

FORTY-THIRD REPORT
PUBLIC ACCOUNTS COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

**CENTRAL EXCISE - IMPACT OF REDUCTION IN
DUTY ON PRICES OF REFRIGERATORS AND TYRES**

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

Presented in Lok Sabha on 29-4-1986
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LOK SABHA SECRETARIAT
NEW DELHI

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PART II*

Minutes of sittings of the Public Accounts Committee held on :

7 October, 1985 (AN)

8 October, 1985 (FN)

29 October, 1985 (FN)

24 April, 1986 (AN)

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(1985-86)**

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Forty-Third Report on Paragraph 2.68 of the Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Civil), Revenue Receipts, Volume I, Indirect Taxes relating to Central Excise—Impact of reduction in duty on prices of refrigerators and tyres.

2. The Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Civil) Revenue Receipts, Volume I, Indirect Taxes was laid on the Table of the House on 10 May, 1985. The Public Accounts Committee examined the Audit Paragraph at their sittings held on 7, 8 and 29 October, 1985. The Committee considered and finalised the Report at their sitting held on 24 April 1986. Minutes of these sittings of the Committee form Part II* of the Report.

3. In this Report, while examining the impact of the notifications issued by the Central Board of Excise and Customs on 1 October, 1983 reducing excise duty on refrigerators and certain specified tyres the Committee have observed that the Prices of tyres went up in January, 1984 whereas the prices of refrigerators remained at about the same level. The Committee have expressed their concern that Government find itself helpless in the face of the manufacturers determination to keep prices of tyres at levels acceptable to them. After a study of the facts relating to the tyre industry in some depth, the Committee have expressed the view that the conditions relating to the industry should be studied further with a view to ensuring that the industry does not distort the market forces and manipulate them to their advantage.

4. The Committee have further recommended that Government should expeditiously examine the Reports of the Bureau of Industrial Costs and Prices on tyres, the Satyapal Committee on automobile

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tyres and tubes, the Tyre Development Council on taxation structure on tyres and tubes and formulate an integrated policy designed to maintain the growth of the tyre industry at a satisfactory pace, while ensuring that the consumers are protected from exploitation and receive the benefit of fiscal measures extended to the industry with a view to giving relief to the consumers.

5. For reference facility and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form as Appendix to the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

7. The Committee would like to express their thanks to the Officers of the Ministry of Finance (Department of Revenue), Ministry of Finance (Department of Economic Affairs), Ministry of Industry (Department of Industrial Development) for the cooperation extended by them in giving information to the Committee.

8. The Committee would also like to express their thanks to the Automotive Tyre Manufacturers' Association and the All India Refrigeration Equipment Manufacturers Association for the co-operation extended by them in the examination of the subject.

NEW DELHI;
25 April, 1986

5 Vaisakha, 1908 (Saka)

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee

REPORT

IMPACT OF REDUCTION IN DUTY ON PRICES OF REFRIGERATORS AND TYRES

Audit Paragraph

As per notifications issued on 1 October, 1983, the effective rates of duty on refrigerators and certain specified tyres (used in motor vehicles and in vehicles and equipment designed for use off the road) were reduced as follows:—

Domestic refrigerators of capacity not exceeding 165 litres.	From 40 per cent to 25 per cent <i>ad valorem</i> .
Other refrigerators	From 80 per cent to 50 per cent <i>ad valorem</i> .
Specified tyres	From 60 per cent to 50 per cent <i>ad valorem</i> .

2. The reduction in the rate of duty was made on the expectation that the price of said goods to the consumer would come down or, at least, not go up. It was also expected that the price coming down or remaining the same, the increase in volume of clearance would compensate for the decrease in the amount of duty realised per unit.

3. A review of the clearance made by 7 leading refrigerator manufacturers in five collectorates, and 10 leading tyre manufacturers in eight collectorates revealed as follows:

- (i) A manufacturer of refrigerators increased his prices in October 1983 and January 1984, and another in January 1984, five manufacturers did not increase their prices.
- (ii) Eight manufacturers of tyres increased their prices during January 1984 while another raised his prices in March 1984. Details of price of one manufacturer were not available.
- (iii) From October 1983, the average monthly clearance by 13 manufacturers increased compared to average monthly clearances in the previous 12 months. But there was

marginal decrease in the average monthly clearances made by 4 manufacturers between October 1983 and February 1984 as compared to the average monthly clearances in the previous 12 months (details in Appendix I).

- (iv) The net revenue foregone on clearances made between October 1983 and February 1984, as a result of reduction in the rates of duty (after adjusting for increase in duty collection because of increase in volume of clearances) was Rs. 6.64 crores (details in Appendix II).
- (v) One manufacturer declared dividend of 15 per cent on ordinary shares in the two years 1980 and 1981 and 20 per cent in the year 1982. Two manufacturers made addition to their assets by Rs. 1.02 crores and Rs. 82.31 lakhs during the year 1982-83, as against Rs. 1.70 crores and Rs. 21.44 lakhs, respectively during the previous year 1981-82. Another manufacturer whose installed capacity for manufacturer was 6 lakhs tyres per annum, produced only 2.03 lakhs tyres during the year 1982-83.
- (vi) One manufacturer gave "market conditions" as the reason for raising prices, in the return filed with the department. But earlier while reducing prices soon after 1 October 1983, he gave "keen and cut throat competition of market conditions" as the reason. Two manufacturers consigned tyres to their own original sale depots and the price at which sales were made from the depots was not verified.

4. The Ministry of Finance have stated (December 1984) that the matter is under examination.

[Para 2.68 of the Report of the Comptroller and Auditor General of India for the year 1983-84, Union Government (Civil), Revenue Receipts, Volume I, Indirect Taxes]

Notifications

5. The notifications referred to in the Audit Paragraph were Notification Nos. 251/83-CE and 252/83-CE dated 10 October, 1983.

Notification No. 251/83 read as under:

"In exercise of the powers conferred by sub-rule (1) of rule 8 of the Central Excise Rules 1944, the Central Government hereby exempts tyres of the description specified in column (3) of the Table hereto annexed and falling under the sub-item, specified in the corresponding entry in column (2) of the said Table, of Item No. 16 of the First Schedule to the Central Excises and Salt Act, 1944 (1 of 1944), from so much of the duty of excise leviable thereon under the said Act at the rate specified in the said First Schedule, as is in excess of the amount calculated at the rate specified in the corresponding entry in column (4) thereof.

THE TABLE

Sl. No.	Sub-item No.	Description of tyres	Rate
1	2	3	4
1	I(1)(b)	Tyres for motor vehicles of sizes, namely :- 6.00-20, 6.50-20, 7.00-20, 7.50-20, 8.25-20, 9.00-20, 10.00-20, 10.00-24, 11.00-20, 11.00-24, 12.00-20 and 14.00-20.	Fifty per cent <i>ad valorem</i>
2.	I (1)(b)	Tyres for vehicles or equipments, designed for use off the road.	Fifty per cent <i>ad valorem</i>

2. This notification shall be in force upto and inclusive of the 29th day of February, 1984."

6. The text of Notification No. 252/83-CE was as follows:—

"In exercise of the powers conferred by sub-rule (1) of rule 8 of the Central Excise Rules, 1944, and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 66/79-Central Excises, dated the 1st March, 1979, the Central Government hereby exempts goods of the description specified in column (2) of the Table hereto annexed and falling under sub-item (1) of Item No. 29A of the first Schedule to the Central Excises and Salt Act, 1944 (1 of 1944), from so much of the duty

of excise leviable thereon under the said Act at the rate specified in the said First Schedule, as is in excess of the amount calculated at the rate specified in the corresponding entry in column (3) of the said Table.

THE TABLE

S No.	Description	Rate
1	2	3
1	Domestic refrigerators of a capacity not exceeding 165 litres.	Twenty five per cent. <i>Ad valorem.</i>
2	Refrigerators, other than those specified in column (2) against S.No. 1 above.	Fifty per cent. <i>Ad valorem.</i>
3	Deep freezers	Fifty per cent <i>Ad valorem.</i>

2. This notification shall be in force upto and inclusive of the 29th day of February, 1984."

Instructions to Central Excise Collectories

7. In their instructions issued to all Collectors of Customs and Central Excise on 1 October, 1983 the Central Board of Excise and Customs *inter alia* stated:

"The aforesaid modifications in the excise duty rates would result in substantial duty relief. It is requested that prices of the excisable goods affected by the aforesaid changes may be ascertained and intimated to the Ministry indicating, *inter-alia*, whether any price reduction has been effected by the manufacturers. The first report in respect of the various excisable goods other than tyres indicating the prices prevailing immediately before the announcement of the changes and the prices prevailing in the last week of October, 1983 may be communicated by the end of 1st week of November, 1983. Thereafter a monthly report indicating the price of these goods prevailing in the last week of November, December, 1983, January, 1984 and February, 1984 may be sent to the Ministry before the 15th of the month subsequent to the period of reporting.

Special report regarding production and clearance:

A special monthly report beginning from the month of October, 1983 and ending February, 1984 as per proforma-I may

be furnished in respect of the specified excisable goods for which excise duty reduction have now been announced. The report may be consolidated carefully at the Collectorate Hqrs. and sent before the 20th of the month subsequent to the month to which the report relates. The first report for the month of October, 1983 may be sent by the 20th November, 1983.

Special report regarding tyres:

As regards tyres a special report in Proforma-II as annexed may be sent in respect of these tyres both nylon and rayon) for which excise duty reduction has been announced. The report may be sent in respect of each manufacturer. The first report in this regard may be sent in respect of the period ending 30.9.1983 on or before 21.10.1983. Thereafter similar reports may be sent for the period ending 31.10.1983, 30.11.1983 and 31-12-1983 so as to reach the Ministry on or before the 15th of the month subsequent to the period of reporting.

Special report regarding clearances of goods falling under sub-item (2) of Item 29A:

It may be observed that the effective rate of basic excise duty has not been reduced in the case of goods falling under sub-item (2) of Item No. 29A. In view of the reduction in excise duty on the parts of refrigerating and air-conditioning appliances and machinery, all sorts, the Collectors of Central Excise are requested to closely watch the pattern of clearances of air-conditioners and air-conditioning appliances falling under tariff item 29A(2). If any change in the pattern of clearances is noted then the Ministry may be apprised immediately of such changes."

Revenue effect of duty reductions

8. In reply to a question of the Committee, the Ministry of Finance (Department of Revenue) have stated that the total revenue loss on specified tyres and refrigerators on account of reduction in rates of excise duty from October, 1983 had been estimated to be

about Rs. 15.06 crores. The Ministry have in a note furnished after evidence explained the calculation of the revenue effect as under:

"The calculation of revenue effect of reduction in rates of excise duty on specified tyres and refrigerators is as under :-

	(Rs. crores)
1. Tyres	
Revenue realised during October, 1983 to February, 1984	140.33.....(1)
Estimated revenue at reduced rates after excluding the impact of growth in clearances on account of duty reduction (13.63% growth)	123.49
Estimated revenue at normal rate of duty i.e. 66% <i>ad valorem</i>	$\frac{123.49}{55} \times 66$
	= 148.20.....(2)
Therefore, revenue loss i.e. (2) - (1)	7.87
2. Refrigerators and Deep freezers	
Revenue realised during October, 1983 to February, 84	16.46.....(1)
Estimated revenue at reduced rates after excluding the impact of growth in clearances on account of duty reduction (14.08% growth)	14.43
Estimated revenue at normal rates*	$\frac{14.43}{61} \times 100$
	= 23.65.....(2)
therefore revenue loss i.e. (2) - (1)	
*The reduction in the excise duty on Deep-freezers corresponds to 39% approx.	
Total revenue loss on specified tyres and refrigerators	$\bar{₹} \quad 7.67 + 7.19$
	= 15.08

9. Asked whether there was any expectation to the effect that the increase in sales of tyres and refrigerators due to the reduction in the consumer prices of the said items consequent upon excise duty concessions would neutralise the resultant drop in revenue, the Ministry of Finance (Department of Revenue) in their note stated:

"The notifications reducing the rate of excise duty on specific type of tyres and refrigerators were issued in October, 1983 generally for providing fiscal relief to the industry and for stimulating production. It was not expected that the increase in Sales consequent to the reduction in excise duty would be to such an extent as to fully neutralise the drop in revenue."

Criteria for selection of items for excise relief.

