Automobile Industry in India

THE advantages of having an automobile industry in the. country are seldom questioned. But there are certain limiting factors to its development, which have to be overcome, if the industry Is to establish itself in the country on a sound basis that are not so well appreciated. The most important of these are not lack of technical knowledge- or difficulties with regard to the availability of raw materials but the nature and extent of the demand for automobiles in this country. Though these factors are in a way common to all industries, this particular limitation is crippling in the case of the automobile industry, because of its highly complicated engineering technique and because of the heavy amount of capital required. Private enterprise in the country, has, therefore, been very cautious in entering into this field.

It was after protracted negotiations that one of our leading industrialists was able to enter into a technical assistance agreement with Morris Motors of the United Kingdom to manufacture ears in the name of Hindustan 10, which was subsequently changed into Hindustan 14. And a company in the name of Hindustan Motors Ltd. was established in 1952 with an authorised capital of Rs 10 crates. This subscribed capital, at present, is Rs 5 crores. This Company has also an agreement with Studebaker Export Corporation of the United States for the assembly and progressive manufacture of Studebaker ears and trucks. It has set up a modern and up-to-date factory at Uttarpara, near Calcutta. Besides assembling car and trucks, it is machining and processing complete rear axles including differentials, transmission gear and gear box, water pumps, crank-shanks, brake drums, manifolds and clutch housing for Hindustan 14. A foundry and a forging plant are also under erection. In a Hindustan Car, the cost of imported items used does not now exceed 35 per cent of the total cost. The. plant, at present, has a. rapacity to assemble about 18.000 cars and trucks a year. The average turn-over a year during the last three years has not however, exceeded 3,000. And of late the factory had been closed down for want of demand.

Close on the heels of the Hindustan Motors, another company was floated in Bombay, known as Premier Automobiles Ltd., with an authorised capital of Rs 5 crores. This firm has entered into an agreement with Chrysler Corporation of USA, for the assembly and manufacture of Dodge, De-Soto and Plymouth cars and Dodge, De-Soto and Fargo trucks. They have also an agreement with Fiat Company of Italy for the assembly and ultimate manufacture of Fiat cars. They are at present making radiators, mufflers, propeller shafts, springs and shock absorbers and expect to manufacture within a short time transmission and differential equipment. This factory has an assembling capacity of 12,000 cars and trucks a year. As in the case of the Hindustan Motors, its average turn-over during the last three years was much below capacity and it could not have exceeded 2.500 vehicles a year.

It will be seen from the above, that two of our leading industrialists have been able to arrange with world renowned automobiles manufactures for the technical 'know-how', they have been able to raise the necessary capital and a start has been made in manufacturing many of the component parts. And yet, one of these factories had to close down and the other is assembling cars much below its capacity. Why is it so? It is not due to the non-availability of raw materials. Most of the raw materials are readily available in the country. It is true that items like cold-drawn strips, precision-drawn straight and alloyed steel bars and non-ferrous sections and tubes suitable for automobile industry are not made in India. Though there are difficulties in obtaining these materials, they are not insurmountable so as to discourage the manufacture of automobiles in the country. The real obstacle to the development of an automobile industry, today, lies in the failure on the part of Government to recognise the nature and extent of demand for automobiles in the country and devise a policy which will make it possible to manufacture automobiles in the country.

The number of motor vehicles on the road in the whole of India does not exceed 280,000. The estimated annual demand for vehicles is about 25,000. Of these about 40 per cent are trucks and the balance passenger cars. This may appear to be very much on the low side to those who live in cities, but this estimate is based alter careful assessment of the imports during the last three years. In fact the trend of imports indicates that even this level of demand may not be sustained. The actual imports since 1947 are given in the tables below:

Imports of Automobiles

Year	Motor Cars Nos.	Buses, Vans & Lorries. Nos.	Total	Value in Rs crores
1947-48	23,197	12,217	35,414	15.14
1948-49	18,012	21,239	39,251	17.08
1949-50	7,056	11,455	18,511	9.26
1950-51	8,349	4,807	13,156	6.27
1951-52	9,957	4,712	14,669	8.58
Average for 5 years	13,314	10,886	24,200	11.27

Since, the ban on the import of cars except in a completely knocked down condition, value of imports under the head 'Parts of mechanically propelled vehicles and accessories *other than* of aircraft (excluding rubber tyres)' in the Accounts Relating to Sea-borne Trade reproduced below shows a rising trend. If this item includes cars imported in broken down condition, the average will have to be revised upwards.

Year	Value of Imports (Rs crores)
1948-49	4.54
1949-50	4-46
1950-51	0.80
1951-52	14.75

The demand for new cars is restricted to the upper strata of society. Motor cars may be a necessity to this class of people but price is only one of the factors that determines their choice of a car. There are many other considerations like the appearance of the case running expenses and so on, which lead to the final choice; with the result that a price of difference of about Rs 2,000 may be ignored, if one has the choice to go in for the make and the model which one prefers to have. In other words, if there is a wide range of choice, it is difficult to ensure a stable demand for any particular make. The result is that in a limited market, the chances of survival of new entrants are extrernely slender. This is with regard to the demand for passenger cars.

Heavy vehicles like trucks and lorries are really a. necessity both for passenger traffic and for the easy transport of commodities. But heavy taxation and the high maintenance charges because of the bad condition of the roads, have made this form of transport for goods very much costlier than the railways for long distance transhipment and in the country-side bullock carts work out to be cheaper. According to the Motor Vehicle Taxation Enquiry Committee (1950) the average goods lorry pays from 18 to 21 pies per ton mile in taxes alone, while the average rate' charged for carrying goods by rail per ton-mile in 1948-49 was only 9,18 pies.

It is against this background one should examine the assembling capacity in the country. There are twelve assemblers of various makes in the country. The total capacity of all the assemblers together is 78,000 vehicles a year as against the estimated demand of 25,000. Of these, two of the leading assemblers, who have no designs for the ultimate manufacture of automobiles in the country have a capacity to assemble 15.000 vehicles each. And then annual turn-over per year is about 35 per cent, of the entire demand. There is a scramble lor the balance, among the other assemblers. In this struggle, the two genuine manufacturers find themselves severely handicapped.

The manufacturers have been making representations to Government since 1948. It was as a result of such, representation that Government decided that imports of vehicles would be allowed only under completely knocked down condition and that only those assemblers who had a manufacturing programme would he allowed to put up assembly plants. These restrictions did not, however, affect the established importers and surprisingly enough, new assemblers have also entered the field. It is a matter for investigation how the new assemblers managed to get licence and whether they have any manufacturing programme.

This policy of the Government did not. however, help the manufacturers to any great extent. Government decided in 1950 to raise the duty on components parts manufactured in the country and to lower the duty on items which were not likely to be manufactured in the immediate future. Some slight favour is shown to the. manufacturers in the matter of licensing of imports. The lesson that is brought home from all this is that half-hearted measures cannot help the development of the automobile industry. The whole. case has, therefore, been referred to the Tariff Commission for investigation.

The problem before the Commissie 1 is very nearly insoluble. It is not easy to find ways and means to liquidate the excess assembling Capacity, where it is owned by powerful interests both Indian and foreign. It will be equally difficult to restrict the choice of future buyers of motor cars to tally one or two basic types of cars for which alone the country offers a market. if production is to be really economical. It should not be forgotten that the optimum size of an automobile plant is big enough to take care of our entire annual demand! There will be. besides, the apparition of the TTO and GATT looming behind the deliberations of the Tariff Commission. Will the Commission rise to the occasion and lay the foundations for the automobile industry in the country?