

Tyre dealers deplore regular hike in prices

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The recent steep rise in domestic prices of tyres of all varieties is due to a medley of factors such as tapering of import of tyres due to the anti-dumping duty on truck-bus tyres and the introduction of BIS (Bureau of Indian Standards) certification on a range of tyres and tubes, causing enormous concerns to replacement markets and fleet users.

The All-India Tyre Dealers' Federation (AITDF) Convenor, Mr S.P. Singh, told *Business Line* that between January and the first week of May, the domestic tyre prices had gone up 15-23 per cent, disproportionate to the cost escalation in input prices such as natural rubber which went up from Rs 210 a kg to Rs 232 during this period, amounting to a weighted impact of 5-7 per cent on tyre prices.

He said the import of truck and bus tyres which used to range between 50,000 and 60,000 units a month has come down steeply to 10,000-15,000 units now at a time when summer and the imminent monsoon season demand for vehicles would be at the maximum.

He said the situation is similar in the case of passenger car tyre imports too which have

► *The domestic tyre manufacturers enjoyed unfair advantage in jacking up prices invariably, using the imminent implementation of BIS quality tag as a non-tariff barrier, says Mr S.P. Singh, All-India Tyre Dealers' Federation Convenor.*

skidded by 25-30 per cent.

Representing the replacement market for tyres and tubes in the country to help the retail consumers get a fair deal in terms of their requirement for appropriate quality, size and quantity of tyres needed from overseas sellers, the AITDF spokesperson said the domestic manufacturers do not have the capacity to meet up with the larger number of tyres and tubes in appropriate quantity, sizes and quality domestically.

This position has given them undue advantage to jack up prices of tyres periodically much to the dismay of users, he said, adding that is why the federation has hailed the Government's latest notification effective from May 13 to implement Quality Control Order of 2009 for tyres and tubes mandating BIS Standard Marking/Certification.

PROCESS OF APPS

However, the federation

pleaded that BIS should process the applications from overseas manufacturers and medium-level tyre manufacturers expeditiously so that any potential shortage of tyres or undue hike in prices by domestic tyre manufacturers operating like an oligopoly could be effectively countered.

This is particularly so, he said, because in the run-up to the BIS certification process, the domestic tyre manufacturers enjoyed unfair advantage in jacking up prices invariably, using the imminent implementation of BIS quality tag as a non-tariff barrier. In this regard, Mr Singh recalled the moves by the Competition Commission of India (CCI) which is looking into "the alleged price rigging, supply strangulation and various trade practices being resorted to by the domestic tyre majors".

Simultaneously, he said, the Government has also referred the federation plea of tyre

dealers for an independent and in-depth study of the tyre price mechanism by the Tariff Commission, which has replaced the erstwhile Bureau of Industrial Costs and Prices (BICP).

He hoped that the Tariff Commission would factor in the price movement for the last five years beginning from 2005 besides reckoning the undue benefits of tax and duty cuts and fiscal stimulus absorbed by the tyre majors without passing on them to the ultimate consumers at the retail level.

COSTING MECHANISM

He suggested that the Commission should go into the pricing and costing mechanism of leading tyre makers for tyres and tubes of all hues.

He said pending the study of the Tariff Commission, the authorities should intervene to roll back the "unwarranted and unconscionable" price hikes in tyres to the January 2011 level so that this will have cushioning impact on capital investment for dealers and their rate of return on such investment.

The imminent hike in diesel prices and the unremitting rise in tyre prices would distort the cost structure of transport operators, besides fuelling inflationary pressures on the economy, he added.

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