10. The Committee desired to know the criteria for choosing industries mentioned in the Audit Paragraph, viz. specified tyres and refrigerators for granting excise relief. The Ministry of Finance (Department of Revenue) in a note stated:—

“Industrial performance improved during the first half of 1983-84 as compared to 1982-83. However it was observed that the pace of expansion was sluggish. Though further improvement in the performance was expected, it was felt that there was a case for accelerating the recovery by selective excise duty reduction in particular segments of industry. The criteria for choosing industries for giving excise relief were that the industry should be so organised that reduction in excise duty would be passed on in the form of lower prices, that the industry should be one in which there was substantial excess capacity and there were no important supply constraints limiting the potential supply response to an increase in demand, that demand should be judged to be significantly price responsive and the industry concerned should be large in itself and should have substantial backward linkages, so that the duty concession had secondary effects. Accordingly, the concession in excise duty was granted to automotive tyres. Refrigerators were selected as these were facing serious demand problems, which was reflected in their accumulated stock. It was felt that the problem might accentuate in the following winter months resulting in reduction of production. The rates of duties on these goods were also comparatively higher. Moreover, refrigerators provided considerable scope for expansion of their sales in rural areas and therefore a transition to moderate rate was considered appropriate.”

Production of tyres and refrigerators

11. Referring to the Ministry's contention that the performance of the industry was sluggish in the year 1982-83, the Committee enquired about the categorywise production of automotive tyres and also refrigerators during each of the years 1980-81 to 1984-85. These

details as furnished by the Ministry of Finance (Department of Revenue) are shown in Tables I and II respectively.

Table I—Tyres

Category	1980-81	1981-82	1982-83	1983-84	1984-85
1. Bus/Truck Tyres	30,60,558	32,79,062	34,93,180	37,33,606	38,89,061
2. Light truck Jeep	6,40,802	7,62,073	7,94,335	8,33,885	7,29,649
3. Car	10,63,495	9,76,561	9,76,106	11,52,538	14,23,223
4. Motor Cycle	5,70,001	6,98,543	6,55,437	7,40,602	9,38,631
5. Scooter	14,45,594	18,37,667	16,62,938	20,14,986	25,68,151
6. A.D.V.	4,45,631	4,02,342	4,80,136	5,08,466	4,66,057
7. Tractor	7,79,104	7,26,333	6,67,638	8,25,190	9,41,113
8. O.T.R.	12,175	11,545	13,708	15,179	15,508
9. Aero.	14,410	17,362	21,631	16,777	12,397
10. Moped	1,05,804	2,36,404	2,07,441	3,07,875	4,82,925
TOTAL :	81,37,574	89,47,892	89,72,550	101,49,104	114,66,715

Table II – Refrigerators

Production in Numbers (Lakhs)

1980-81	1981-82	1982-83	1983-84	1984-85
2.89	2.27	4.25	4.85	5.53

Export of Tyres and Refrigerators

12. The Committee wanted to know whether tyres and refrigerators were exported during the above period. The Ministry of Finance (Department of Revenue) in their note stated as follows:—

“Due to heavy duty on raw-materials and components, the export of refrigerators was not competitive in the world market. There was hardly any export of this product.”

12A. As regards export of tyres the Ministry have furnished the following information:

TYRE EXPORTS (IN NUMBERS)

(From 1980 to 1985 Financial year basis)

1980-81	1,02,447
1981-82	14,975
1982-83	82,006
1983-84	1,38,900
1984-85	4,91,156

13. The Committee asked whether there had been any appreciable increase in the number of specified tyres exported during the period of five months from October, 1983 to February, 1984 (i.e. during the period when the excise concessions were granted) compared to exports of such tyres during the period of five months from May, 1983 to September, 1983 and if so, to indicate the actual increase. The Ministry of Finance (Department of Revenue) in a note replied as under:—

“The exports of Automotive Tyres during the period under reference was as under:

Export of Automotive Tyres

1-5-83 to 30-9-83		1-10-83 to 29-2-84	
Number of tyres	F.O.B value in lakhs Rupees	Number of tyres	F.O.B. value in lakhs Rupees
49000	491	87,000	872

Names of manufacturers of tyres and refrigerators

14. The manufacturers of refrigerators and specific types of tyres referred to in the Audit paragraph are as under:

S. No.	Manufacturers of Refrigerators
1	2
1.	M/s. Weather Works Pvt. Ltd., Kalol
2.	M/s. Fedders Lloyd Corporation Ltd., New Delhi
3.	M/s. Kelvinator India Ltd., Faridabad

1	2
	4. M/s. Godrej & Boyce Mfg. Co. Ltd., Bombay
	5. M/s. Hyderabad Allwyn Ltd., Hyderabad
	6. M/s. Refrigeration Products, Jullunder
	7. M/s. Blue Star Ltd., Bharuch
	<i>Manufacturers of Tyres</i>
	8. M/s. Goodyear India Ltd., Ballabgarh
	9. M/s. Modi Rubber Ltd., Modipuram
	10. M/s. Premier Tyres, Kalamassery, Kerala
	11. M/s. Appolo Tyres, Chalakudy, Kerala
	12. M/s. J. K. Industries Ltd., Udaipur
	13. M/s. CEAT Tyres, Bombay
	14. M/s. Bombay Tyres, Bombay
	15. M/s. MRF, Goa
	16. M/s. Vikrant Tyres Ltd., Mysore
	17. M/s. Dunlop India Ltd., Shahganj, (West Bengal)

15. The Committee wanted to know whether there were any other major units engaged in the manufacture of refrigerators and tyres. In reply, the Ministry of Finance (Department of Revenue) furnished the following names:

1. M/s. Dunlop (I) Ltd.
Ambattur, Madras
2. M/s. India Tyre & Rubber Co.,
Coimbatore, Madras
3. M/s. Madras Rubber Factory Ltd.,
Tiruvettiyur, Madras
4. M/s. Madras Rubber Factory Ltd.,
Ichapurur.

Capacity utilisation in Tyre and Refrigerator industries

16. The Committee desired to know about the capacity utilisation in the industries under reference during the year 1980-81 to 1984-85. The details regarding installed capacity, production and capacity utilisation of tyre and refrigerator units, as furnished by the Ministry of Finance (Department of Revenue) to the Committee are in Tables III and IV respectively:

Figures in lakhs)

Table III

I-Installed
Capacity
P-Production
U-% Utilisa-
tion Capa-
city
Name of the
tyre Unit

	1980-81			1981-82			1982-83			1983-84			1984-85		
	I	P	U	I	P	U	I	P	U	I	P	U	P	U	
	1. M/s Dun- lop India Ltd., Sahaganj	11.41	12.28	107.62	12.91	11.97	92.71	12.91	9.75	75.52	12.91	9.3	72.57	12.91	9.39
2. M/s. Dunlop India Ltd. Ambattur	5.80	6.37	108.62	6.30	7.41	117.62	6.30	7.77	123.33	6.30	8.04	127.61	6.30	8.59	136.34
3. Bombay Tyre Int.	11.00	7.21	65.54	11.00	5.54	50.36	11.00	9.13	83.00	11.00	12.38	112.54	11.00	11.07	100.63
4. M/s Coat Tyres	8.50	11.70	137.64	10.10	12.84	127.12	10.10	14.56	144.16	10.10	15.84	156.83	10.10	9.69	95.94
5. M/s Good- years	6.00	6.71	111.83	6.00	7.68	128.00	6.00	6.08	101.33	7.50	6.90	92.00	7.50	8.08	107.73
6. M/s Premier- Tyres	3.00	2.29	76.33	3.00	3.63	121.00	3.00	2.42	80.66	6.00	1.84	30.66	6.00	1.44	24.00

	1980-81			I	1981-82			I	1982-83			I	1983-84			I	1984-85	
	I	P	U		P	U	P		U	P	U		P	U	P		U	
7. M/s Inchek Tyres (now TCI)	3.00	0.78	26.00	3.00	0.59	19.66	3.00	0.30	10.00	5.00	0.05	1.00	5.00	0.50	10.00			
8. M/s MRF Madras	6.10	6.09	99.83	6.10	6.04	99.01	7.50	5.45	72.66	7.50	5.71	76.13	7.50	5.43	72.40			
9. M/s MRF GOA	4.00	2.67	66.75	4.00	2.30	57.50	8.00	3.43	42.87	8.00	3.45	43.12	8.00	3.82	47.75			
10. M/s MRF Arkonam	2.50	1.85	74.00	2.50	2.88	115.20	2.50	2.73	107.20	2.50	3.86	154.40	7.50	5.49	73.20			
11. M/s Modi Rubber	4.00	9.03	225.75	4.00	9.58	239.50	7.64	9.72	127.22	12.89	12.50	96.97	18.02	15.75	87.40			
12. M/s J.K. Industries	4.00	4.24	106.00	4.00	5.11	127.75	4.70	4.07	86.60	4.70	5.33	113.40	10.95	7.64	69.77			
13. M/s Apollo Tyres	4.00	2.61	65.25	4.00	1.33	33.25	4.00	3.09	77.25	4.00	2.92	73.00	4.00	2.62	65.50			
14. M/s Vikrant Tyres	4.00	1.80	45.00	4.00	3.39	84.75	4.00	2.95	73.75	5.00	3.51	70.20	5.00	3.79	75.80			
15. M/s Falcon Tyres	5.00	4.64	92.80	7.00	6.79	97.00	8.00	5.17	64.46	8.00	4.48	56.00	8.00	5.70	71.2			

Table IV—Refrigerators

Unit	Installed capacity (Nos. in lakhs)	Production during				
		1980-81	1981-82	1982-83	1983-84	1984-85
Gujarat	2.0	1.05	1.23	1.76	1.70	1.76
Fedder Loyds	0.5	0.22	0.16	0.17	0.21	0.18
Hyderabad Allwyn	1.0	0.371	0.38	0.42	0.48	0.50
Kelvinator	2.0	1.21	1.50	1.89	2.46	2.97
Volta	1.0	discontinued and re-started production very recently.				

Inputs for Tyres and its prices

17. The main inputs for the manufacture of tyres are:—

- (i) Natural rubber
- (ii) Styrene Butadine rubber
- (iii) Polybutadine Rubber
- (iv) Tyre Cord (Nylon/Rayon)
- (v) Carbon black

18. The Committee enquired about the unit rate of the above inputs during each of the months September, 1983 to February, 1984. In their reply, the Ministry of Finance (Department of Revenue) stated as under:

(Rs. per kg.)

Month	Natural rubber	Styrene butadine rubber	Poly butadine rubber	Carbon black	Nylon tyre cord
Sept. 83	18.84	20.42	18.50	15.05	76.34
Oct. 83	17.33	20.42	18.50	15.05	76.34
Nov. 83	18.05	20.42	18.50	15.05	76.34
Dec. 83	18.60	20.42	18.50	15.05	76.34
Jan. 84	18.10	20.42	18.50	15.05	76.34
Feb. 84	17.29	20.42	18.50	15.05	76.34

NB: The above prices are exclusive of transportation and other handling charges, sales tax, octroi etc. which vary from

company to company depending upon the location, source of purchase etc., but include excise duty.

- Source: (1) Natural Rubber—In Kotayam market for RMA-3, including cess (Source: Rubber India).
- (2) Styrene Butadine Rubber—Ex-factory, inclusive of excise duty, for S-1502 variety manufactured by M/s. Synthetic & Chemicals Ltd. (Source: The Company).
- (3) Polybutadine Rubber—Ex-factory, inclusive of excise duty, for Cisamer-1229 manufactured by IPCL (Source: The Company).
- (4) Carbon Black—Ex-factory, inclusive of excise duty, for N-330 manufactured by M/s. Phillips Carbon Black (Source: The Company).
- (5) Nylon Tyre Cord: Selling price of Sri Ram Fibres Ltd. including excise duty (Source: The Company).

Financial Performance .

