that in other respects the Rules of Procedure of this House relating to the Parliamentary Committees will apply with such variations and modifications as the Speaker may make; and

that this House recommends to Rajya Sabha that Rajya Sabha do join the said Joint Committee and communicate to this House the names of members to be appointed by Rajya Sabha to the Joint Committee."

The motion was adopted.

INDIAN TARIFF (AMENDMENT) BILL

The Minister of Industry (Shri Manubhai Shah): I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1934, be taken into consideration."

Sir, this Bill seeks to amend the Indian Tariff Act, 1934, in order to give effect to certain recommendations of the Tariff Commission. The House will have observed from the statement of objects and reasons that the Bill seeks firstly, to grant protection for the first time to the automobile industry, secondly to continue protection to certain industries, namely, the cocoa powder and chocolate industry, the calcium lactate industry, the cotton and hair belting industry, the wood screw industry and the antimony industry beyond the 31st December, 1957 and thirdly to discontinue protection in respect of the electric brass lamp holders industry from the 1st January, 1958.

The provisions of this Bill in regard to the grant of protection to the automobile industry and to the continuance of protection to the cocoa powder and chocolate, the calcium lactate, the cotton and hair belting, the wood screw and the antimony industries will have immediate effect. The provision withdrawing protection in respect of the electric brass lamp holders industry will take effect from 1st January, 1958.

I shall first deal with the automobile industry, to which protection was granted for the first time. A copy of the Tariff Commission's report on this important industry and the Government's resolution thereon have already been laid on the Table of the House. The Commission first examined the question of the grant of protection to this industry in 1953. In its report the Commission emphasized that for the speedy development of this industry it was essential that the manufacture of automobile should be restricted to as few firms as possible and that greater use of vehicles should be encouraged by lowering prices. The Government accepted this recommendation and the various firms were invited to submit their terms for Government's approval. Government approved only six firms for taking up the manufacture of selected types of motor vehicles. Further, with a view to reducing the price, the rates of duty on several components were brought down so that the incidence of customs duty on a complete knocked down condition of a pack were approximately 40 per cent *ad valorem* on the average. In spite of the measures taken by the Government, the consumers' price for automobiles did not show any significant decrease. On the contrary, representations were received from the manufacturers, asking for an increase in the selling price for the vehicles on the ground that the cost of raw materials and components had gone up and, in particular, that the manufacturing cost of components in India was much higher than the cost of components manufactured abroad. Accordingly, in August 1955, the Government requested the Commission to examine the fair ex-works selling price of various types of motor vehicles manufactured in the country and also to advise on how the prices should be revised from time to time as more and more components were being produced in the country. On

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a subsequent reference from the Tariff Commission, the Government informed them that the automobile industry was to be treated as a protected one and that they could make specific recommendations in regard to the conversion of revenue duties and protective duties where appropriate, when submitting the report on the enquiry.

In conducting the enquiry, the Commission was requested by the Government to devote special attention to:

(a) the extent to which and the manner in which the obligations of the several units under their approved manufacturing programme had been discharged;

(b) the further steps that would be necessary to implement them fully, and

(c) the difficulties, if any, in the way of full discharge of such obligations in future.

The Tariff Commission has conducted a very thorough and comprehensive review of the entire industry and has made a number of recommendations of which those dealing with the system of price control to be exercised by the Government in future, the production programme of the manufacturers in the light of the trends of demand for vehicles and the import duties of automobile components are the most important.

I take this opportunity on behalf of the Government and myself—and I hope that the House will join me—in saying that the Commission has done really a remarkable job, as far as the review of this particular industry is concerned.

