Swatantra Party

NATIONAL HEADQUARTERS

PHONE 251424
GRAMS: SURAJYAM

SASSOON BUILDING,
143, MAHATMA GANDHI ROA
BOMBAY 1.

When replying, please quote our Ref. No.______

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FOR FAVOUR OF PUBLICATION

Bombay, September 11.

Car Prices

Dr. R. C. Cooper, Acting General Secretary of the Swatantra Party, has issued the following statement on the subject of Car Prices :

" As a Party that stands for the consumer, the Swatantra Party naturally looks at this question from the consumer's point of view.

The automobile today is a necessity and not a luxury as erroneously stated by Mr. Morarji Desai in his recent speech at Madras. Unless the Government and politicians catch up with the times and give up their anti-deluvian attitude in favour of sound policies in regard to the automobile industry no progress is possible.

The current crisis in the automobile industry undoubtedly stems from the gross delay of the Union Government in not facing the issue squarely. The automobile industry claims that it has been agitating this issue since 1965. The Tariff Commission's Report has been with Government since 1968. In November last it announced its acceptance of some of the recommendations made in the Report. The Government has suppressed the report from the public and refused to make up its mind in regard to the larger issues involved. The Government is therefore responsible for provoking the manufacturer who, getting tired of selling cars at a loss of Rs 2,200 per vehicle, made a unilateral move, which is legally justified.

On the one hand, Government is professing to show sympathy for the consumer in trying to stop the increases in prices. But at the same time, it is the Government which is responsible for the high price of cars. As far back as 1966, Dr. P. S. Lokanathan, of the National Council of Applied Economic Research had revealed in his study of the Taxation/Price Structure of the Automobile Industry in India, that as much as 46.33 % of the ex-factory price of cars at that time went to Government by way of taxes. Since then, additional taxes have been levied adding to the intolerable burden on the consumer. Profiteering themselves in this manner, Government is in no position to point an accusing finger at the manufacturer. Even if this unconscionable burden of taxation is reduced to a reasonable proportion, the consumer would get immediate and substantial relief.

/and

The real problem facing the automobile industry is that of Government's deliberate policy of preventing its growth under the misguided concept that a car is a luxury which even Mr. Khrushchev debunked when he announced that the automobile was a necessity and that the time must come when every Soviet citizen should own a car.

While on the one hand Government has inhibited competition by limiting the production of passenger cars to only three units, on the other it has prevented the expansion of the industry to meet the existing demand of the people by denying the industry an opportunity to expand.

It is possible that apart from its doctrinnaire pre-conceptions there may be other motives for the obstinate manner in which the Union Government has dealt with the automobile user and manufacturer. Even the Economic Times in its editorial of 11th September 1969, alleges that "New Delhi is known to be averse to allowing existing units to increase their production in order to push their own pet small car project."

It is natural for the consumer to be impatient with the industry when the quality of its products and the range of its prices compare so unfavourably with those in other parts of the world. To this impatience of the consumer, the automobile industry has totally contributed by its failure, so common in Indian industry, to place its case effectively before the public. It is not enough for the industry to ask to be compensated for the rise in the cost of labour, raw material and taxation. It is for the Industry to tell the consumer what it has been doing during the last twelve years to cut costs and improve the quality of the automobile.

The path of advance lies in two directions -- the first is to allow the industry to expand and meet the consumer's needs and not to fetter it as at present. The other is to involve the indigenous industry in a measure of competition by permitting the import of a limited number of used cars from the United States and other affluent countries where cars in excellent condition are discarded after use of one or two years and are available at ridiculously low prices. Once such cars are allowed to come into the market, the modest expenditure of foreign exchange will be more than compensated by the necessity for the indigenous industry to improve quality and cut down costs to compete with the imported cars.

Not to be Published :

(S. V. Raju)
Executive Secretary