19. According to Audit, certain manufacturers had made substantial additions to their assets and had also declared dividends on ordinary shares in 1981-82 and 1982-83. In this context, the Committee wanted to know about the financial performance of the various tyre and refrigerator units during each of the years 1981-82 to 1984-85. The details of the pre-tax profit earned, dividends declared on ordinary shares and the value of assets held at the end of each year

by these units, as informed by the Ministry of Finance (Department of Revenue) are indicated in the following Table:

S. No.	Name of the company	Period	Pre-tax profit Rs. in lakhs	Dividends declared on ordinary shares	Value of the assets held at the end of each year Rs. in lakhs
1	2	3	4	5	6
<i>REFRIGERATORS</i>					
1.	M/s Weather Works Pvt. Ltd., Kalol	1981-82 1982-83 1983-84 1984-85	nil nil nil nil	nil nil nil nil	0.00288 9.99 18.43 20.00
2.	M/s Fedders Lloyd Corpn. Pvt. Ltd., Delhi	1981-82 1982-83 1983-84 1984-85	4.07 5.53 4.77 8.19	6% 8% 5.5% 12%	22.79 42.42 45.23 68.45
3.	M/s Kelvinators India Ltd., Faridabad	1981-82 1982-83 1983-84 1984-85	435.22 362.03 493.79 584.00	22.5% 22.5% 14% 16%	1129.54 1492.16 2079.14 2704.75
4.	M/s Godrej & Boyes Mfg. Co. Pvt., Ltd.	1981-82 1982-83 1983-84 7/83 to 6/84	894 809 943	30% 15% 22%	1640 2790 2782
5.	M/s Hyderabad Allwyn Ltd., Hyderabad	1981-82 1982-83 1983-84 1984-85	132.52 158.70 165.01 275.00	7% 12.5% 13% 14%	1263.00 3946.96 3369.45 1610.00

1	2	3	4	5	6
6.	M/s Refrigeration Products Co., Jullandhar	1981-82 1982-83 1983-84 1984-85	nil nil 0.33 0.48	nil nil Not Applicable Not applicable	nil nil 6.91 6.62
7.	M/s Blue Star Ltd., Bharuch	1981 1/82 to 6/82 7/82 to 6/83 7/83 to 6/84 1984-85	217 125 263 285 Not available	20 10% 15% 17%	180 199 194 306
<i>TYRES</i>					
8.	M/s Good Year India Ltd., Faridabad	1981-82 1982-83 1983-84 1984-85	119.72 97.27 104.76 (-)-248.64	16% 13% 14% Nil	1624.36 1730.14 2135.39 2042.92
9.	M/s Modi Rubber Modipuram (UP)	1981-82 (Nov. 81 to Oct. 82) 1982-83 1983-84 1984-85	735.04 299.54 188.00 Not yet finalised	20% 20% 20%	19193.29 16449.81 19043.00
10.	M/s Premier Tyres Ltd., Kalamassery	1981-82 1982-83 1983-84 1984-85	Nil Nil Nil Factory running at loss, no dividend de- clared;	Nil Nil Nil Nil	735.86 (3/81 to 6/82) 715.12 (7/82 to 6/83) 6702 (7/83 to 6/84) Not yet finalised;

11. M/s Appolo Tyres Ltd. Chalakudy	1981-82	21.43	Nil	2420.97
	(11/81 to 10/82)			(3/81 to 6/82)
	1982-83	5.13	Nil	3676.73
	1983-84	47.29	Nil	(7/82 to 6/83)
	1984-85	Accounts Not yet published		3995.08
				(7/83 to 6/84)
12. M/s J.K. Industries Ltd. Kankoli	1981-82	Nil	Nil	4135
	1982-83	217	Nil	4848
	1983-84	396	Nil	7619
	1984-85	Not yet finalised		
13. M/s CEAT Tyres Bombay	1981-82	509.87	18%	1045.20
	1982-83	693.15	25%	2319.34
	1983-84	303.92	15%	3255.63
	1984-85	172.62	15%	6941.98
14. M/s Bombay Tyres International Ltd. Bombay	1981-82	(+)26.86	Nil	1986.02
	1982-83	(+)4.83	Nil	2997.38
	1983-84	(-)626.69	Nil	3348.78
	1984-85	Not yet finalised		
15. M/s MRF Tyres Goa	1981-82	311	15%	7365.56
	1982-83	185	15%	8123.98
	1983-84	215.28 (For the year ending 30-9-84)	15%	10047.56
	1984-85	Not furnished		
16. M/s Vikrant Tyres Mysore	1981-82	Nil	Nil	3589.84
	1982-83	Nil	Nil	4190.36
	1983-84	Nil	Nil	7758.42
	1984-85	Nil	Nil	8332.63
17. M/s Dunlop India Ltd., Shabganj (W.B.)	1981	1372.52	15%	4645.57
	1982	1086.92	20%	5031.42
	1983	845.22	20%	5261.76
	1984	191.44	10%	7032.06

20. During evidence, the Committee also drew attention to the comments which appeared in various leading journals on economics, trade, commerce etc. and other newspapers on the substantial increase in profits and the assets by various tyre units as indicated in their Balance Sheets contrary to the claims of the industry. The Joint Secretary, Ministry of Industry stated:

“In fact the balance sheets of these companies conceal more than they reveal. For instance the depreciation of capital which they are supposed to provide, has been taken out. For instance, this capital intensive industry made a profit of Rs. 147 crores, of which 76 crores was paid in taxes. This is one of the industries which is continuously modernising Rs. 174 crores was the profit earned from 1980 to 1984, of which Rs. 76 crores were paid in excise duty and the balance was partly ploughed back. It must earn a minimum 31 per cent, return on capital employed.”

21. Asked whether the industry was in a position to make such big profits, the witness replied:

“Do you call it big? . . . First we must be sure that the profit earned by the industry is exploitative. The profit on capital employed was more than 20 percent. In 1983, only one of them was earning profit at this level.”

22. In this connection, the Bureau of Industrial Costs and Prices have in their Report on tyre industry (1985) has observed as under:

“The profitability of the tyre companies has fluctuated in the four year period from 1980 to 1983. There was a sharp deterioration in profitability in 1983 (relative to 1981 and 1982) for all the Companies (except JK). Some of the companies (namely Ceat and MRF) have done well in all the years, although they also showed a decline in profitability. JK showed steady improvement in the profitability over the years and even in 1983. Goodyear, Vikrant, Premier and Apollo did not fare well in 1983 although Goodyear, Premier and Apollo had done well in 1982. This may partly be due to fall in sales in these (former two) companies (which fluctuated for other companies also). A 12 percent post-tax return with an overall debt-equity pattern of the industry of 1:1 and an

average interest rate of 14 per cent on debts, would require a return of about 21 per cent on capital employed. Judging from this rough Criteria all the companies except Vikrant did well in 1982. But only MRF and JK have achieved this level of return in 1983.

In the four years period from 1980 to 1983 most of the companies have added substantially to the fixed assets (to the extent of a 60 per cent increase for the 9 companies considered). The profits retained in the business during the period were of the order of Rs. 36 crores for all companies put together. The capital additions in the period were around Rs. 190 crores. Most of the companies have utilised their funds for expansion of capacity and plant modernisation. Not worth of Dunlop, Ceat and MRF has gone up considerably.

The additional incidence of depreciation and interest on loan capital might have had some impact in pushing up costs. It was seen that the capacity utilisation of the industry in 1983 was 78 per cent as against 98 per cent achieved in 1980. This fall in the capacity utilisation indicates to some extent that the added capacity during this period, was perhaps not fully utilised. The idle capacity cost would lead to an increase in unit cost of products. These factors perhaps have led to a downward trend in the profitability of the companies in 1983."

Duty Reductions and Prices

23. The Committee referred to the statement made by the Ministry of Finance that the criteria for choosing industries for giving excise relief was among others that the industry should be so organised that reduction in excise duty would be passed on in the form of lower prices, and asked whether any meetings were held by the Ministry with the manufacturers impressing them upon the need to reduce prices. The Ministry of Finance (Department of Revenue) in a note stated:

"Immediately after the announcement of the excise duty relief, meetings of various associations of manufacturers were called for in the Ministry of Industry to impress upon them the need to pass on the benefit of the excise duty relief to the consumers."

24. When asked about the units whose representatives took part in the said meeting, the Ministry of Finance (Department of Revenue) in a note furnished after evidence stated:

“Discussions regarding passing on the benefit of the reduction in excise duty on tyres to consumers took place on 12th & 13th October, 1983. The discussions were held by the Secretary, Department of Industrial Development with the representatives of the Automotive Tyre Manufacturers Association. The Chairman and other senior representatives of the Association attended the meeting.”

25. On being enquired about the outcome of the meeting, the Ministry replied:

“The Automotive Tyre Manufacturers Association agreed to pass on the benefit of the reduced excise duty to the consumers and later confirmed it has actually been passed on.”

26. Asked whether Government were convinced that duty reductions on specified tyres and refrigerators were actually passed on to the consumers, the Secretary, Ministry of Finance (Department of Revenue) replied in evidence:

“In the case of refrigerators, the price remained at about the same level. In case of tyres only it shot up.”

27. Elaborating his point about prices of tyres, the witness further stated:

“If you look at the figures of all the producers in general, the conclusion is that in October in almost every case the price reduction is equivalent to the duty reduction given. This continued in October, November and December. In January there was a hike. So, it was passed on to consumers in October, November and December.”

Prices of Refrigerators

28. The monthly consumer prices of refrigerators of capacity not exceeding 165 litres and other refrigerators during the period Septem-

ber, 1983 to February, 1984 as furnished by Ministry of Finance
(Department of Revenue) are as follows:

S. No.	Name of the manufacturer	Variety	Sept. 1983	Oct. 1983	Nov. 1983	Dec. 1983	Jan. 1984	Feb. 1984
1	2	3	4	5	6	7	8	9
1.	M/s. Kelvinators	165 LDD	4373.27	3939.29	3939.29	3939.29	3928.19	
		165 L	3245.81	2873.38	2873.38	2936.51	2930.81	
		Others						
		286 L	5260.81	4439.26	4439.26	4439.26	4430.25	
		135 L	2973.57	2677.86	2677.86	2677.86	2673.50	
		90 L	2647.21	2387.63	2387.63	2387.63	2383.13	
		65 L	2179.30	1971.44	1971.44	1971.44	1966.50	
DEEP FREEZERS								
2.	M/s. Godrej & Boyce Mufg. Co. Pvt. Ltd., Bombay	425 L	7937.34	6659.59	6659.59	6659.59	6611.50	
		275 L	5720.52	4827.83	4827.83	4827.83	4819.13	
		85 L	3974.22	3346.39	3346.39	3346.39	3342.38	
		165 L p3 with table top.	4768.21	4370.92	4370.92	4370.92	4370.92	4390.92
		p-4 without table top.	4572.53	4194.72	4194.72	4194.72	4194.72	4194.72
		290 N	7616.54	6541.96	6541.96	6541.96	6541.96	6541.96

1	2	3	4	5	6	7	8	9
3.	M/s. Hyderabad Allwyn Ltd. Hyderabad	165 litres with Table top	4718.85	3633.10	3633.10	3633.10	3700.00	3700.00
		165 without T. Top	4895.00	3900.00	3900.00	3900.00
		165 Double door	5646.50	4748.80	4748.80	4748.80	4543.80	4548.80
		Others 380 Ltrs.	11294.25	9264.00	9264.00	9264.00	8989.00	8989.00
		Double door 300 LSD	6927.20	5537.35	5537.35	5537.35	5337.35	5337.35
		300 Double door	9024.55	7358.70	7358.70	7358.70	7103.70	7108.70
		85 liters	3907.00	
4.	M/s. Weather works Pvt. Ltd. Kalol	Deep Freezers	4899.00	4356.00	4356.00	4356.00	4356.00	4356.00
5.	M/s. Blue Star Bharuch	Deep Freezers DF 400	6491.00	6491.00	6491.00	6491.00	6491.00	6491.00
		DF 240	5708.00	5708.00	5708.00	5708.00	5708.00	5708.00
		DF 100	3696.00	3696.00	3696.00	3696.00	3696.00	3696.00
6.	M/s. Fodders Lloyd Corpn. Ltd. New Delhi	165 Ltr. with out the facility of dispensing of cooled water.	2698.00	2398.75	2398.75	2398.75	2398.75	2525.00
		165 ltrs. with facility of dispensing	2896.80	2575.50	2575.50	2575.50	2575.50	2701.75

1	2	3	4	5	6	7	8	9
		310 Ltrs. without the facility of dispensing cooled water	4692.00	3888.75	3888.75	3888.75	3888.75	4041.25
		310 Ltrs. with the facility of dispensing of cooled water	5060.00	4199.75	4193.75	4193.75	4193.75	4346.25
		60 Ltrs.	1917.00	1704.38	1704.38	1704.38	1704.38	1742.25
7.	M/s. Refrigeration Production Co. Jalandhar	Deep Freezers	3426.18	3426.18	3426.18	3426.18	3426.18	3426.18

29. When asked whether it was not a fact that off-season discounts were offered during the months September to February, the Secretary, Ministry of Finance (Department of Revenue) stated in evidence:

“As far as your question about off-season prices is concerned we have got the wholesale price index figures of price index for 1980 and 1981. During the summer months of 1981 the index was 200 to 202. Then in 1983 from June to September it dipped to 175. In the summer of 1984 it was 152—156. So, it proves that the real benefit has gone to the consumer.”

30. In this connection, the Additional Secretary, Ministry of Industry (Department of Industrial Development) added:—

“In May 1981, it was 200 points, in May, 1982, it was 182 points, in May 1983, it was 171 and in May 1984, it was 156 points. So, there has been a steady decline and compared to excise duty relief there has been reduction of 15 points.”

