Weekly Notes

Automobile Blind Alley

THE small-car project was killed by misconceived austerity, on the one hand, and misdirected prudence, on the other. The name given to it by the energetic and imaginative minister, who first conceived the project, brought upon it the ire of the pinks of the early 20's vintage (including this paper, among others !) who could not help asking "In what sense was it a Peoples' Car ? For which people was it meant". One did not have to rush to the Committee on Distribution of Income to get it confirmed that even if the People's Car could be manufactured at a cost of Rs 5,100, the average Indian or even the average member of the middle-class would not be able to afford it. This is the angle later worked up vigorously by the Minister of Coordination. But how many people can afford the Lambretta either ? The most austere of socialist countries also need cars for doctors, officials and others in essential services. They also need taxis for public transport. All these essential needs could be met much better by a cheaper car which further held the promise of being manufactured within the eountry without any net drain on the foreign exchange. Prospect of complete import substitution in three years is not to be lightly thrown away.

Then there is the voice of prudence to which we have been listening all these years. Having set up automobile production in the country, it is reasonable to argue that all energies should be bent on and all policies directed towards the one objective of increasing the scale of production of the units which have been licensed, so that the cost of automobiles may be progressively brought down and the indigenous content of the products progressively increased. The quicker all these can be done, the earlier will the country be able to stop the drain on foreign exchange on this account and the earlier we can have cheaper cars. There should be no deviation from this objective and no resources should be dissipated by setting up still other units — there are already too many—and nothing should be done which tends to reduce'or bring down the scale of production of the units which are already in production.

Every time automobile policy is discussed, the question of manufacture of indigenous components and the urgency of stepping up the indigenous content come up and the same set of problems are paraded over and over again — reluctance of automobile manufacturers to decentralise production, the difficult ties of standardisation or quality-control, which slow down decentralisation. The development of components, or common services for body-building, castings and forgings, etc, or whichever may be the line of enquiry, one soon bumps against the same stumbling-block —foreign exchange. If maintenance imports are to be reduced, more foreign exchange, which is always a multiple of the value of the import to be substituted, is needed for capital equipment.

The present Minister of Steel and Heavy Industry seems to have brought a fresh mind to his task. But his emphasis on increasing the indigenous content of automobiles will mean nothing until he is able to set a time schedule for carrying out the changes and is also willing to enforce this time schedule, not simply by issuing one more order or passing another Government resolution, but by some combination of incentives and disincentives which can reasonably ensure compliance. To be fair to Shri C Subramaniam, he does appear to be earnest since he has the courage to confess that uneconomic units had been licensed and also to commit the Government to an examination of the 'feasibility of mergers' and, in a few cases, 'abandonment'.

While announcing the decision in regard to the small-car project, Shri Subramaniam had also hinted at a reappraisal of the overall policy in regard to manufacture of automobiles. This he has not undertaken yet, but he did throw up some figures, from which one can see fairly clearly what kind of *cul-de-sac* we have got into. The foreign exchange allocation for the automobile industry in the Third Plan, he said, was about Rs 43 crores and maintenance imports for this industry was running at an annual value of over Rs 30 crores. For all this foreign exchange expenditure, what are we getting? — Some 50,000 cars and trucks and a third as many of Lambrettas and motor-cycles. The import cost of 50,000 cars and trucks at an average cost per car of £ 500 in simple arithmetic comes to a figure of Rs 33.3 crores. Against this should be placed the figure of foreign exchange released to the industry for maintenance imports alone — Rs 30 crores per year.

After ten years of toil, effort and colossal expenditure of foreign exchange, this is what we have got. It is indeed a blind alley we have got into, with no turning and no opening at the other end. How would a countervailing project of a small car in the public sector look, pitted against these figures? True, having started on something, the line of least resistance is to keep ou to it. But is it also the way to rectify past mistakes? The losses of individual enterprises, which hold little promise of ever becoming economic in operation, are not necessarily losses from the social point of view. The physical stock of capital equipment does no! vanish overnight with changes in its book value.

Unilateralists Fall Out

A London Correspondent writes:

RECENT correspondence in *Peace News,* the London pacifist weekly, indicates a deep-seated crisis within the Campaign for Nuclear Disarmament. Pat Arrowsmith and the Rev Michael Scott, leaders of its radical wing, have resigned from the CND National Council on the grounds that it bucked a Conference decision to add "industrial action" to its more traditional propaganda work; Canon John Collins, Chairman of the Campaign, has accused them of "the irresponsibility of those who, seeing their interpretations of things as the only possible ones, proceed to make state-