BUSINESS LINE N.D 30/5/18

Worn down by raw material shortage, tyre industry wants rubber import barriers lifted

V SAJEEV KUMAR

Kochi, May 29

The tyre industry has expressed concern over the widening imbalance between domestic production and consumption of natural rubber.

According to Automotive Tyre Manufacturers Association, rubber production-consumption gap of 4.7 lakh tonnes projected for the current fiscal (2018-19) is a historic high and domestic availability scenario is getting dimmer. ATMA has asked for urgent measures to make rubber available to the industry by making imports easier.

The gap between domestic production and consumption has been widening in the last few years. From a shortfall of 60,000 tonnes in 2011-12, to 4. 1 lakh tonnes in the last fiscal and is projected to grow to 4.7 lakh tonnes in the current.

Domestic production is projected to be 40 per cent short of requirement. This is a matter of grave concern as the tyre industry has lined up investments in line with growth in auto industry. "Needless to say the import dependence of industry for rubber will further go up to meet the domestic requirement", said Rajiv Budhraja, Director General ATMA.

The industry has been bearing the brunt of heavily taxed rubber imports to keep the factories running. While rubber import is imperative to meet the domestic demand, the policy environment is highly restrictive. The Custom duty is at 25 per cent much higher than the rate of duty levied by any other importing country. Moreover imports are permitted at only two designated ports (JNPT and Chennai). Such non-tariff barriers add to the landed cost and logistics time.

There are further road blocks in accessing rubber. The industry needs to adhere to pre-import condition for import against (tyre) export obligation. Further export obligation period (for tyres) has been reduced from 18 months to only 6 months making it tough to access a raw material which is in short supply domestically, he said.

It has asked the Ministry of Commerce & Industry for duty free import of rubber equivalent to the projected domestic deficit as high import duty is hurting the price competitiveness of the industry. The industry consumes 65-70 per cent of the rubber produced in the country. However it is facing scarcity as availability of rubber is significantly curtailed in the ongoing lean months.

On priority, the industry has asked for import of rubber on a tariff rate quota (TRQ) basis at 'nil' rate of duty to the extent of gap between domestic production and consumption. It has also asked for removal of port restrictions and other restrictive measures which make the field uneven for the domestic industry vis-à-vis international counterparts.