Prices of Tyres

31. At the instance of the Committee, the Ministry of Finance (Department of Revenue) have furnished the prices of specified tyres sold during the period September 1983 to February 1984 as follows:

Prices of Tyres

Sl. No.	Name of the Manufacturers	Variety of tyres	September 1983	October 1983	November 1983	December 1983	January 1984	February 1984
1	2	3	4	5	6	7	8	9
1.	M/s. Bombay Tyres International Ltd., Bombay.	I	2075	1937	1937	1937	2121	2121
		II	2085	1947	1947	1947	2132	2132
		III	2290	2138	2138	2138	2341	2341
		IV	2065	1968	2768	2768	3031	3031
2.	CEAT Tyres, Bombay.	I	3155.00	2854.12	2854.12	2854.12	3125.00	3125.00
		II	3780.00	3530.59	3530.59	3530.59	3874.00	3874.00
3.	Goodyear India Ltd, Faridabad.	I	2265.00	2115.00	2115.00	2115.00	2316.00	
		II	2995.00	2423.00	2423.00	2423.00	2653.00	
		III	3350.00	3128.00	3128.00	3128.00	3425.00	
		IV	3920.00	3660.00	3660.00	3660.00	4008.00	
		V	4250.00	3968.00	3968.00	3968.00	3968.00	
		VI	3187.00	7925.00	7925.00	7925.00	7925.00	
4.	Modi Rubber, Modipuram.	I	2005.19	1869.12	1869.52	1869.52	2048.84	2048.84
		II	2916.04	2750.82	2750.82	2750.82	3013.85	3013.85
		III	3351.81	3129.70	3129.70	3129.70	3428.72	3428.72

1	2	3	4	5	6	7	8	9
		IV	3600.37	3361.80	3361.80	3361.80	3632.89	3632.89
		V	3333.75	3579.71	3579.71	3579.71	3921.48	3921.43
		TUBES						
		VI	172.81	161.36	161.36	161.36	181.54	181.54
		VII	205.04	191.46	191.46	191.46	215.40	215.40
		VIII	227.05	212.85	212.85	212.85	239.46	239.46
		IX	262.26	250.48	250.48	250.48	281.79	281.79
		X	297.95	278.21	278.21	278.21	312.99	312.99
5.	M/s. Dunlop India Ltd., Shahganj, West Bengal.	I		1830.00	1830.00	1830.00	1830.00	1830.00
		II		1845.00	1845.00	1845.00	2080.01	2080.01
		III		1917.00	1917.00	1917.00	2436.00	2436.00
		IV		3320.01	3131.00	3130.00	3850.00	3040.00
		V		3770.00	3550.00	3550.00	3387.00	3887.00
		VI		4390.00	4200.00	4200.00	4600.00	4600.00
		VII		9155.00	9165.00	9165.00	10840.01	10840.01
6.	M/s. Vikrant Tyres Mysore.	I	2107	2294	2294	2294	2294	2294
		II	2619	2445	2445	2445	2661	2661

III	3280	3280	3280	3280	3280	3280	3280
IV	3288	3070	3070	3070	3287	3287	
V	3053	2851	2851	2851	3114	3114	
VI	3314	3094	3094	3094	3388	3388	
VII	3772	3522	3522	3522	3763	3763	
VIII	..	3070	3070	3070	3287	3287	

7. M/s. Apollo Tyres Ltd.

I	2061	1925	1925	1925	2108	2108	
II	2410	2251	2251	2251	2586	2586	
III	2536	2369	2369	2369	2594	2594	
IV	2564	2395	2395	2395	2623	2623	
V	2614	2441	2441	2441	2673	2673	
VI	3179	2969	2969	2969	3251	3251	
VII	3226	3015	3015	3015	3301	3301	
VIII	3033	2822	2833	2833	3102	3102	
IX	3112	2980	2907	2907	3183	3183	
X	3676	3433	3433	3433	3759	3759	
XI	3767	3518	3518	3518	3852	3852	

8. M/s. Premier Tyres Ltd.,
Kalamassery.

I	3715	3468	1-11-83 to 21-11-83	3468	3362	1-1-84 to 15-1-84	3362	3698
			22-11-83 to 30-1-83	3362	3362	16-1-84 to 31-1-84	3698	

1	2	3	4	5	6	7	8	9		
		II	2558	2389	1-11-83 to 21-11-83	2389	2282	1-1-84 to 15-1-84	2282	2534
					22-11-83 to 30-11-83	2282		16-1-84 to 31-1-84	2534	

9 M/s. M.R.F. Goa :

Consumer price for the relevant period are not available in the Goa since there is no ex-factory sale and the tyres are being sold through their depots all over India.

32. The Committee wanted to know the action taken by Government when the prices of tyres were increased in January, 1984. In reply, the Ministry of Finance (Deptt. of Revenue) stated in a note as follows:

“The Excise duty reduction for specified tyres as in other cases, was announced with a view to stimulating production. This required reducing the prices of tyres consequent to the duty reduction. As the prices of tyres were raised by the manufacturers during the period the duty reduction was in force, a decision was taken to withdraw the concession.”

33. Enquired when the concession was actually withdrawn, the Secretary (Banking) & CEA, Ministry of Finance stated in evidence:

“After two months. On 28 February, while all other reliefs were continued, the Finance Minister said that he was withdrawing the concession because the tyre people did not want to reduce the price.”

34. The relevant extracts from the then Finance Minister's speech for the Budget, 1984 is reproduced below:

“In the case of tyres for buses and trucks and tyres for use off-the-road, I do not propose to continue the concession granted in October, 1983 as there is no further case for this concession in view of the price increases announced by this industry. However, as a measure of rationalisation and in order to reduce scope of for evasion, I propose to switch over by an large to a system of specific rates of duties from the *ad valorem* rates.”

35. In reply to a pointed question of the Committee about the specific action taken by Government to reduce the prices of tyres in January, 1984, the Joint Secretary, Ministry of Industry (Department of Industrial Development) stated in evidence as follows:

“In January again, we urged upon the industry not to increase their prices. We wrote to them also, as we did in the past. This is not the first time that they tried to increase their prices. In May as well as August, 1982, they tried to increase their prices. Again the Ministry intervened and the industry rolled back the price to

August 1981 levels. In May, 1983, the Ministry assured the industry that it would examine the price structure and see whether the increase that they were asking for, is reasonable”.

36. The Committee desired to know why the Government instead of compelling the manufacturers to reduce the prices, resorted to a defensive role in the form of withdrawing concessions, the Secretary, Ministry of Finance (Department of Economic Affairs) stated in evidence:

“There is no price control on tyres”.

37. The Committee asked how the Ministry of Finance had reacted to the increase in prices of tyres. In a note furnished to the Committee, the Ministry stated:

“The Ministry of Finance had taken up the question of reduction of prices with the administrative Ministry. The price behaviour was also watched through the reports called for from the Collectors. In the absence of any price control the Ministry does not have any statutory power to enforce reduction in prices of these goods”.

Enforcement of Price Control on Tyres

38. The Committee wanted to know the policy of Government on inclusion of items within the purview of the Essential Commodities Act. The Ministry of Finance (Department of Revenue) in a note stated:

“The Government declares a commodity as essential under the Essential Commodities Act, 1955 in the interest of general public for control of its production, distribution and supply of and trade and commerce in such commodities. The administrative machinery concerned with the production of such commodities approach the Department of Civil Supplies, Ministry of Food and Civil Supplies to notify such commodities as essential, under the Essential Commodities Act, 1955.”

39. Asked why tyres could not have been brought within the scope of the Essential Commodities Act, 1955 when the prices were

increased in January, 1984, the Ministry of Finance (Department of Revenue) in a note stated:

“The Government of India declared Automotive Tyres and Tubes as an Essential Commodity in August, 1968 under the Essential Commodity Act. Till November, 1973, there was an informal understanding between the Government and the Industry under which the latter consulted the Government before effecting any price increase. On 26 November, 1973 following a unilateral price increase in the prices of tyres by the Manufacturers, Government issued orders under Section 16 of the Industries (Development and Regulation) Act, 1951 freezing the price at the levels prevailing on 20th November, 1973. However these orders were withdrawn on 29th April, 1974 as it was felt that it was inappropriate to impose control on prices of tyres and tubes when there was no control on over the prices of raw materials and other inputs for manufacture of tyres, and also because it was impracticable to fix the price of tyres which were manufactured in a large variety of sizes, trade patterns etc. and as the price of each variety of tyres varied from unit to unit.

The prices of tyres were revised in August 1981 after mutual consultation between the Government and Industry. In May, 1983 the industry again unilaterally increased the prices by about 10 per cent. However, on Government's intervention the prices were rolled back to August, 1981 levels and BICP was asked to examine the justification of any price increase by the Industry as proposed by it. BICP submitted its report in July, 1983. It was, however, felt that, in a prevailing buyers' market, with installed capacity far in excess of demand, compelling the industry to sell their products below their list prices and with substantial discount, there was no need for any control on the prices of tyres. It has been the considered view of the Department of Industrial Development that it should be left to the market forces to determine the prices of tyres with the Government assuming the responsibility to ensure that the production is maintained and there is no scarcity in the market.”

Duty Reduction and Clearances of Goods

40. The Committee referred to the instructions issued by the Central Board of Excise and Customs on 1 October, 1983 to the Collectors of Central Excise about the exemption notifications and enquired about the compliance of the said instructions and the analysis thereon. The Ministry of Finance (Deptt. of Revenue) in a note stated:

“Particulars regarding production, clearances and revenues realised were called for with a view to have an idea about the operation of the exemptions. Comparisons between the performance of the refrigeration industry and tyre industry during October, 1983 to February, 1984 *vis-a-vis* the performance during April to September, 1983 are available”. (Table below)

Sl. No.	Description of Goods	Pro-rate performance expected based upon April to Spetember, 1983.			Actual performance October to February 1984. Difference		
		Production	Clearance	Revenue	Production	Clearance	Revenue
1.	Refrigerators and Deep freezers	2.29	1.61	1531.00	2.22	2.75	1646 (+) 115
2.	Tyres	15.15	14.20	122.00	18.54	16.98	14033 (+) 1833

41. The Audit Paragraph has mentioned about the impact of the duty exemption on the clearances of refrigerators and specified tyres after October, 1983. At the instance of the Committee, the Ministry of Finance furnished the following details of the production, clearances and the assessable values of different units during 1981-82, 1982-83 and 1 April to 30 September, 1982 and 1 October, 1983 to February, 1984:—

REFRIGERATORS

Sl. No.	Name of the Unit	Description of refrigerators	Period.	Installed capacity Number	Production Number	Clearance Number	Assessable value (Rs. in lakhs)	
1	2	3	4	5	6	7	8	
1	M/s Weather Works Pvt. Ltd. Kalol		This unit had not manufactured refrigerators during the period in question. They were manufacturing deep freezers and water coolers.					
2	M/s Fedders Ilyod	Not exceeding 165 liters	1981-82 1982-83	26000	17198 16025	17348 16276	370.33 336.74	
			1-4-83 to 30-9-83			10135	8317	159.75
			1-10-83 to 29-2-84	26000	9227	10478	193.20	
		Others	1981-82 1982-83	26000	39 170	33 170	0.83 4.49	
			1-1-83 to 30-9-83			159	152	3.93
			1-10-83 to 29-2-84			106	113	2.99
3	M/s Kelvinators India Ltd.	Not exceeding 165 liters	1981-82 1982-83	206000 236000	127370 163721	139887 156512	2902.98 3295.67	

1	2	3	4	5	6	7	8
			1-4-83 to 30-9-83	236000	98200	67216	1390.54
			1-10-83 to 29-2-84	236000	97837	124363	2442.98
		Others	1981-82	236000	23898	28751	721.39
			1982-83	236000	27713	23317	611.88
			1-4-83 to 30-9-83	236000	16374	12054	322.55
			1-10-83 to 29-2-84	236000	9876	15428	404.74
4	M/s Godrej & Boyce Mfr. Co. Ltd. Bombay	Model p. 3 & p. 4 (capacity 165 liters)	1981-82	*2 lakhs pes. per annum	101606	100371	2427.33
		Do.	1982-83	Do.	119502	123447	2584.74
			1-4-83 to 30-9-83	Do.	74332	51433	1055.44
			1-10-83 to 29-2-84	Do.	59525	81965	1751.17

	Others (Model N capacity 290 ltrs.	1981-82		11781	23710	653.97
		1982-83	*Combined installed capacity for 165 ltrs. and 290 ltrs. is 2 lakhs pieces per annum.	14339	14949	415.72
		1-4-83 to 30-9-83		10329	7959	224.10
		1-10-83 to 29-2-84		10329	12603	356.85
5	M/s. Hyderabad Alloys Ltd. Hyderabad	Up to 165 ltrs.				
		1981-82	*60000	33907	33990	677.93
		1982-83	Do.	39028	40760	828.07
		1-4-83 to 30-9-83	1,00,000	23625	17886	300.71
		1-10-83 to 29-2-84	1,00,000	16436	22583	429.53
	Others	1981-82	*as above	3505	3910	121.44
		1982-83		2252	2721	81.13
		1-1-83 to 30-9-83		906	707	22.95
		1-10-83 to 29-2-84		325	1839	57.93
6	M/s. Refrigeration Products, Jullundur	165 Ltrs. Others		No production and clearance during the years 1981-82 & 1982-83.		
	165 Ltrs.	1-4-83 to 30-9-83	Combined 400	34	30	0.70

1	2	3	4	5	6	7	8
		165 ltrs.	1-10-83 to 29-2-84		10	12	0.29
		Others	1-4-83 to 30-9-83		121	139	4.98
		Do.	1-10-62 to 29-2-84		152	165	6.43
7	M/s. Blue Star Bharuch	This unit had not manufactured refrigerators during the period in question. They were manufacturing deep freezers and water coolers.					

