

AUTO FIRMS WANT POLICY SHIFT TO MAKE VEHICLES AFFORDABLE

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BS-VI norms, high taxes have made buying vehicles an expensive affair, say industry leaders

India's automobile industry on Wednesday asked the government to frame policies that would make vehicle purchases more affordable for customers in a bid to revive sales, impacted by factors such as high prices and the covid pandemic.

Speaking at the annual convention of Society of Indian Automobile Manufacturers (SIAM), senior executives at top [automakers](#) said that such a move would help the industry stage a recovery in sales, especially of passenger cars and two-wheelers.

Automobile sales in India have been on the downtrend since the second half of FY19 when the bankruptcy of Infrastructure Leasing and Financial Services caused a liquidity crisis among non-banking financial companies (NBFCs), which are some of the major lenders to the [auto industry](#).

Higher fuel prices, weak consumer sentiment in a slowing economy and an increase in vehicle prices to meet new regulations on safety and emissions led to a decline in car sales in FY20.

The outbreak of the pandemic from March 2020 led to another double-digit decline in sales in FY21 as sales and manufacturing operations came to a halt till May due to a strict nationwide lockdown. The second covid wave derailed a possible recovery in the June quarter.

R.C. Bhargava, chairman of Maruti Suzuki, said automobile sales had been declining even before the outbreak of covid and not many policy measures have been announced to arrest the decline. New regulations such as Bharat Stage VI (BS-VI) emission norms and higher taxes imposed by states have made entry-level cars unaffordable for buyers.

"We have to take into account the economic status of people of India. I don't think the industry will revive, be it internal combustion engine or electric, unless we tackle the question of affordability of customers," he said.

He said new regulations like BS-VI have added 22,000 to the cost of an entry-level car like Alto and Wagon R. This coupled with taxes imposed by states have made the increase substantial for a price-sensitive customer.

India's two-wheeler makers have also been urging the Union government to reduce goods and services tax (GST) imposed on entry-level two-wheelers to 18% from the existing 28%. Sales of entry-level two-wheelers have remained subdued over the past two fiscals due to an economic slowdown and increase in ownership cost.

Venu Srinivasan, chairman, TVS Motor Company, said the cost of owning a moped has jumped by 45-50% in the past few years due to the transition to BS-VI norms, addition of anti-lock braking system and levy of 28% GST. "We have given away too many low tax structures for other products," Srinivasan said.

Srinivasan urged the Union government to come up with policy support to encourage the recycling of components such as lithium batteries and motors used in electric and combustion

engine vehicles.

The policy should take into account the carbon footprint of a product in its entire lifecycle, Srinivasan said.

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