CHAPTER III

DEVELOPMENT OF INDIAN SURFACE TRANSPORT INDUSTRY
3.0. **INTRODUCTION:**

In this chapter details collected for the development of surface transport in the country in the last century. This data is collected in two parts one is pre independence and other is post independence.

3.1. **PRE INDEPENDENCE SCENARIO:**

**1880's & early 1900's**

About a hundred years ago. The first motorcar was imported. Import duty on vehicles was introduced. Indian Great Royal Road (predecessor of the Grand Trunk Road) was conceived.

A princely ruler brought first car in India in 1898. Simpson & Co. was established in 1840. They were the first to build a steam car and a steam bus, to attempt motorcar manufacture, to build and operate petrol driven passenger service and to import American Chassis in India.

Railways first came to India in 1850's. First train ran between Thane and Mumbai in the year 1857. In 1865 Col. Rookes Crompton introduced public transport wagons strapped to and pulled by imported steam road rollers called streamers. The maximum speed of these buses was 33 kms/hr.
From 1888 Motors Spirit attracted a substantial import duty.

In 1919 at the end of the war, a large number of military vehicles came on the roads.

In 1928 assembly of CKD Trucks and Cars was started by the wholly owned Indian subsidiary of American General Motors in Bombay and in 1930-31 by Canadian Ford Motors in Madras, Bombay and Calcutta.

In 1935 the proposal of Sir M Visvesvaraya to set up an Automobile Industry was disallowed.

1942 Hindustan Motors Ltd was incorporated and their first vehicle was made in 1950.

In 1944 Premier Automobiles Ltd was incorporated and in 1947 their first vehicle was produced.

3.2. POST INDEPENDENCE SCENARIO:

In 1947 the Government of Bombay accepted a scheme of Bajaj Auto to replace the cycle rickshaw by the auto and assembly started in a couple of years under a license from Piaggio. Manufacturing Program for the auto and scooter was submitted in 1953 to the Tariff Commission and approved by the Government in 1959.
In 1953 the Government decreed that only firms having a manufacturing program should be allowed to operate and mere assemblers of imported CKD units be asked to terminate operations in three years.

Only seven firms namely Hindustan Motors Limited, Automobile Products of India Limited, Ashok Leyland Limited, and Standard Motors Products of India Limited. Premier Automobiles Limited, Mahindra & Mahindra and TELCO received approval. M&M was manufacturing jeeps. Few more companies came up later.

Government continued with its protectionism policies towards the industry.

Automobile Products of India (API) and Enfield India had already commenced the manufacture of scooters, motorcycles, mopeds and autos from 1955.

In 1956, Bajaj Tempo Ltd entered the Indian market with a program of manufacturing Commercial Vehicles, and Simpson for making engines.

ACMA (Automotive Component Manufacturers Association) came into being in 1959.

In 1959 Government approved Bajaj Auto Ltd's plans for domestic manufacture of Vespa scooters and granted permission to produce 6000 units annually.
1960's

In sixties 2 and 3 Wheeler segment established a foothold in the industry.

Escorts and Ideal Jawa entered the field in the beginning of sixties.

Association of Indian Automobile Manufacturers was formally established in 1960.

Between 1955 and 1960 only API was producing Mopeds. During the first half of the sixties three companies namely Mopeds India Ltd (1965), SZUL Gwalior (1964) and Pearl Scooters Ltd (1962) entered the arena.

Standard Motors Products of India Ltd. moved over to the manufacture of Light Commercial Vehicles in 1965.

Escorts and Enfield closed their scooter division and continued only with Motorcycle manufacturing. Bajaj Auto Ltd. and API occupied entire scooter market in the sixties.

1970's

Major factors affecting the industry's structure were the implementation of MRTP Act, FERA and Oil Shocks of 1973 and 1979.
During this decade there was not much change in the four-wheeler industry except the entry of Sipani Automobiles in the small car market.

Girnar Scooters Ltd entered into the market in 1971 and its output was less than 5000 units until 1980.

In the Two Wheeler Industry there were many entries during this decade. Scooter India was established in 1972.

In 1972 Kinetic Engineering entered the Industry with a licensed capacity of 1,00,000 units per annum.