TYRES

Sl. No.	Name of the Unit	Period	Installed capacity of all tyres (Fig. in lacs.)	Production Numbers	Clearance Numbers	Assessable value (Rs. in lakhs)
1	2	3	4	5	6	7
8	M/s. Goodyear India Ltd. Palitabgarh	1981-82	16.50	1499753	1501847	5781.39
		1982-83	18.00	1149554	1151185	4522.00
		4/83 to 9/83	18.00	581762	573055	2082.54
		10/83 to 2/84	21.48	719791	705421	2427.54

9	M/s. Modi Rubber Ltd., Modipuram	1981-82	7.64	1689804	1647224	11303.12
		1982-83	12.77	1566391	1607324	11722.43
		1-4-83 to 30-9-83	13.56	871870	808826	5586.50
		1-10-83 to 29-2-84	13.56	333688	754753	5588.34
10	M/s. Premier Tyres Ltd., Kalamesary	1981-82	6.00	719311	759536	3350.56
		1982-83	Do.	477400	470677	2611.55
		1-4-83 to 3-9-83	Do.	128428	137238	1079.00
		1-10-83 to 29-2-84	Do.	149041	124549	851.88
11	M/s. Apollo Tyres Chalakudy, Kerala	1981-82	4.41	281839	251844	95.81
		1982-83	Do.	545868	545157	173.65
		1-4-83 to 30-9-83	Do.	291312	280914	52.68
		1-10-83 to 29-2-84	Do.	337829	309219	32.07
12	M/s. J.K. Industries Ltd. Kankruri, Udaipur	1981-82	6.87		260810	4562.33
		1982-83	8.84		250020	4239.50
		1-4-83 to 3-9-83			155405	2686.10
		1-10-83 to 29-2-84			134496	2209.61

1	2	3	4	5	6	7
13	M/s. Ceat Tyres, Bombay	1981-82	10.00	885189	886446	8314.89
		1982-83	10.00	951273	923169	9550.91
		1-4-83 to 30-9-83	Do.	469896	470089	4618.19
		1-10-83 to 29-2-84	Do.	393721	391698	3916.74
14	M/s. Bombay Tyres International Ltd., Bombay	1981-82	11.00	16058	14283	170.76
		1982-83	Do.	23757	24661	316.75
		1-4-83 to 30-9-83	Do.	10033	7251	92.26
		1-10-83 to 29-2-84	Do.	88621	10094	72.36
15	M/s. M.R.F. Ltd., Goa	1981-82	8.00		20116	260.76
		1982-83	Do.		432779	5050.28
		1-4-83 to 30-9-83	Do.		172880	2642.47
		1-10-83 to 29-2-84	Do.		115841	2004.39

16	M/s. Vikram Tyres Ltd., Mysore	1981-82	2.07	183362	184568	2775.08
		1982-83	3.24	194148	179131	2806.47
		1-4-83 to 30-9-83	Do.	102859	109492	1591.65
		1-10-83 to 29-2-84	3.96	108450	85527	1222.03
17	M/s. Dunlop India Ltd., Shalgaonj (W.B.)	1981-82	234.58	954003	856062	3031.74
		1982-83	Do.	829265	824439	2916.70
		1-4-83 to 30-9-83	Do.	458977	427560	1918.50
		1-10-83 to 29-2-84	Do.	347109	346850	1594.51

@ In respect of M/s. Bombay Tyres International Limited, the figures of production, clearance and assessable value are in respect of main running varieties of tyres only.

42. The Committee pointed out that while the number of refrigerators cleared during April to September, 1983 was far below the production, the clearances during the period October 1983 to February 1984 had considerably exceeded production and production during that period, in fact, had come down. During evidence the Committee asked how the claim that duty reductions had enabled stimulate production could then be justifiable, the Secretary, Ministry of Finance (Banking) and CEA, stated:

"In the case of refrigerators the idea is at that point the stocks were very high. If you have stocks which are mounting you have an adjustment period. That is not particularly reprehensible."

43. When asked how the industry could expand stocks to such extent particularly when they were stated to have been incurring losses, the Secretary Ministry of Finance (Deptt. of Revenue) stated in evidence:

"If they were giving a discount of Rs.500 the demand did go up."

44. On being asked whether it was not possible that stocks could have been immediately cleared at revised rates after duty reduction by the manufacturers (particularly those who have their own marketing machinery like Kelvinator) to their stockists and later sell it at increased rates when demand picked up, Secretary, Ministry of Finance (Deptt. of Revenue) replied in evidence:

"In the case of refrigerators, the price remained at about the same level. your general point that clearance jumped up is another thing. If you come to tyres that is reverse. The jump in clearance and jump in production are two different things."

Uniformity in price revisions

45. From the information furnished to the Committee about the prices of tyres of various companies, in January, 1984 as also the subsequent periods it is seen that the movement of prices among various units over the period had more or less been uniform. During the Committee's discussion with the representatives of the Automotive Tyre Manufacturers Association, the Committee enquired

how the companies decided their prices. The Vice-Chairman of the Association stated:

“We discuss among ourselves within each company and decide the prices.”

46. Asked how the costs could be uniform since the cost of production of a unit set-up 15—20 years would be much less than newly established unit, another representative of the Association replied:

“But the factories set-up 15—20 years back need modernisation. With all the equipment necessary for modernisation that they have to buy, the cost of production would be the same.”

47. On being pointed out that the modernisation costs would be taken care of by the depreciation on plant and machinery provided over the years, the Vice-Chairman of the Association stated:

“The situation is not exactly as you have stated. It is a competitive market. In a competitive market prices of different brands do vary according to the preferences. If you go to the market place, there is a difference of 5 to 6 per cent from one brand of tyre to another. But in a competitive market, the difference cannot be very large. The new Companies which have come into production in the last few years have suffered more and they went to the Government for excise rebate because they were not able to increase their prices in a competitive market, though their cost of production is more.”

48. The Committee desired to know whether it was a fact that the tyre market had been made a controlled market by the manufacturers by fixing prices in unison, the Vice-Chairman of ATMA replied:

“I must humbly submit that I strongly refute this point. There is no price fixation by sitting together.”

49. However, the Joint Secretary, Ministry of Industry (Department of Industrial Development) deposed before the Committee on this point as under:

“These people have been increasing or reducing the prices in unison. In this regard—there is a slight difference of opinion between us and the BICP. The prices do come

up and go down in unison and we do not know whether it is done deliberately or not”.

Complaints with MRTP Commission

50. In this connection, the Committee desired to know whether it was a fact that the Andhra Pradesh and Rajasthan State Road Transport Corporations had lodged complaints with the Monopoly and Restrictive Trade Practices (MRTP) Commission against the tyre companies for having indulged in the trade practice of forming a cartel and quoting monopoly prices. In a note giving the facts of the complaint and its latest position, the Ministry of Finance (Department of Revenue) stated:

The MRTP Commission had received a complaint from Association of State Road Transport Undertakings against ten tyre companies. The Commission issued an order of Investigation and directed the DG(I&R) to investigate the matter and submit his report to the commission. After considering the Preliminary Investigation Report of the DG (I&R), the Commission on 17th April, 1985 issued a notice of Enquiry to ascertain whether the complainee companies have indulged in the trade practice of forming a cartel and submitting identical or nearly same rates in response to tenders floated by the State Government Transport Undertakings and also whether they increased their rates to approximately the same level without any justification as a result of concert amongst them and whether they collectively decreased the quantity to be supplied against their tenders in order to constrain the State Government Transport Undertakings to satisfy their requirements through purchase from them. A copy of the Notice of Enquiry is enclosed at Annexure (VI)—*(Please see Appendix III)

The Association of State Road Transport Undertakings have also filed an application under section 12A of the MRTP Act for making an interim order by the Commission injuncting the tyre companies from giving effect to the price increases and restrictive deliveries and for directing the tyre companies to continue to supply tyres, tubes and flaps to the members of Association at the prices voluntarily agreed and on other terms and conditions of the

tenders till further orders. This application was heard by the Commission on 6th November, 1985 and the judgement has been reserved."

Duty Reductions and Market Prices

51. The Committee enquired whether the net dealer prices of tyres furnished to the Committee (quoted above) were the exact prices of tyres that the consumer had to pay. In reply, the Joint Secretary, Ministry of Industry stated in evidence:

"The net dealer price of the tyre manufacturer is inclusive of excise duty and exclusive of sales tax".

52. Asked whether the duty reductions and market prices could be reliable, the Ministry of Finance (Department of Revenue) in a note furnished after evidence, stated:

"Market prices of tyres is not directly related to the manufacturers prices as bulk of the retail trade in tyres is in the hands of tyre traders/dealers. Manufacturers supply directly mainly to bulk customers like Defence Forces, vehicles manufacturers, State Transport Undertakings etc. Retail prices are determined by and large by the market forces. Thus, neither, the excise relief allowed in October, 1983 nor the heavy price discount offered by the Industry in 1984 were fully reflected in the market prices."

53. The Committee drew attention to a commonly noticed tendency among dealers to sell goods cleared at earlier rates of duty to consumers at revised rates of duty and thereby deprive the real consumers of the actual duty reductions wherever due. Offering his comments on the issue, the Secretary, Ministry of Finance (Deptt. of Revenue) stated in evidence:

"The dilemma which you have mentioned is a genuine one. Once the excise duty has been collected at a particular rate and the material has been taken away, we do not have a relationship with the excise duty collected. It is not related to, except in very rare cases, the selling price of the commodity."

54. Elaborating his point, the witness added:

“The retailer is not bound by any law to keep prices within certain limits because excise duty is so and so. Retailer fixes the price according to so many considerations, market demand, his commission, freight and so many other factors.”

55. Asked whether any attempt was made in the case of tyres to monitor the movement of market prices and the net dealers prices, the Joint Secretary, Ministry of Industry (Department of Industrial Development) replied in evidence:

“You have made a very valid point. Even when the net dealer’s price was reduced (for instance, Dunlop reduced it from Rs. 3,765 to Rs. 3,550) the market price went up.”

56. On being asked why the Government cannot make it obligatory that the maximum retail prices are indicated on the tyres just as in the case of cigarettes and controlled cloth so as to caution the consumers, the witness replied:

“The pattern of tyre trade is different. For instance, in a city like Delhi, the tyre manufacturer like Dunlop has just four dealers, but you get a thousand traders selling tyres in Delhi. The Company’s own dealers sell at the printed price. They sell at the net dealer’s price inclusive of excise duty. . . . But there are so many intermediaries in tyre trade. . . . On tyres there are no printed labels. But we can cause them to do it. . . . In this case also it should be possible”.

.. 57. In this connection, it is seen that the Committee on Automobile Tyres & Tubes in Para 24—Chapter V of their Report (Satyapa] Committee) has recommended as follows:

“In order that the complaints of malpractices and the considerable dissatisfaction that has been voiced by the dealers is substantially eliminated; it is necessary for the industry to introduce a measure of self-discipline and to adopt practices which are not only above board but are also seen to be fair and non-discriminatory. It would considerably help if the industry voluntarily adopts a system under which it announces from time to time the dealer-

and retail prices and discounts and other facilities through trade circulars or public advertisements so that the public, the dealers and the Government are kept informed of the prices and facilities that are available on a non-discriminatory basis to all dealers and consumers. The Committee would prefer that such a system is introduced on a voluntary basis by the industry but in the event it is not forthcoming in a satisfactory measure, it may be worthwhile for Government to make it obligatory for each company to do so. This is only to ensure that the trading practices adopted by the industry are seen to be fair and within the knowledge of the public and is not intended to introduce either price control or distribution control. In other words, each company can determine its own level of prices and would have the flexibility to do so to meet its commercial requirements. All that is intended is that the trading practices are seen to be totally above board and are implemented openly and in the knowledge of the public in general. It is also recommended that in order to ensure that these practices as publically announced are in fact being followed, the Government should set up a monitoring mechanism which should undertake periodic checks, *suo moto* or on the basis of representations that may be received."

