would have a ripple effect of more job creation and providing a decent livelihood to the youth of the country. Conversely, the Committee observed, that in case the export duty is lowered, it would provide a fillip to foreign investors to export more from their countries to India, rather than 'Make them in India'. The Committee accordingly, recommends that export duty should be kept high and that DHI may convey the views of the Committee to the Ministry of Finance.**

(Para 73)

31. The Committee desires that the Government may take measures to promote more Public Transportation in various cities beyond what is being done under FAME-II Scheme, augment spending on infrastructure building, including Road & Highways, Airports, Railways *etc.*, reduction in GST rate on ICE vehicles *etc.* to boost demand for new vehicles in all segments.

(Para 77)

32. Given the characteristics of the Covid-19 pandemic world over, the Committee understands that this disease is expected to exist for more time. The Committee appreciates the Government's decision of graded opening of the lockdown and restarting the economic activity for life to move-on along with the Corona virus side by side. The Committee however recommends that with a view to protect life and livelihood, the economy needs to be opened up gradually ensuring the safety to life. Therefore, the Committee, with regard to Automobile Sector, recommends that the Government should issue guidelines and Standard Operational Procedures (SOP) that all the concerned stakeholders should prioritize employee protection and safety, regularly monitor and track health status of the employees, follow disease control protocols, define travel guidelines, ensure quarantine facility, schedule for flexible working hours *etc.*

(Para 80)

33. The Committee notes the recent announcement of relief package by the Government to reboot the economy to tide over the crisis and extend support to the various stakeholders, like infusion of liquidity through Collateral Free Automatic Loans, Subordinate Debt Scheme, financial support to NBFCs etc. which will encourage new investments, promoting growth across the supply chain, including Automobile Dealers, and safeguarding employment. Although the package has infused a fresh lease of life amid the gloom, but at the same time, the Committee however feels that this stimulus package in particularly, falls short of addressing the issues of the Automotive Industry as the measures taken by the Government is targeted to boost only the supply side of the economy. The Committee, therefore, recommends that the government should focus on announcing a stimulus package

for demand generation for the automotive sector where the government spending could boost a faster revival of the economy.

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34. Further, in order to help the ailing Automobile Industries financially, the Committee after taking into consideration the inputs given by some of the Automobile Associations, recommends the following additional proposals for consideration of the Government:

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- **Temporary exemption of import/export taxes on R&D/testing vehicles and 50% discount in testing prices in NATRIP facilities.**

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35. Since the physical distancing is one of the pre-requisites to tackle the corona virus spread, it is expected that a large number of people would switch over to personal mobility from public transport to commute for safety reasons to avoid jostling with others on crowded buses and trains. As most of these people would be first time buyers, the Committee expects an immediate surge in the purchase of affordable two-wheeler or small and mid-sized cars. The Committee therefore, recommends that the Government should capitalize this trend for promoting sale of

small and midsized cars by ensuring availability of finance through easy vehicle loans at low interest rates to the prospective customers to create demand in the Automobile Sector.

(Para 83)

36. The Indian Auto Industry is highly dependent on automotive spare parts imported (around 27%) from China. However, due to the outbreak of corona virus, the component manufacturing units were shuttered down in China stalling the imports and subsequently affecting the whole value chain in India. Keeping in view programme of "Make in India" and localized production, the Committee recommends that the Government should encourage and promote setting up of new automotive component manufacturing units/MSMEs to strengthen the economy and become a self-reliant country.

(Para 84)

37. In the current Global scenario, the Committee observes that many of the countries are planning to pull out their manufacturing units from China and are looking for alternate lucrative and prospective countries for re-location. Since India could be a preferred destination for foreign investment due to its sustained GDP growth, expanded robust market, enabling environment and transparent open policy regime, the Committee desires that the Government should take all out efforts to seize this opportunity and turn the present adversity to a blessing in disguise.

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38. Further, to attract the foreign Companies to set shop pertaining to the Automotive Sector in the Indian soil , the prevalent land and labour laws of the country may need an overhauling, so as to make it more investor friendly. The Committee, accordingly, recommends that DHI may take up the issue with the appropriate Departments of the Government of India to facilitate the same.

(Para 86)

MINUTES

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First Meeting

The Committee met at 2:30 p.m. on Friday, the 16th October, 2020 in Committee Room- 'A', Ground Floor, Parliament House Annexe, New Delhi.

Present

Dr. K. Keshava Rao - *Chairman*

RAJYA SABHA

2. Shri Birendra Prasad Baishya
3. Shri Shwait Malik
4. Shri K. C. Ramamurthy
5. Dr Amee Yajnik

LOK SABHA

6. Shri Hanuman Beniwal
7. Shri Hemant Tukaram Godse
8. Dr. S. T. Hasan
9. Ms. S. Jothimani
10. Shri Ravinder Kushwaha
11. Shri Vincent H. Pala
12. Shri T. R. V. S. Ramesh
13. Shrimati Gomati Sai
14. Shri Ravindra Shyamnarayan Shukla *alias* Ravi Kishan

SECRETARIAT

1. Shri Jagdish Kumar, Additional Secretary
2. Shri Arun Sharma, Joint Secretary
3. Smt. M. Sasilekha Nair, Director
4. Smt. Sreeja V., Deputy Secretary
5. Shri Ajin J. R., Under Secretary

Department of Heavy Industry:

1. Shri. Arun Goel, Secretary
2. Smt. Sukriti Likhi, Joint Secretary
3. Shri. Amit Varadan, Joint Secretary

4. Shri Amit Mehta, Joint Secretary

BHEL:

Shri Nalin Shinghal, CMD

HMT:

Shri S. Girish Kumar, CMD

At the outset, the Chairman of the Committee welcomed all the Members to the first meeting of the Committee after its reconstitution. As per the agenda, the Committee firstly took up the 300th, 301st ,302nd and 303rd draft Reports for consideration and adoption. Draft 300th, 301st & 302nd Action Taken Reports of the Committee were prepared based on the replies furnished by the Government on the recommendations/ observations contained in the 297th, 298th and 299th Reports of the Committee on Demands for Grants, 2020-21 pertaining to the Ministry of MSME, Department of Public Enterprises and Department of Heavy Industry respectively. Draft 303rd Report was on the subject "Downturn in Automobile Sector- Its Impact & Measures for Revival". After a brief discussion, the Committee adopted all the above four draft Reports unanimously without any change. As both the Houses of the Parliament are not in Session and the recommendations made in the 303rd Reports require immediate attention of the Government, the Committee decided to present the Report to the Hon'ble Chairman of Rajya Sabha at an early date.

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8. A verbatim record of the proceedings of the meeting was kept.

9. The Committee adjourned at 4.22 p.m.

***Pertains to other matter.