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CHAPTER-1

INTRODUCTION

1. Automobiles Need and Importance:

The automotive Industry in India is one of the largest in the world and one of the fastest growing globally. India’s passenger car and commercial vehicle manufacturing industry is the sixth largest in the world with an annual production of more than **3.9 million** units in 2011. According to recent reports India overtook Brazil and become the sixth largest passenger vehicle producer in the world. India, in 2009, emerged as **Asia’s fourth largest exporter of** passenger car, behind Japan, South Korea and Thailand.

Over a period of more than two decades the Indian automobile industry has been driving its own growth through phases. Indian market is one of the world’s largest growing automobile markets. The first car started moving on the streets of Mumbai in 1898 from then till today automobile industry has reached the point of zenith. Today Automobile sector is producing large number of models of passenger cars with various varieties and specialized features. While producing different models the Producers also keep in mind all the possible expectations and
needs of the prospective consumers. The leading Names prevailing in the Indian Automobile industry include Maruti Suzuki, Tata Motors, Hyundai Motors, and Hindustan Motors etc.

The entry of Suzuki Corporation in Indian passenger car market is often pointed as the first sign of India turning to a market Economy. **Maruti was born in 1983 with the Mission to motorize India** Maruti was a Joint venture Between Government of India and Suzuki Motors Corporation, Japan. Today Maruti Suzuki India limited is India's largest Passenger car company in terms of number of cars sold each year. Its manufacturing facilities are located at two locations- Gurgaon and Manesar, both south of New Delhi. Another important fact about Maruti is that Maruti and its partners employ more than 75000 employees its manufacturing facilities located at Gurgaon and Manesar.

Since 1983 till today, Automobile sector witnessed rapid growth year after year. By latest 90's the Automobile industry reached self reliance in engine and component manufacturing from the status of large scale importer.

The automobile sector has been contributing its share to the shining economic performance of India in the recent years. With the Indian middle class earning higher per capita income, more people are ready to own private vehicles especially cars. Product movements have boosted in the sales of medium sized commercial vehicles.
The data obtained from Ministry of Commerce and Industry shows high growth obtained since 2001-2002 in automobile production continuing in the 1st three quarters of 2004-2005. Annual growth was 16.0% in April-Dec 2004. The automobile industry grew at a compact annual growth rate (CAGR) of 22 percent between 1992 and 1997 with investment exceeding Rs. 50,000 crores, the turnover of Automobile Industry Exceeded Rs. 59,518 crores in 2002-2003. In 2009, India was home of 40 million passenger vehicles and more than 1.5 million cars were sold in 2009. (an increase of 26%) and it made India second fastest growing automobile market in the world. By 2050, the country is expected to top the world in car volumes with approximately 611 million vehicles on the nation’s roads.

Automobile Dealers Network In India -

In terms of car dealer networks and authorized service stations, Maruti leads the pack with dealer networks and workshops across the country. The other leading automobile manufacturers are also trying to cope up and are opening their service stations and dealer workshops in all the metros and major cities in the country. Dealers offer various kinds of discounts of finances to attract the customers to purchase the cars.

India Passenger Car Market Analysis

Today India represents one of the world’s fastest growing automobile markets. Delicensing in 1991 brought revolutionary changes in the industry and provided well deserved and timely

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New Maruti Cars in India -

Maruti 'Ertiga'

Maruti 'Kizashi'

Maruti 'Zen Estilo'

Maruti 'A star'
An Overview of the Indian Automobile Industry -

During the early stages of its development Indian automobile industry heavily depended on foreign technologies. However, Time passed and over the years the manufacturers in India have started using their own technology evolved in the native soil. The Thriving market place in the country attracted a number of automobile manufacturers including some of the reputed global leaders from all around the world to set their foot in the soil looking forward to enhance their profile and prospects to new heights.

The beginnings of automotive industry in Indian can be traced during 1940's. After the nation became independent in the year 1947 the Indian Government and the private sector launched their efforts to establish an automotive component manufacturing industry to meet the needs of the automobile industry. The growth of this segment was however not so encouraging in the initial stage and through the 1950's and 1960's on account of nationalization combined with the license raj this was hampering the private sector in the country. However, the period that followed 1970's witnessed a sizeable growth contributed by tractors scooter and commercial vehicles. Even till those days, cars were something of a sort of a major luxury. Eventually the country saw the entry of Japanese manufactures establishing Maruti Udhyog. During the period that followed several foreign based companies started joint ventures with Indian companies.