Comments of Industry on Audit Paragraph

58. The Committee desired to know the views of the Automotive Tyre Manufacturers' Association and the All India Refrigerators Equipment Manufacturers' Association on the Audit Paragraph under examination. In their memorandum furnished to the Committee the Automotive Tyre Manufacturers Association stated as follows:—

"Between September 1981 and April 1983, there was no increase in tyre prices, though the cost of production had gone up as high as 18 per cent to 20 per cent.

In May 1983 the tyre companies increased the prices of truck/bus tyres by 10 per cent and other tyre by 5 per cent. However, at the instance of the Government the prices were rolled back to pre-September 1981 levels. The Government then assured the industry that tyre cost and price issue would be referred to BICP and on receipt of the report of BICP the industry could restore the price increase.

The BICP report was not published. However, it is understood that the same was submitted to Government in August 1983. It transpired during the discussions with the Government that the BICP had supported the cost increases faced by the tyre industry during the above mentioned period.

In September 1983 the tyre industry informed the Government that they could not afford to wait any longer due to continuous pressure on cost of inputs. It was further argued that since the BICP report is in the hands of the Government, the industry should be allowed to implement the price increase made in May, 1983 and held in abeyance since then at Government directive.

While the industry was making this request repeatedly for restoration of the above mentioned price increase the Government with effect from 1st October 1983 reduced Excise Duty on truck/bus and off the Road vehicles categories of tyres from 60 per cent to 50 per cent which meant 6.6 per cent of selling price. This Notification was to be effective only upto end of February 1984.

In the light of the above situation the industry represented to the Government that at least it should be allowed to adjust the Excise Duty reduction against the pending price increase of 10 per cent. This request was made to avoid any price increase immediately after the announcement of duty reduction by the Government which was long overdue and unavoidable. The industry felt that any such revision in price immediately after the Duty reduction could cause undue misunderstanding.

Unfortunately this view point of the industry was not appreciated and the industry was told to delink the issue of reduction from the outstanding issue of pending price increase of 10 per cent since May 1983.

Hence at the instance of the Government the entire benefit of the Duty reduction was passed on to the consumers with retrospective effect from 1st October 1983. As the Duty reduction benefit had to be given also on the inventories of tyres already cleared with higher Duty the tyre industry incurred a loss of Rs. 15 crores. This became an additional burden on the tyre industry.

The tyre industry informed the Government that it cannot maintain the tyre prices any longer in the face of 18 per cent to 20 per cent cost increases which have been taking place since September 1981.

The price of truck/bus tyres were increased between 8 per cent to 10 per cent by various manufacturers during January/March 1984. It may be pointed out here that this price increase only partially off set the cost increase of 18 per cent to 20 per cent.

Since the benefit of Excise Duty reduction had been passed on to the consumers in October 1983, the price increase effected in January/March, 1984 resulted in the truck/bus tyre prices going up by only 1½ to 3 per cent in 1984 as compared to 1981 price levels, i.e., over a period of 2½ years.

On 29th February 1984 (in the Union Budget for 1984-85) the Excise Duty reduction given in October, 1983 was with-drawn. However, the selling prices of tyres remained unchanged."

59. The All India Refrigerators Equipment Manufacturers Association in their note stated:—

"If at all the refrigerator Industry is the one Industry which should be commended—and perhaps publicity too—or the fact that it has passed on the entire benefit to the ultimate customer, we confirm that all manufacturers have passed on the benefit of Excise Duty reduction on 1.10.86 to the ultimate customers.

Kelvinator of India have in fact reduced its ex-factory price by further Rs. 50 in October 1983 itself, thereby foregoing some of its own margin in order to give further benefit to the customer, and further even the dealers reduced their margins.

Kelvinator refrigerator's ultimate customer price in July, 1980 was Rs. 5,171 and against which the corresponding price today is Rs. 3,550 showing a reduction of 31 per cent in 5 years and this in spite of inflation and increase in raw material costs and overheads. This production was made possible by the fact of increased production

and economies of scale. The benefits of cost savings were passed on to the customers.

In Annexure 2(ii) to PAC, it has been indicated that "expected" clearance between October, 1983 and February, 1984 as 70,250 of 165 litres refrigerators, whereas actual clearance was 1,20,464 of 165 litres refrigerators, and as a result thereof, the revenue to the Exchequer was actually Rs. 5.15 crores as opposed to the revenue which would have been Rs. 5.73 crores on the "expected" sale. We do not quite know as to from where the "expected" sales figures were taken, since it is our humble suggestion that if the excise duty had not been reduced during that critical period, there would have been no sales or very poor sales between October, 1983 and February, 1984, as there was a total slump in customers demand and a total recession in the Industry. In fact, if this had continued any further, all manufacturers would have closed their plants which would have rendered 200,000 workers jobless and which would have even caused far greater revenue loss. It will thus be seen that but for the excise duty reduction in October, 1983, the refrigerators sale would have been terribly low, thereby leading to ascending revenue loss to the Exchequer. Therefore, it is incorrect to compare the actual revenue realisation during the period with what would have been the revenue realisation if there was no reduction of excise duty.

It is also important to mention that even on the "expected" sale, there is a very marginal reduction in revenue on the finished refrigerator. It will be seen from Annexure 'A' to this note that a large number of items used as raw material or components in the manufacture of refrigerators, covering which there is no proforma credit available against the duty paid on refrigerators. The excise duty realisation on such items has definitely shot up because of increased production of refrigerators. It may be seen that the excise duty realisation on such items which was about Rs. 20 crores during 1982-83 has increased to Rs. 26.35 crores during 1983-84.

It may also be seen that while the production of refrigerators in the whole country during 1982-83 was at 4,09,654, the same has increased in 1983-84 to 5,16,980 and this

has further increased to 5,86,086 in 1984-85, as a result of the duty realisation even at the reduced rate comes to much more than the actual realisation on the higher rate of duty in 1981-82 when the total production was 3,46,840 in the country.

It can be seen that even in respect of one manufacturer, Kelvinator of India Ltd., which company accounts for more than 50 per cent of the total production in the country, Excise Duty paid during the year 1983-84, was about Rs. 20.15 crores, which increased to Rs. 20.65 crores in 1984-85. These figures compared to Rs. 20 crores paid in 1982-83 the period before Excise duty reduction, will show that the gross duty realisation is increasing.

Very important to bear in mind is the fact that apart from increase of revenue to the Exchequer without the excise duty reduction, minimum of 200,000 people would have been without job, hundred's of ancillaries would have closed down their plant along with the refrigerator manufacturers and equally important is the gross national product of the country would be reduced and with its precious revenue to the Exchequer.

It can be further seen that during the year 1983-84, when the Excise Duty was reduced in October, 1983, the costs of production have been fast increasing and this factor has also to be borne in mind."

60. During their discussions with the representatives of the All India Refrigerators Equipment Manufacturers Association, the Committee pointed out that according to Audit, a refrigerator manufacturer, viz., Kelvinator had increased their prices in October, 1983 and January, 1984. The Chairman of the Association stated:—

"This is a wrong statement".

61. On this point, another representative of the Association further stated:—

"In fact, there was a reduction of Rs. 50 as per the price list submitted on 21-10-1983. Before January, 1984 also, the ex-factory price was Rs. 1,963. We increased it by about Rs. 2 to round it off to Rs. 1,965. Techni-

cally it is an increase but this was done due to some pricing reform.”

Passing of duty concessions to consumers—Need for suitable administrative mechanism

62. The Committee wanted to know whether the Ministry of Finance had any suggestion for evolving an effective mechanism for ensuring that the duty concessions intended for the ultimate consumers were duly passed on. In a note furnished after evidence, the Ministry of Finance (Department of Revenue) stated:—

“Excise duty is a tax levied on manufactured goods. Being an indirect tax, the effect of any change in the duty levied is expected to be reflected in the final prices of these goods to the consumer. A large number of the goods where excise duty is levied are produced in the public sector or whose prices are administratively controlled like for example petroleum products, iron and steel and other basic metals. Any duty concessions in these areas would normally be passed on to the consumer. Even in other areas also, it is expected that given the play of market forces, duty concessions for any goods may be in the consumer price of these goods. On many occasions the Ministry of Finance has also taken upon with the various other Ministries of the Government the question of passing on the duty concessions. The concerned Ministries try to persuade the manufacturers to pass on the concessions to the consumers.

Need for Government intervention

63. During evidence, the Committee drew attention to the further rise in the prices of tyres in 1985 and the widespread concern it had caused among the users and echoed in Parliament. They wanted to know whether Government now intended to intervene over distribution and pricing of tyres. The Joint Secretary, Ministry of Industry (Department of Industrial Development) stated in evidence:—

“No recommendation has been made by BICP to that effect. Secondly, the industry is well diversified and the market is also big. Administration of controls over distribution and pricing is difficult.”

Report of Bureau of Industrial Costs and Prices (BICP)

64. The Ministry of Industry (Department of Industrial Development) requested the Bureau of Industrial Costs and Prices (BICP) in May, 1984 to examine the financial performance of the tyre industry in 1982-83 and 1983-84, the cost structure of tyres and the reasonableness of price revisions correspondingly. It was also asked to investigate manipulation of prices, if any, in the context of excise duty change over (from ad valorem to specific duty). The BICP was further requested to express their view on the need and the appropriate mechanism for administrative intervention in prices and distribution of tyres.

65. During evidence the Committee were informed that the BICP Report has been submitted but no stand has been taken by the Government, yet, on the same. A copy of the abbreviated version of the Phase I Report was furnished to the Committee after evidence. Some of the observations of the BICP have already been quoted elsewhere in the Report. The main observations/recommendations of the BICP were briefly as follows:—

- (i) Costs during the years 1980 to 1983 have shown an increasing trend under all 'Heads' of expenses viz., materials, labour and overheads in most of the companies.
- (ii) Between August 1981 and April 1984, the impact of the price increase of all raw materials in tyres put together was not significant.
- (iii) Taking conversion and selling costs, the comparison between total cost & price (Net Dealers Price) indicates a mixed picture.
- (iv) As a result of change-over from ad-valorem to specific rates of excise duties, the excise duties payable after 1-3-1984 are generally higher than those being paid earlier on basis of basic price.
- (v) Profitability of tyre companies has fluctuated during the four years period from 1980 to 1983 and, generally, there was a sharp deterioration in profitability in 1983 (relative to 1981 and 1982).

- (vi) A 12 per cent post-tax return with an overall debt equity pattern of the industry of 1:1 and an average interest rate of 14 per cent on debts, would require a return of about 21 per cent on capital employed. Only MRF and JK achieved this level of return in 1983.
- (vii) Capacity utilisation of the industry declined to 78 per cent in 1983 as against 98 per cent achieved in 1989. The idle capacity cost may have led to an increase in unit cost of production and downward trend in profitability of the industry.
- (viii) The combined effect of duties on inputs (one stage and on tyres, raises by 83 per cent the estimated price with absolutely no taxes on inputs and on tyres.
- (ix) Government may consider whether it would be appropriate now to refer the issue of prices, discounts, and trade and distribution practices in the tyre industry to a probe by the MRTP Commission.

66. Referring to the reduction in inter-company price variation and the unified and rather coordinated increases in the prices by the tyre manufacturers, in the Chapter dealing with "Analysis of costs, prices and duties", the Bureau has observed as follows:—

"NDP price variation among the top three companies had come down sharply in between each price change from September, 1981 to March 1985, in the two truck tyre and one car tyre specifications considered. The decline in price differential of one specification of truck tyre is so sharp that the truck tyre price of three top companies is observed to be virtually equal.

The reduction in inter-company price variation especially among the top 5 companies if continued, would be a matter of concern and would need to be closely followed. Of particular interest is the close of three companies, whose truck tyre prices appear to have moved up in tandem.

It appears now from the observed reduction in inter-company price variation and the unified and coordinated increase in the prices by all tyre manufacturers that the situation of free market competition regulating prices

in the industry does not appear to be there now with the same intensity. Considering that to some extent the industry has a surplus capacity in relation to demand and also that a few new large capacities appear to be in the offing, Government may consider whether it would be appropriate now to refer the issue of prices, discounts and trade and distribution practices and policies in the tyre industry to a probe by the MRTP Commission. Also, there is a case for continuous monitoring of these trends by the Government."

67. The BICP has also examined the change in excise duty and duty impact on tyres. Commenting on the extent to which the reduction in duty in October, 1983 was passed on by the manufacturers, the Bureau has observed:—

"Taking into the account the different adjustments which the companies made in October, 1983 over September, 1981 in regard to basic price, PME, and change in base for exercise calculation, out of a total of 27 observations in a company-tyre specification matrix in truck tyres, the duty relief in October, 1983 over September, 1981 was fully passed on in the NDP with duty only in 9 cases. In the other eighteen cases duty relief was either not passed on or passed on partly.