Historically speaking, Sir, the importance of establishing an automobile industry in the country was recognised by the Government of India in 1945 when a Panel on Automobiles and Tractors was constituted to make recommendations on the development of manufacture of automobiles and tractors in India. However, no definite action seems to have been taken on the recommendations of this Panel which were submitted in 1947. In the statement of Industrial Policy made in this House in April 1948, automobiles and tractors were classified among industries of importance, which would be subject to regulation and control by the Central Government. In 1949, Government decided that import of motor vehicles should be allowed only in completely knocked down condition. At the same time, further increase in assembling capacity beyond what was in existence prior to 1948, was not encouraged. From 1st April, 1950, customs duty on certain parts which were being manufactured in the country was raised pending enquiry into the question of grant of protection and assistance to the industry. Again, an Automobile Expert Committee was appointed in June, 1950 to examine the position in regard to the inclusion of particular parts of automobiles in categories bearing different rates of import duty to make recommendations of their classification. As the House is aware, an automobile contains several components and these had to be gone into very carefully.

The main recommendations of this Committee were accepted by the Government and given effect to in March, 1951. Certain other measures were also taken to promote the development of the industry. For effective standardisation of types and models of vehicles to be imported into the country, restriction was imposed on the assemblers requiring them to import only three types of cars and trucks from each of the dollar and soft currency areas. May I remind the House that before this important decision was taken, almost two to three dozens of types of motor trucks and passenger cars were being imported into this country and that made for a lot of confusion for manufacture of component parts. In March, 1952, the Government of India referred to the Tariff Commission for enquiry and report the question of the grant of protection and assistance towards encouragement of automobile industry in India. The Commission submitted its report in 1953. I am recapitulating for the information of the House some of the recommendations made by the Commission:

(a) There should be four types of cars (baby, light, medium and heavy) and four types of commercial vehicles (below one ton, one to two tons, three tons and 5 tons and above) for civilian requirements in India.

(b) The progressive development of these vehicles should be such that 50 per cent of the *c.i.f.* value of the *c.k.d.* packs is to be completed within three years from the time of Government's approval.

(c) From the point of view of production, the army demand should be combined with the civilian demand.

In accordance with these recommendations, the following schemes of progressive manufacture were approved by the Government:

(*a*) Baby Car	Morris 8 . . .	Hindustan Motors Ltd., Calcutta.
Do. .	Standard 10 . .	Standard Motor Products of India Ltd., Madras.
(*b*) Light Car .	Fiat 100 . . .	Premier Automobiles Ltd., Bombay.
Do. . .	Hindustan Landmaster	Hindustan Motors Ltd., Calcutta.
(*c*) Medium Car	Standard Vanguard .	Standard Motor Products of India, Ltd., Madras.
(*d*) Big Car	Dodge/Desoto/Plymouth	Premier Automobiles Ltd., Bombay.
Do. .	Studebaker . .	Hindustan Motors Ltd., Calcutta.

For the commercial vehicles we approved Dodge, Desoto, Plymouth, Standard, Studebaker, Morris, Fargo, Mercedez-Benz, Leyland and Jeep. As for the vehicular type of diesel engines, we took up Perkins P-6 and Meadows DC-330.

Dodge and Studebaker vehicles were also permitted to be offered to the public fitted with the vehicular type of diesel engines under development indigenously.

In 1955, the Tariff Commission were again requested to review the progress made by the automobile industry. The report was published towards the end of 1956 and it was laid on the Table of the House in early 1957. These recent recommendations of the Tariff Commission and Government's decisions on the same are well known to this House.

The Commission also examined at length the manner in which the automobile industry should develop to meet the country's requirement and made the following recommendations in this connection:—

(a) We should give priority to the manufacture of commercial vehicles rather than passenger cars;

(b) In the case of commercial vehicles, the maximum demand will be for diesel vehicles and instead of trying to discourage this trend, every effort should be made to meet the demand;

(c) It would be definitely undesirable to introduce any more passenger cars for manufacture in the country;

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(d) Additional capacity required for commercial vehicles should be installed in existing units rather than new ones.

It was also the view of the Commission that the prices charged by the automobile firms for their vehicles are reasonable. While mentioning this important recommendation, I may draw the attention of the hon. House to the important fact that all over the world in countries where motorisation has progressed at a very rapid rate, in all those countries in the beginning they had restricted production to as few units as possible and had standardised and increased the volume of production by lowering the prices and making them economical; as one goes along, expanding the production programme to bring more units into production.