Today the Indian automobile presents a galaxy of varieties and models meeting all possible expectations and globally established industry standards. The automobile sector of India is
the seventh largest in the world. In a year the country manufactures about 2.6 million cars making up an identifiable increase (chunk) in the world's annual production of about 73 million cars in a year. The country is the fifth largest producer of commercial vehicles. Industry experts believe that there will be an unbelievable huge increase in this figure in the coming decades. The figures published by the Asia Economic Institute indicates that the India Automobile sector is set to emerge as the global leader by 2012. In the year 2009 India rose to be the fourth largest exporter of automobiles following Japan, South Korea and Thailand. Experts state that in the year 2050, India will Top the car volumes of all the nations of the world with about 611 million cars running on its roads.

Over the next two or three years the country is expecting the arrival of more than a dozen new brands making compact car models. At present about 75 percent of India's automobile industry is made up by small cars, with the figure ranking the nation on top of any other country on the globe.

Recently the automotive giants of India including General Motors (GM), Volkswagen, Honda and Hyundai have declared significant expansion plans. On account of its huge market potential a very low base of car ownership in the country estimated at about 25 per 1000 people and a rapidly changing economy the nation is firmly set on its way to become an outsourcing platform for a number of global auto comprise Maruti A-Star, (Suzuki), Maruti Splash (Suzuki), VW up and VW polo (Volkswagen), Bajaj small car (Bajaj Auto), Jazz (Honda) and Aveo (GM) in addition to several others.
Indian automobile industry has been growing at a pace of 18% per year. Therefore global automobile giants like Volvo, General Motors and Ford have started looking at India as a perspective hot destination to establish and expand their operations.

Like many other nations India's highly developed transportation system has played a very important role in the country's economy over the past to this day. One can say that the automobile industry in the country has occupied a solid space in the platform of the Indian Economy. Empowered by its percent growth today the automobile industry in the country can produce a diverse range of vehicles under three broad categories namely cars, two-wheelers and heavy vehicles.

3. Impact of Different Types of Automobile of Economy:

(i) The Issue of Transport and the Environment-

The issue of transportation and the environment is paradoxical in nature. From one side, Transportation activities support increasing mobility demands for passengers. On the other side transport activities have resulted in growing levels of motorization and congestion. As a result, the transportation sector is becoming increasingly linked to environmental problems.
(a) **Direct Impacts**-

The immediate consequence of transport activities on the environment where the cause and effect relationship is generally clear and well understood excess motorization leads to pollution and congestion, which is very harmful for the environment.

(b) **Indirect Impacts**-

The secondary effect of transport activities are often of higher consequence than direct impacts but the involved relationships are after misunderstood and difficult to establish.

(ii) **The Transport-Environment Link**-

The relationships between transport and environment are multidimensional. Some aspects are unknown and some new findings may lead to drastic changes in environmental policies. The impending developments require a deep understanding of the reciprocal influence between the physical, environment and transport infrastructures and yet this understanding is often lacking. The main factors considered in the physical environment are geographical location, topography, climate, hydrology, soil, natural vegetation and animal and plant life.
(iii) **Dimensions**-
Transportation activities support increasing mobility demands for passengers and freight notably in urban areas. But transport activities have resulted in growing levels of motorization and congestion. As a result the transportation sector is becoming increasingly linked to environmental problems. The most important impacts of transport on the environment relate to climate change, air, quality, noise, water quality, soil quality, bio diversity etc.

(a) **Climate Change**-
The activities of the transport industry release several million tons of gases each year into the atmosphere. These include lead (PB), carbon monoxide (CO), carbon dioxide (CO₂, not a pollutant), methane (CH₄) etc.

(b) **Air quality**-
Highway vehicles, Marine engines locomotives and air graft are the sources of pollution in the form of gas and particulate matters in the form of emissions that affects air quality causing damage to human health. Toxic air pollutants are associated with cancer, respiratory and neurological diseases, carbon Mono oxide when inhaled affects blood stream, reduces the availability of oxygen and can be extremely harmful to public and often causes death.
(c) **Noise**-

Noise represents the general effect of irregular and chaotic sounds. Long term exposure to noise levels above 75db seriously hampers hearing and affects human physical and psychological well being. Transport noise emanating from the movement of transport vehicles and operation of ports, airports, and rail yards affects human health.

Increasing noise levels have a negative impact on the urban environment reflected in falling land values and loss of productive land uses.