Specification	October 1983 over September 1981 Duty Relief		
	Passed on almost	Passed on partly	Not passed on/NDP increased
Truck			
10·00-27-16PR Nylon	3 cos.	3 cos.	2 cos.
9·00-20-14PR Nylon	3 cos.	3 cos.	2 cos.
9·00-20-12PR Nylon	2 cos.	1 co.	1 co.
9·00-20-12PR Nylon	1 co..	2 co.	4 cos.

68. The Committee desired to know the action taken on the BICP Report. The Ministry of Finance (Department of Revenue) in a note stated as follows:-

"The Ministry of Industry has intimated that the complete text of the Report is being published by the BICP. In the

meantime, as recommended by the BICP the issues relating to pricing practices, allowing of discounts etc. have been referred to MRTP Commission for an investigation."

High Taxation and Malpractices

69. During their discussions the representatives of the Tyre and Refrigerator Manufacturers' Associations pleaded before the Committee that the rates of excise duty in India were very high. The Committee desired to know whether evasion of duty and other malpractices were prevalent in the industry due to the heavy rates of excise duty. The Secretary, Ministry of Finance (Department of Revenue) stated in evidence:—

"As a general proposition what you said is all right.....We cannot live without high taxes because India needs a lot of money for its development expenditure."

70. Citing the example of tyre, the witness stated:—

"Tyre industry is one of our biggest suppliers of this money. We get Rs. 500 crores from them. It is an industry where we have to take stringent measure to see that they give us what is due from them. In fact, 150 cases are blocked up in court cases. To see that all dues from them are taken we have taken up two cases. One is that has been made specific. Secondly we have made physical control from this year. So, we expect substantial excise revenue from the tyre industry this year."

71. Asked whether the Ministry of Industry had requested for reduction in excise duty on tyres, the witness replied:—

"The concerned Ministries are constantly sending up proposals for excise reduction, but they are under examination. Today the duty rate is around 54 per cent. Compared to the duty structure prevalent in India 54 per cent is not extremely high duty."

72. Expressing the view of the Ministry of Industry on the issue the Joint Secretary of the Ministry (Department of Industrial Development) stated in evidence:—

"The position of the Ministry of Industry has been that the problems of tyre industry requires a total approach. From raw material to end product, the whole lot of imports have to be looked into."

Report of Tyre Development Council

73. During evidence, the Joint Secretary, Ministry of Industry (Department of Industrial Development) informed the Committee that the Tyre Development Council to which the Secretary, Ministry of Industry was the Chairman, was examining the taxation structure.

74. In a note furnished after evidence the Ministry of Finance (Department of Revenue) *inter alia* stated that the following were the main recommendations of the Tyre Development Council:—

- (1) To reduce the excise duty to 15.75 per cent *ad valorem* or its equivalent in specific rates to bring it in line with truck| but chassis etc.
- (2) The excise duty on Nylon yarn of Rs. 8.13 per kg. may be removed. It may be noted that there will still be an excise duty of Rs. 4|- per kg. on Nylon Fabric.
- (3) Butyl Rubber which does not have any indigenous angle should be allowed duty free. Other raw materials such as Chlorobutyl and Neoprene rubber, Resorcinal, V.P. Latex, Insoluble Sulphur falling in the same category should also be considered for duty free imports.
- (4) Excise duty on all tyres meant for Original Equipment manufacturers fitment on new vehicles should be exempted from excise duty.
- (5) Imported R&D equipments should be exempted from duties in order to encourage in House R&D efforts.

75. When asked to indicate the action taken on the recommendations of the Tyre Development Council, the Ministry of Finance (Department of Revenue) in a subsequent note stated as follows:—

“The recommendations of the Committee regarding taxation structure on tyres and tubes were examined by the Ministry of Finance, Department of Revenue and it was not found feasible to agree to the recommendation of the Committee for reduction in the Customs & Excise duty on tyres and tubes.”

Report of the Satyapal Committee

76. It was further informed that a Committee under the Chairmanship of Shri M. Satyapal had reported to Government on auto-

mobile tyres and tubes. The Committee wanted to know the action taken by Government on the same. The Ministry of Finance (Department of Revenue) in a note furnished after evidence stated:—

“The Ministry of Industry have reported that the recommendations of the Committee are of far reaching nature and concern various Departments. These issues have accordingly been referred to the concerned Departments and the Development Council for further examination.”

Present position of duty on specified tyres and refrigerators

77. The Committee desired to know the changes made in the rates of excise duty on refrigerators and specified tyres after the issue of the notifications 251/83 and 252/83 dated 1 October, 1983 (under reference). The Ministry of Finance (Department of Revenue) stated:—

Specified tyres: 1. The concessional rate of basic excise duty of 50 per cent adv. as applicable to specified tyres was not continued beyond 29-2-1984. The duty structure for all tyres including specified tyres was also revised from *ad valorem* to specific rates with effect from 1-3-1984. Special excise duty was also continued at the rate of 10 per cent of the basic excise duty.

2. In the 1985 Budget, i.e., with effect from 17-3-1985, all tyres including specified tyres were exempted from special excise duty and the basic excise duty was suitably adjusted so that the overall duty on tyres remained more or less the same.

Refrigerators: 1. The concessional rates of excise duty announced vide notification No. 251/83-CE dated 1-10-83 were continued in the first instance upto 28-2-85 for one more year. These reduced rates have since been continued without any time limit.

2. The present rates of basic excise duty and special excise duty for refrigerators are:

Description	Rate of Duty	
	Basic excise duty	Special excise duty
1. Domestic Refrigerators of capacity not exceeding 165 litres	25% <i>ad valorem</i>	5% of the basic excise duty.
2. Other Refrigerators	5% <i>ad valorem</i>	5% of the basic excise duty.

78. As per notifications issued on 1 October, 1983 the effective rates of excise duty on domestic refrigerators of capacity not exceeding 165 litres was reduced from 40 per cent to 25 per cent *ad valorem* and for other refrigerators from 80 per cent to 50 per cent. Similarly, duty on specified tyres was reduced from 60 per cent to 50 per cent *ad valorem*. According to Audit, the reduction in the rates of duty was made in the expectation that the price of such goods to the consumer would come down or, at least, not go up. It was also expected that with the price coming down or remaining the same, the increase in volume of clearances would compensate for the decrease in the quantum of duty realised per unit. After a review of the clearances made by seven leading refrigerator manufacturers and ten leading tyre manufacturers, Audit have pointed out that a manufacturer of refrigerators increased his prices in October, 1983 and again in January, 1984 and another manufacturer did so in January, 1984. Eight manufacturers of tyres increased their prices in January, 1984 while another raised his prices in March, 1984. Monthly clearances from October, 1983 effected by 13 manufacturers increased compared to average monthly clearances in the previous 12 months. There was marginal decrease in the average monthly clearances made by four manufacturers between October, 1983 and February, 1984 as compared to the previous 12 months. The Audit have estimated that the net revenue foregone on clearance made between October, 1983 and February, 1984 as a result of reduction in the rate of duty, was Rs. 6.64 crores.

79. The Ministry of Finance maintain that the notifications reducing the rates of excise duty on specified tyres and refrigerators were issued in October, 1983 as fiscal relief mainly with a view to stimulating the growth of the industries whose performance in 1982-83 was found to be sluggish. It was expected that reduction

in duty would result in price reduction which would, in turn, stimulate demand. Unfortunately, this did not happen. In fact, the prices of tyres went up in January, 1984 while prices of refrigerators remained at about the same level. All the tyre manufacturers with the exception of a state public sector undertaking increased the prices of their tyres in January, 1984. As repeated requests to roll back the prices went unheeded, Government decided to withdraw the excise relief given to the tyre industry in the 1984 Budget. The concession for the refrigerator industry was continued as the industry had co-operated atleast by holding the price line.

80. The Ministry of Industry maintain that it was administratively difficult and also inappropriate to impose price control in multi-product industry without specific price control on the raw materials inputs. It was the Ministry's considered view that in the prevailing buyer's market it should be left to the market forces to determine the prices of tyres with the Government assuming the responsibility to ensure that the production is maintained and there is no scarcity in the market. The Committee appreciate the force of these arguments but felt concerned that Government find itself helpless in the face of the manufacturers' determination to keep prices at levels acceptable to them. The Committee take note of the fact that the manufacturers have strengthened themselves financially in spite of their complaint that the profit margin is low or negligible. The Public Accounts Committee have studied the facts relating to this industry in some depth. They are satisfied that the conditions relating to the industry should be studied further with a view to ensuring that the industry is not able to distort the market forces and manipulate them to their advantage. The Committee would further like Government to consider the advisability of requiring the manufactures to print the price and the date of manufacture on every tyre. This would at the very least warn consumers of any improper trade manipulations.

81. The facts stated in the foregoing paragraphs clearly identify some of the specific areas in the pricing and distribution of tyres which require immediate Government attention. In a note furnished to the Committee after evidence, the Ministry of Finance have stated that in pursuance of the recommendations made by Bureau of Industrial Costs and Prices (BICP) in its recent report, the Ministry of Industry have referred the issues relating to pricing practices, allowing of discounts etc. for a probe by the MRTP Commission. The Committee trust that this probe will be carried out with utmost expedition.

82. During evidence, the representative of the Ministry of Industry stated that the problems of tyre industry require a total approach. In this connection, the Committee would draw attention to the fact that a number of reports are now before the Government pending action. They include, the reports of the Bureau of Industrial Costs and Prices on costs, pricing, distribution etc., the Satyapal Committee on automobile tyres and tubes, the tyre Development Council on taxation structure on tyres and tubes. Government should expeditiously examine these reports and formulate an integrated policy designed to maintain growth of the industry at a satisfactory pace, while ensuring that the consumers are protected from exploitation and receive the benefit of whatever concessions are extended to the Industry.

83. The Committee find from the details of production and clearances of refrigerators that while the number of refrigerators cleared during April to September, 1983 was far below the production, the clearances during October, 1983 to February, 1984 had considerably exceeded production. Evidently, the duty concessions had not so much stimulated growth as enabled the manufacturers to clear their accumulated stocks. Thus, in the case of refrigerator industry also the benefit of duty concession was not passed on to the consumer and as such, the purpose of fiscal relief was not fully achieved.

NEW DELHI;
25 April, 1986
5 Vaisakha, 1908 (S).

E. AYYAPU REDDY,
Chairman,
Public Accounts Committee.

APPENDIX-1

[Vide Para 3 (iii)]

(Clearances of refrigerators and tyres)

Sl. No. of manufacture	Monthly average clearance (from October 1982 to September, 1983)	Clearances made after September, 1983				
		October 1983	November 1983	December 1983	January 1984	February 1984
1	2	3	4	5	6	7
(1) Refrigerators of capacity not exceeding 165 litres.						
1	11	12	3	35	3	58
2	1579	2101	1077	2303	2719	2391
3 (a) 65 litres	92	442	41	19	Nil	Nil
(b) 165 litres	14050	9770	30004	18846	21575	40269
(c) 165 litres	553	273	297	35	165	1367
4	12219	(Clearance averaged 18220 per month)				
5	3472	2711	4154	6330	4451	4935
6	1	3	5	3	2	26
(2) Refrigerators of capacity more than 165 litres and deep freezers.						
7	49	NA	48	70	83	70
3 (a) 85 litres	58	3	1	Nil	Nil	Nil

(b) 275 litres	91	51	61	79	136	136
(c) 425 litres	39	Nil	Nil	10	17	44
	187	420	86	22	467	844

Specified trucks and bus tyres.