It is a matter of gratification that the automobile industry has progressed very well. Even more than that the development in the field of manufacture of ancillary items has been remarkable. Among the more important components manufactured are pistons, pistons rings, Gudgeon pins, Cylinder Liners, Spark plugs, Shock Absorbers, Radiators, Brake Linings, Clutch Discs, Brake Assemblies, Clutch Assemblies, Thin Wall Bearings, Pumps (including multi-cylinder pumps), Nozzle Holders, Elements, Delivery valves, Nozzles, Road Vehicular Type Diesel Engines. The Tariff Commission has also recognised the important progress made in the manufacture of automobile components within the country.

While this is good, it may be, however, pointed out that the cost of manufacture of automobile components in India is normally much in excess of the amount of saving effected by the manufacturer when he deletes the components from his programme. Because of the small volume of production, the initial production of these components becomes much more expensive than the components when they are imported in small quantities. The Tariff Commission has given a number of reasons for this, one of which is limited turnover of automobiles in the country. No country with a turnover of less than 1,00,000 vehicles per year can make it really economical and the House knows the present turnover of vehicles in this country is 32,000 annually. Quick and rapid growth of automobile industry in any country really depends on the tempo of motorisation that spreads in the national economy. Therefore the volume, price and quality of the vehicles and cars manufactured in a country are the most important factors to be constantly borne in mind. All our policies in this regard have, therefore, been framed and implemented with this objective, as far as the development of this important industry is concerned.

The Tariff Commission has also come to the conclusion that import duties on the components whose early manufacture is of special importance (for example engines, transmission, rear axle, suspension and chassis frames) should be raised to 70 per cent. *ad valorem*. in order to provide sufficient incentive for the manufacture of these components in India while the duty on other components of which there was no early prospect of manufacture in India should be lowered to 25 per cent. and 10 per cent. *ad valorem*. The Commission have recognised that the effect of their recommendation would be to raise the factory price of most vehicles, but have expressed the view that this would be largely off-set by a reduction in the dealers' margin of profit for which they have suggested a ceiling of 10 per cent. on the ex-factory price in the case of motor cars and 7½ per cent. in the case of trucks subject to a further overall ceiling of Rs. 1,000 in either case, so that no dealer gets per unit more than Rs. 1,000.

The Commission have also recommended that the automobile industry should be granted protection for a period of ten years, but the rates of duties should be revised in the light of progress made in the manufacturing programme at reasonable intervals from time to time. Government have accepted the Tariff Commission's recommendation that the automobile industry should be granted protection and this Bill seeks to give legislative effect to this decision. Once protection has been extended to the industry, it will be possible for the Government to review the rates of duties on the various automobile components from time to time under section 4(1) of the Indian Tariff Act. However, after full consideration, the Government have decided that there is no immediate need to increase or adjust the rates of duties on the various automobile components as recommended by the Tariff Commission, as in Government's view the domestic industry is already sheltered to a very considerable extent by restrictions on imports. Because of the present foreign exchange position the quantum itself is restricted and as such there is no need to give additional protection by the raising of duty. It is also the intention of the Government that in the grant of import licences for components, special weightage should be given to firms which show the maximum progress in indigenous manufacture, while firms which lag behind the programme which they have given to Government will have their licences restricted. This is just to give encourage and impetus to those who had given better performance and have larger indigenous components. If any changes are considered later, Government will take action under section 4(1) of the Indian Tariff Act as indicated by me earlier.

Sir, I need not deal in any detail with the other aspects of the Tariff Commission's recommendation to which I have made a reference in the earlier part of my speech. Briefly, the Tariff Commission have recognised that the demand for automobiles has increased and is increasing and that the development of industry should be fostered on sound lines by canalising this demand into as few a number of types or makes of vehicles as possible so that lower cost of production and more reasonable return to the firms on their capital investment may be achieved. They have emphasised, in particular, the need for fostering production of commercial vehicles so as to meet the increased demand under the Second Five Year Plan. Government have given careful consideration to these recommendations and will continue to implement the manufacturing programme for automobiles in this country with due regard to the views expressed by the Commission.