(d) **Water quality**-

Transport activities have an impact on hydrological conditions. Fuel, chemical and other hazardous particulates discarded from air-craft, cars, trucks and trains or from ports can contaminate rivers, lakes, oceans, seas etc.

4. **Harmful Effects of Automobiles on Economy**-

Automobiles can have a negative "domino effect on society. The automobiles are one of the greatest inventions in the last one hundred years. However the negative effects of automobiles were not thought of in those days. The negative or harmful effects of automobiles on economy or human life are as follows-

I. Pollution due to exhaust from automobiles
II. Demand over gas causes wars in which many people have lost lives.

III. Car accidents due to alcohol and reckless driving

IV. Depletion of natural resources such as crude oil

V. Dependence on automobiles; society cannot live without automobiles because mass transit systems are not capable of transporting the entire population.

VI. Communities and society have to build new roads, highways and car garages

VII. The society often loses its dear ones, family and friends just because of the automobiles accidents.

5. Development of Road Transport in India:

Road Development in India-

The economic progress, the economic development of the country and the consequent increase in the demand for transport services and also the strategic needs of the country necessitated expansion as well as improvement of the road network. The country, our motherland India took up this challenging task in a planned manner.

After recognizing the need to develop routes to link the union capital with the state capital, Major highways and seaports, the National Highways Act 1956 was enacted. In 1957, the chief engineers (road and bridges development) of the central and the state government met in Mumbai. They took into consideration the
size of area, population, regional levels of development etc. They presented a 2 year Road Development plan (1961-81) in 1958 which is popularly known as the **Bombay Plan**.

The plan anticipated an increase in the length of the roads from 6.10 lakh km in 1960 to 10.50 lakh km in 1981. The plan set a target of 8.88 lakh km of Major district roads, order district roads and classified, village roads. The plan target was to achieve a density of 32.5 km of roads per 100 sq. km. of area.

Another Road Development plan (1981-2001) known as the Lucknow plan has made a case for 66,000 km of National Highways by 2001 A.D. The Government of India Instituted an Asian Development Bank aided study in February 1990 on development of long term plan for express ways in India. The study was completed in 1991 and it has recommended development of 10,020 km of expressways by 2015 at an Estimated cost of Rs. 58000 crore.

6. **Indian Government's Transport Policy:**

**National Urban Transport Policy**

**Back Ground**

India is known for its rapid economic growth. Such growth will largely come from the industrial and service sectors of the economy. Since Economic activities in these sectors primarily take place in urban areas, the state of our towns and cities is crucial to India's future growth.
India's urban population is currently around 30% of its total population. As such it is projected that **India's urban population would grow to about 473 million in 2021 and 820 million by 2051, as against only 285 million in 2001.** In order to support the required level of economic activity, the government must provide for the easy and sustainable flows of goods and people.

**Objectives-**

The objective of this policy is to ensure safe, affordable, quick, reliable, comfortable and sustainable access and approach for the growing number of city residents to jobs, education, recreation and such other needs within our cities. This can be achieved by-

(a) Encouraging integrated land use and transport planning in all cities so that travel distances are minimized and access to livelihoods, education and other social needs, especially for the marginal segments of urban population is improved.

(b) Incorporating urban transportation as an important parameter at the urban planning stage.

(c) Improving the flow of business to markets and the various factors of production.

(d) Encourage greater use of public transport and non-motorized modes by offering central financial assistance for this purpose.

(e) Establishing institutional Mechanisms for enhanced co-ordination in the planning and management of transport system.
(f) Introducing intelligent transport systems for traffic management.

(g) Paying concerns towards road safety.

(h) Reducing pollution through changes in traveling practices, sticker norms and regulations to control pollution.

**Need For A National Policy**-

This should be noted that although the responsibility for management of urban areas and urban transport rests with the state governments a central policy is considered essential because-

(a) Several key agencies that would play an important role in urban transport planning work under the central government with no accountability to the state government.

(b) Many Acts Rules and regulations which have important implications in dealing with urban transport issuers are administer by the central government.

(c) There exists a vital need to guide the state level action plans within an over all framework.

(d) The central government provides significant financial support for investments in urban transport infrastructure. This financial assistance helps in improving urban mobility.

7. **Development Of Automobile Industry In Private Sector In India:**

Since India is marching day by day towards progress the arrival of new and exciting models easy availability of finance at relatively low rate of interest and price discounts offered by the manufacturers and dealers all have stirred the demand for vehicles and a strong growth of the Indian Automobile industry.