8	27317	13950	55940	57211	34465	65718
9	53378	(Clearance averaged 70923 per month)				
10	17299	(Clearance averaged 16425 per month)				
11	36208	(Clearance averaged 50101 per month)				
12 (a)	25661	25788	30801	24873	28836	24698
(b)	25620	20933	27072	30247	40726	32054
13	109592	(Average monthly clearance between October 1983 and Feb., 1984 was 109937)				
14	38240	(Average monthly clearance between October 1983 and Feb., 1984 was 65643)				
15	25150	(Average monthly clearance between October 1983 and Feb., 1984 was 26072)				
16	18131	11906	13820	17120	26329	10353
17 (a)	7123	7104	11856	3880	3881	1595
(b)	10821	6708	16188	19682	10747	19806

APPENDIX-II
[vide Para 3(iv)]

(Revenue implication of reduction in duty on refrigerators and tyres)

Item	Sl. No. of Manufacturer	Expected clearance between 10/83 and 2/84	Actual clearance between 10/83 and 2/84	Duty payable (without reduction) actual clearance (Amount in Rs.)	Reduced duty paid on actual clearance (Amount in Rs.)	Duty payable (without reduction) or expected clearance (Amount in Rs.)	Duty foregone between 10/83 and 2/84 (Amount in Rs.) (Cols. 7 minus)
1	2	3	4	5	6	7	8
Domestic refrigerators of capacity not exceeding 165 litres	1	55	111	1,91,110	1,08,610	1,07,811	(-) 799
	2	7850	10,591	87,34,078	63,33,630	64,44,850	1,11,220
	3(a)	460	502	2,78,258	1,73,911	2,54,840	80,929
	(b)	70,250	1,20,464	9,84,29,287	5,15,18,304	5,73,94,250	58,75,945
	(c)	1,765	2,137	24,04,658	15,02,910	19,85,625	4,82,715
	4	61,095	91,100	11,78,07,000	6,27,00,000	7,22,75,305	95,75,385
	5	17,360	22,581	1,80,40,496	1,12,77,000	1,38,70,640	25,93,640
Other refrigerators and deep freezers	6	..	39	65,517	40,967	8,405	(-) 32,562
	7	245	271	14,12,415	9,28,384	12,76,940	3,48,556
	3(a)	..	4	6,696	4,186	6,696	2,510
	(b)	455	463	11,13,861	4,17,609	10,94,275*	6,76,576
	(c)]	..	71	2,42,109	1,51,318	2,42,109	90,791

	5	935	1,839	48,66,348	30,51,652	24,74,010*	(-)5,77,642
	8(a)	36,5 ² 5	2,27,304	7,82,24,088	6,51,86,740	4,69,85,240	(-)1,82,11,500
	(b)	2,840	3,179	2,44,84,643	1,72,19,904	1,82,00,960	10,81,15,6
	9	..	2,59,520	24,02,15,070	23,16,47,680	24,00,65,070*	86,17,390
	10	..	82,126	4,57,14,121	3,80,95,105	4,57,14,121*	76,19,016
	11	1,81,040	2,50,508	9,94,15,719	8,28,98,610	7,18,72,880	- 1,10,25,730
	12(a)	1,28,305	1,34,406	10,72,24,281	10,88,67,710	10,22,59,085	(-)66,18,625
	(b)	1,28,100	1,51,132	1,06,39,208	98,60,004	89,67,000	(-) 8,93,004
Specified Tyres	13	5,19,460	5,49,635	25,52,49,000	21,37,90,000	24,10,29,440	2,72,39,440
	14	2,91,230	3,21,215	10,90,40,000	9,09,40,000	9,66,88,360	57,48,360
	15	..	1,04,288	11,27,67,000	9,41,72,000	11,27,67,000*	1,85,95,000
	16	..	79,568	5,83,07,528	4,84,97,931	5,83,07,528*	98,09,597
	17(a)	..	30,316	2,09,95,623	1,74,96,353	2,45,28,713*	70,32,360
	(b)	54,109	67,171	6,48,02,923	5,40,02,440	5,22,01,564	(-) 18,00,876
							10,55,80,487
							(-) 3,91,40,738

						TOTAL	6,64,39,749

(Note :- *For purposes of calculation of duty foregone expected clearances based on past average limited to actual clearance between 10/83 and 2/84).

APPENDIX-III

(Vide Para 50)

IN THE MATTER OF

No. 19 (22) RTP/85

MONOPOLIES AND RESTRICTIVE TRADE PRACTICES
COMMISSION

Travancore House,
Kasturba Gandhi Marg,
New Delhi.
Dated 17th April, 1985.

RESTRICTIVE TRADE PRACTICES ENQUIRY NO. 78
OF 1984
NOTICE OF ENQUIRY

(Under Section 19(a) (i) and Section 37 of the Monopolies and Restrictive Trade Practices Act, 1969 and Regulations 58 and 58A of the Monopolies and Restrictive Trade Practices Commission Regulations, 1974).

IN THE MATTER OF

1. Association of State Road
Transport Undertakings,
No. 811, Ashoka Estate,
21, Barakhamba Road,
New Delhi-110001.
2. Andhra Pradesh State Road,
Transport Corporation Mushirabad,
Hyderabad-500020.
3. Rajasthan State Road Transport
Corporation,
Parivbhan Marg, Jaipur.

Vs.

1. M/s Premier Tyres Ltd,
24E, Jhandewalan Extension,
New Delhi-110055.
2. M/s Bombay Tyres International Ltd.
(Modistone)
Hasan Building,
Nicholson Road,
Delhi-110006.

3. M/s Modi Rubber Ltd.,
G-7, 1st Floor,
Connaught Circus,
New Delhi-110001,
4. M/s M. R. F. Ltd.,
3|4 Asaf Ali Road,
New Delhi-110002.
5. M/s J. K. Industries Ltd.,
19-B, Asaf Ali Road,
New Delhi-110002.
6. M/s Apollo Tyres Ltd.,
18, New Colony,
Modern Basti,
New Delhi-110005.
7. M/s Dunlop India Limited,
9 & 10-B, Asaf Ali Road,
New Delhi-110002.
8. M/s India Tyre & Rubber Co. (I) Ltd.,,
3, Zorawar Singh Marg,
Kashmere Gate,
Delhi-110006.
9. M/s. Ceat Tyres of India Ltd.,
1-5/4, Jhandewalan Extension,
New Delhi-110005.
10. M/s Good Year India Ltd.,
1-Ansari Road,
New Delhi.

Respondents.

WHEREAS THE Monopolies and Restrictive Trade Practices Commission has received a complaint from the complainants above mentioned against the Respondents above mentioned.

2. AND WHEREAS the said complaint was referred to the Director General for preliminary investigation as referred by Section 11 of the Monopolies and Restrictive Trade Practices Act, 1969 and the Director General has submitted his preliminary investigation report in respect thereof (A copy of P.I.R. is enclosed).

3. AND WHEREAS upon a perusal of the said complaint and the said preliminary investigation report, it appears, to the Commission that the respondents mentioned above have indulged in the trade practice of forming cartel and submitting identical or nearly same

rates in response to tenders floated by State Govt. undertakings mentioned in the complaint.

4. AND WHEREAS the respondents also increased their rates to approximately the same level without any Justification as a result of concert amongst them.

5. AND WHEREAS the respondents collectively decreased the quantity to be supplied against their tenders in order to constrain the State Government Transport undertakings to satisfy their requirement through purchase, from almost all the parties namely the respondents.

6. AND WHEREAS the aforesaid trade practices have or may have the effect of preventing, distorting or restricting competition amongst the manufacturers *inter-se* and bring about manipulation of prices, condition of delivery and the flow of supplies in such a manner as to impose on the consumers unjustified costs or restrictions.

AND THEREFORE, in exercise of powers conferred on it under Section 10(a) (i) and Section 37 of the Monopolies and Restrictive Trade Practices Act, 1969 the Commission has ordered that an enquiry be instituted against the respondents above mentioned at its office at New Delhi to enquire into as to whether:

- (a) the respondents above mentioned have been and/or are indulging in the trade practices as alleged;
- (b) the said trade practices have or may have the effect of preventing/distorting or restricting competition;
- (c) the said trade practices have or may have the effect of imposing unjustified costs or restrictions on the consumers; and
- (d) such trade practices are prejudicial to public interest.

NOW, THEREFORE, Notice under Regulations 58 of the Monopolies and Restrictive Trade Practices Commission Regulations, 1974 is hereby given to the Respondents above mentioned that if they wish to be heard in the proceedings before this Commission, they should comply with the requirements of Regulations 11, 65 and 67 at the said Regulations (a copy thereof is enclosed), failing which the Commission will proceed with the enquiry in the absence of the Respondents.

The case is fixed for hearing before the Commission on 6th May, 1985 at 11.00 A.M.

GIVEN under my hand and the seal of the Commission at New Delhi, this the 17th day of April, 1985.

BY ORDER OF THE COMMISSION

(M. L. SHARMA)

Deputy Secretary

Copy to:

1. The Adl. Director General of Investigation & Registration (Investigation), New Delhi.
2. The Adl. Director General of Investigation & Registration (Registration), New Delhi.
3. The Director (Research), M.R.T.P. Commission, New Delhi.
4. The Department of Company Affairs, Shastri Bhavan, New Delhi.

(M. L. Sharma)

Deputy Secretary

APPENDIX IV

Conclusions/Recommendations

Sl. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	
1.	78	Ministry of Finance Deptt. of Revenue,	<p>As per notifications issued on 1 October, 1983 the effective rates of excise duty on domestic refrigerators of capacity not exceeding 165 litres was reduced from 40 per cent to 25 per cent <i>ad valorem</i> and for other refrigerators from 80 per cent to 50 per cent. Similarly duty on specified tyres was reduced from 60 per cent to 50 per cent <i>ad valorem</i>. According to Audit, the reduction in the rates of duty was made in the expectation that the price of such goods to the consumer would come down or, at least, not go up. It was also expected that with the price coming down or remaining the same, the increase in volume of clearances would compensate for the decrease in the quantum of duty realised per unit. After a review of the clearances made by seven leading refrigerator manufacturers and ten leading tyre manufacturers, Audit have pointed out that a manufacturer of refrigerators increased his prices in October, 1983 and again in January, 1984 and another manufacturer did so in January, 1984. Eight manufacturers of tyres increased their prices in January, 1984, while another raised his prices in March, 1984. Monthly clearances from October, 1983 effected by 13 manufacturers increased compared to average monthly clearances in the previous 12 months.</p>

2 79

Ministry of Finance
(Department of Revenue)
and Ministry of Industry
(Department of Industrial
Development)

There was marginal decrease in the average monthly clearances made by four manufacturers between October, 1983 and February, 1984 as compared to the previous 12 months. The Audit have estimated that the net revenue foregone on clearance made between October, 1983 and February, 1984 as a result of reduction in the rate of duty, was Rs. 6.64 crores.

The Ministry of Finance maintain that the notifications reducing the rates of excise duty on specified tyres and refrigerators were issued in October, 1983 as fiscal relief mainly with a view to stimulating the growth of the industries whose performance in 1982-83 was found to be sluggish. It was expected that reduction in duty would result in price reduction which would, in turn, stimulate demand. Unfortunately, this did not happen. In fact, the prices of tyres went up in January, 1984 while prices of refrigerators remained at about the same level. All the tyre manufacturers with the exception of a state public sector undertaking increased the prices of their tyres in January, 1984. As repeated requests to roll back the prices went unheeded, Government decided to withdraw the excise relief given to the tyre industry in the 1984 Budget. The concession for the refrigerator industry was continued as the industry had co-operated atleast by holding the price line.

80

—do—

The Ministry of Industry maintain that it was administratively difficult and also inappropriate to impose price control in multi-product industry without specific price control on the raw materials/inputs. It was the Ministry's considered view that in the prevailing *buyer's market* it should be left to the market forces to determine

the prices of tyres with the Government assuming the responsibility to ensure that the production is maintained and there is no scarcity in the market. The Committee appreciate the force of these arguments but felt concerned that Government find itself helpless in the face of the manufacturers' determination to keep prices at levels acceptable to them. The Committee take note of the fact that the manufacturers have strengthened themselves financially inspite of their complaint that the profit margin is low or negligible. The Public Accounts Committee have studied the facts relating to this industry in some depth. They are satisfied that the conditions relating to the industry should be studied further with a view to ensuring that the industry is not able to distort the market forces and manipulate them to their advantage. The Committee would further like Government to consider the advisability of requiring the manufactures to print the price and the date of manufacture on every tyre. This would at the very least warn consumers of any improper trade manipulations.

4.

81

Ministry of Finance
(Department of Revenue
and Ministry of Industry)
(Department of Industrial
Development)

The facts stated in the foregoing paragraphs clearly identify some of the specific areas in the pricing and distribution of tyres which require immediate Government attention. In a note furnished to the Committee after evidence, the Ministry of Finance have stated that in pursuance of the recommendations made by Bureau of Industrial Costs and prices (BICP) in its recent report, the Ministry of Industry have referred the issues relating to pricing practices,

allowing of discounts etc. for a probe by the MRTP Commission. The Committee trust that this probe will be carried out with utmost expedition.

5. 82

—do—

During evidence, the representative of the Ministry of Industry, stated that the problems of tyre industry require a total approach. In this connection, the Committee would draw attention to the fact that a number of reports are now before the Government pending action. They include, the reports of the Bureau of Industrial Costs and Prices on costs pricing, distribution etc., the Satyapal Committee on automobile tyres and tubes, the Tyre Development Council on taxation structure on tyres and tubes. Government should expeditiously examine these reports and formulate an integrated policy designed to maintain growth of the industry at a satisfactory pace, while ensuring that the consumers are protected from exploitation and receive the benefit of whatever concessions are extended to the Industry.

6. 83

—do—

The Committee find from the details of production and clearances of refrigerators that while the number of refrigerators cleared during April to September, 1983 was far below the production, the clearances during October, 1983 to February, 1984 had considerably exceeded production. Evidently, the duty concessions had not so much stimulated growth as enabled the manufacturers to clear their accumulated stocks. Thus, in the case of refrigerator industry also the benefit of duty concession was not passed on to the consumer and as such, the purpose of fiscal relief was not fully achieved.