The Commission has recommended that the present system of price control under which prices are fixed on the basis of a gentleman's agreement with the producers should be substituted by a more flexible system under which no maximum prices are fixed. Government have cautioned all the manufacturers that before they want to raise the price of any particular unit they have got to give prior notice and causes thereof to the Government of one month during which time Government will examine the proposal and decide and give their approval, if any, on merits. Government have accepted this recommendation subject to certain safeguards. It is worthy of note that the Tariff Commission has found that on the whole, the prices charged by manufacturers so far have been fair I am mentioning this in a little more detail because there has been a general feeling in some quarters in the country that some of the automobile units manufactured in this country carry a little higher price than it should be.

The Commission has also made some recommendations for improvement of the quality of automobiles manufactured in the country and the Government will endeavour to enlist the cooperation of the industry in giving effect to them. The importance

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of the automobile industry to augment the rail transport to stimulate other light engineering and consumer industries and to increase the employment potential needs hardly to be stressed. The House will be glad to know that as a result of the wise and far-sighted policy followed by the Government in the last decade in the development of the automobile industry, the production of cars, jeeps and commercial vehicles has gone up considerably in the last several years. Whereas there was hardly any production of these automobiles in this country in 1948 when the country became independent in 1950 the assembling percentage was 8278 cars, 367 jeeps and 8715 commercial vehicles (more or less assembly of *c.k.d.*). The corresponding figures for 1957, the House will be glad to know, are estimated at 12,500 cars, 4,500 jeeps and 14,650 commercial vehicles. That is about 32,000 in all as compared to what it was in 1950, about 17,000 in number, with a very large percentage of indigenous components.

Whereas in 1950, as the House knows, the indigenous components were practically nil in 1957 we have not only doubled up the manufacturing programme but have a very large percentage, in most cases 50 to 60 per cent. of indigenous components.

Coming to particular makes of vehicles, whereas the production figures of Hindustan Landmaster (now Ambassador), Fiat, Dodge truck and Leyland trucks in 1950 were 1311, 131, 2195 and 835 respectively, the corresponding figures for 1957 are estimated at 4435, a four-fold rise, 4687 almost 30 to 35 times rise, 4,936 almost two and a half times rise and 1,030 about 30 per cent rise respectively. Not only the production in terms of values and numbers has gone up, but also the degree of indigenous contents has considerably increased. Whereas in 1948, there was hardly any manufacture, apart from the assembly from imported components incorporating the indigenous tyre, tube, battery and uphostlery material, the present position is that in the Hindustan Ambassador the indigenous content is well above 56 per cent., in Fiat about 38 per cent., Standard Ten 30 per cent, Standard Vanguard 33 per cent, jeep 46 per cent and Mercedes Benz trucks 43 per cent and Dodge Trucks 49 per cent respectively.

As the House would agree, this is a very big development and it is hoped that at the end of the Second Five Year Plan, the indigenous contents of the vehicles and cars would be raised to about 75 per cent to 80 per cent on the average, barring only some of the proprietary parts which have to be inevitably imported. The target of production at the end of the Second Five Year Plan is also expected to rise to 65,000 representing four times the production level of 1950. I am quite confident that this figure will be considerably exceeded by the time the Second Plan period is over.

The authorised capital of the six automobile firms is Rs. 41 5 crores and the issued and paid up capitals are Rs. 20.6 crores and Rs. 18.5 crores respectively. The investment in plant and machinery is Rs. 8.5 crores and in buildings and equipments Rs. 4.5 crores. The importance of the industry from the employment angle is evident from the fact that whereas the total employment figure in the automobile and connected industries stood at 7,961 in 1954, the same is 18,360 as on September, 1957. Every car and commercial vehicle under development is also developing their own petrol or diesel engines, besides the two vehicular type of diesel engines which are being developed as alternative power units for commercial vehicles originally offered with petrol engines It can safely be assumed that at the end of the Second Five Year Plan, the engine requirements of cars and commercial vehicles would be met in adequate quantities from the indigenous sources. Thus we would have laid firm foundation of a healthy and growing automobile industry.

17 hrs.