Oil Shock of 1973 quickened the process of dieselisation of the Commercial Vehicle segment.

Three other companies, namely, Kirloskar Ghatge Patil Auto Ltd, Indian Automotive Ltd and Sen & Pandit Engg Products Ltd entered the market during 1971-75. They ultimately withdrew in early eighties.

Unlike Motorcycle and Scooter segments the Mopeds segment grew rapidly. In the late seventies there were many entries in the Moped Industry. Only two firms namely, Majestic Auto Ltd and Sundaram Clayton managed to survive after 1980.
During the seventies the economy was in bad shape. This and many specific problems affected the Automobile Industry adversely.

**1980’s**

This was period of liberalised policy and intense competition First phase of liberalization was announced. Unfair practices of monopoly, oligopoly etc slowly disappeared. Liberalisation of the protectionism policies of the Government, were announced.

Lots of new Foreign Collaborations came up in the eighties. Many companies went in for Japanese collaborations.

Andhra Pradesh Scooters entered into collaboration with Piaggio for manufacture of Vespa model.

Hindustan Motors Ltd. in collaboration with Isuzu of Japan, introduced the Isuzu truck in early eighties.

ALL entered into collaboration with Leyland Vehicles Ltd. for development of integral buses and with Hino Motors of Japan for the manufacture of W Series of Engines. TELCO after the expiry of its contract with Daimler Benz indigenously improved the same Benz model and introduced it in the market.

Government approved four new firms in the LCV market, namely, DCM, Eicher, Swaraj and Allwyn. They had
collaborations with Japanese companies namely, Toyota, Mitsubishi, Mazda and Nissan respectively.

The Two Wheeler market increased. Since 1982 the Government had permitted foreign collaborations for the manufacture of Two Wheelers upto 100cc engine capacity. Foreign Equity upto 40% was also allowed.

In 1983 Maruti Udyog Ltd was started in collaboration with Suzuki, a Japanese firm.

Other three Car manufacturers namely, Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Products of India Ltd. also introduced new models in the market.

At the time there were five Passenger Car manufacturers in India - Maruti Udyog Ltd., Hindustan Motors Ltd., Premier Automobiles Ltd., Standard Motor Products of India Ltd., Sipani Automobiles.

Ashok Leyland Ltd. and TELCO were strong players in the Commercial Vehicles sector.

In 1983-84 Bajaj Tempo Ltd. entered into collaboration with Daimler-Benz of Germany for manufacture of LCVs. Important policy changes like relaxation in MRTP and FERA, delicensing of some ancillary products, broad banding of the products, modifications in licensing policy, concessions to private sector (both Indian and Foreign) and foreign collaboration policy etc. resulted in higher
growth / better performance of the industry than in the earlier decades.

Lohia Machines Ltd entered into collaboration with Piaggio of Italy.

Kinetic Engineering Ltd. entered into Financial & Technical collaboration with Honda Motor Co. of Japan for 100cc scooters.

In the Motorcycle segment firms had shifted their emphasis from heavier models to lighter and fuel-efficient models. Indian market was flooded with new 100cc models manufactured by different firms with Japanese Technology.

In Moped segment there were 23 firms engaged in their production but the virtual oligopoly of Kinetic Engineering Ltd., SCL and Majestic Auto remained intact. This segment had less collaboration.

1990's

Mass Emission Norms were introduced in 1991 for Petrol Vehicles and in 1992 for Diesel Vehicles. In 1991 new Industrial Policy was announced. It was the death of the License Raj and the Automobile Industry was allowed to expand.

Further tightening of Emission norms was done in 1996.
In 1997 National Highway Policy has been announced which will have a positive impact on the Automobile Industry.

The Indian Automobile market in general and Passenger Cars in particular have witnessed liberalisation. Many multinationals like Daewoo, Peugeot, General Motors, Mercedes-Benz, Honda, Hyundai, Toyota, Volvo and Fiat entered the market.

Various companies are coming up with state-of-art models of vehicles.

TELCO has diversified into Passenger Car segment with Indica.

Despite the adverse trend in the growth of the industry, it is resolutely trying to meet the challenges. Various issues of critical importance to the industry are being dealt with forcefully.