Now, I shall deal with the five industries where the protection already in force is due to expire at the end of the current year In respect of these industries also, the Tariff Commission's report and the Government's Resolutions thereon have been laid on the Table of the House. I shall, therefore, not take up the time of the House in dealing with these industries in any further details.

I may only point out that these protected industries have given a good account of themselves. The production has risen in all these industries in the last five years as will be seen from the following figures:

Item	1952	1956	Rise
Cotton and hair beltings . .	Rs. 51 lakhs	Rs. 71 lakhs	40 percent
Wood screws .	1·4 million gross	7·1 million gross	500 percent
Calcium lactate	20 tons	46 tons	230 percent
Antimony	188 tons	588 tons	320 percent
Electrical brass lamp holders	8 lakh nos.	33 lakh nos	400 percent.

As the hon House has been taking great interest in the working of the Tariff Commission and hon. Members have been making valuable suggestions and observations on the working of the Tariff Commission whenever these Tariff Admendment Bills are moved on the floor of the House, I would like to give a brief review of the working of the Tariff Commission so far

It will be seen that during the six years from 1952 to 1957 the Commission has submitted 112 reports in all. This comes to an average of 19 reports per year, which should be deemed to be a good performance, considering the time and labour involved in the examination of issues and preparations of detailed recommendations on different industries some of which have been fairly complicated cases, *e.g.* automobiles, locomotives, rubber tyres and tubes, cement etc.

The Commission has also endeavoured constantly to reduce the number of cases where it could not submit reports in time before the expiry of protection. However, you will be glad to find that the number of such cases was 25 in 1952, 24 in 1953, 16 in 1954, 5 in 1955 and 11 in 1956. During the current year 1957, the Commission has submitted all the reports due and thereby completely wiped out the backlog As there has been a constant complaint whenever Tariff Bills come about the delay in the submission of reports I have given this statistical abstract

Government have also finalised the examination of the Commission's reports and the issue of Resolutions thereon as early as possible in each case Under the Tariff Commission Act, 1951, Government are normally expected to finalise action on each report and place copies of the report, Resolution etc., on the Table of each House of Parliament within three months in each case. Consultation with the various Ministries concerned. examination of recommendations at different levels and Government decisions obviously take some time in each case depending upon the complexity of the issues involved. It can be seen that the average interval between the dates of receipt of the

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reports and the dates of issue of Government Resolutions thereon was about 106 days during 1952, 88 days during 1954, and 70 days during 1957.

The Government not only implements the Resolutions made on the reports of the Tariff Commission, but the several important and valuable recommendations of the Tariff Commission on improving the working of the protected industries are also being constantly looked after by the Government in various Ministries. The Development Wing of the Ministry of Commerce and Industry continuously guides and watches the performance of the protected industries, and the House will be glad to see the production of all the protected industries rising; the quality of items manufactured by these industries is more and more coming to standard specifications, and the prices of these commodities are, in most of the cases, getting reduced to lower and lower unit costs. This fact can be very well borne out by a study of the protected industries particularly during the last decade. I can assure the hon House that neither the Tariff Commission nor the Government believes in continuous long-term protection. Protection has to be only for a temporary period.

The hon. House will see that the three major basic considerations before us in giving protection to any industry are: (1) maximum and most profitable utilisation of indigenous raw materials for production of such items for which the country has so far relied on foreign imports, (2) protection should not be more than the minimum that would be necessary to give adequate shelter to any indigenous industry against a competitive foreign product, and (3) to so accelerate the production of such items at comparatively economical cost as to make the country as self-sufficient as possible at the very earliest possible date, enabling the country to remove or reduce the protection in the earliest possible period Efforts are also being concentrated on getting the indigenous products manufactured on such sizes of units and at such locations as would produce the indigenous articles at comparatively lower price, thus obviating the need of continuing prolonged protection or giving any high degree of protection.

With these words I commend the Bill to the House.

Mr. Chairman: The motion has been moved and discussion will start tomorrow.

17.07 hrs.

The Lok Sabha then adjourned till Eleven of the Clock on Thursday, the 14th November, 1957.