

CONTENTS

Chapter	Title	Page No.
	Foreword	
1.	Tariff Commission – its Role and Functions	1 – 4
2.	Structure of Tariff Commission	5 – 7
3.	Major Activities	8 – 13
4.	Other Activities	14 – 18

FOREWORD

I have the privilege of presenting the Annual Report of the Tariff Commission for the year 2006-07.

The present Tariff Commission is functioning from 1997-98; the former BICP has been merged with the Tariff Commission in 1999.

The main role of Tariff Commission is to undertake studies in tariff, productivity related areas of industrial activities and provide critical inputs for appropriate policy initiatives and modifications.

During the year 2006-07, the Commission has completed some important studies covering diverse areas like Transportation Tariff for KG - Basin Gas supply network, Coal pricing, Producer Price of Natural Gas produced by ONGC and OIL, revision of rates in respect of various types of Condoms, assessment of comprehensive Economic co-operation agreement between India and Singapore. The other important studies taken up by the Commission are a Comparative study of HMT Machine Tools Ltd., Complex Fertilizers including DAP &MOP, Pricing of levy Sugar, cost-price of B-twill Jute bag, Impact of FTA on domestic Pharma industry. The Commission continued its effort to improve upon its organisational outlook and delivery efficiency through various measures such as training and inter-institutional interactions.

Despite various inherent constraints, the Commission has endeavoured to discharge its assigned functions with sincerity.

(A.P. SHARMA)
MEMBER SECRETARY
TARIFF COMMISSION

New Delhi
Dated:

CHAPTER 1

TARIFF COMMISSION – ITS ROLE AND FUNCTIONS

Historical Background

In the pre-independence era, a Tariff Board existed in the Ministry of Commerce “to advise the Government on measures required for protection of domestic industry”. This was converted into a Commission by an Act of Parliament (The Tariff Commission Act, 1951) and was given statutory powers. The main functions of the Commission were to undertake various studies and recommend to the Government, requisite measures for protecting Indian industries, necessary reduction in customs and excise duties in respect of specific industries and remedial measures against dumping of goods. The Commission also undertook suo-moto studies.

2. The Tariff Commission set up in 1951 was wound up in 1976 by the Tariff Commission (Repeal) Act (No. 71 of 1976) based on the observation of the Second Fiscal Commission that the functions of the Commission were largely similar to those of the Bureau of Industrial Costs and Prices (BICP) which was set up in 1970 on the recommendations of the Administrative Reforms Commission. The BICP was bifurcated in August 1997 and the National Pharmaceutical Pricing Authority (NPPA) was carved out and placed under the Ministry of Chemicals & Fertilizers.

Present Tariff Commission

3. In 1991-92, the then Finance Minister (present Prime Minister) in his Budget Speech had stated -

“...I believe that the time has come to evolve a more transparent institutional mechanism for fixing tariffs and domestic prices in sectors where there might still be need for protecting Indian industry against foreign competition and for the determination of administered prices, particularly in the area of public utilities. For this purpose, we propose to restructure the Bureau of Industrial Costs & Prices and to transform it into a Tariff Commission.”

4. Further in 1996-97, the then Finance Minister said in his Budget Speech of 1996-97.

“... In keeping with the promises made in the Common Minimum Programme (CMP) ... Government have initiated action to set up an independent Tariff Commission.”

5. In pursuance to this, the present Commission was established on 2nd September 1997. The Terms of Reference of the Commission as expanded in 1998 are as under:

- (a) To make recommendations as an expert body, on matters referred to it by Government regarding fixation of tariff and all tariff related issues in relation to trade in goods and services, keeping in view the interest of various sectors including production, trade and consumers and taking into the account the international commitments. The Commission should aim at evolving an overall tariff structure and look into the issue of tariff rationalisation.
- (b) To study critical market access offers received from trading partners as part of WTO framework and to advise the Government on the opportunities and challenges generated by these offers (as per reference made by the Government).

- (c) To make a detailed impact analysis on select sectors like textiles, agriculture, automobiles, information technology, chemicals, steel and engineering goods through a multi-disciplinary team.
- (d) To examine the transition-period required for select industries and to recommend the gradual phasing out of the tariffs to facilitate the reform process as referred to it by the Government from time to time.
- (e) To identify the tariffication process for select economic activities as referred by the Government from time to time.
- (f) To monitor the tariff changes in the competing and trade-partner countries and maintain an inventory of tariff rates at a sufficiently detailed level.
- (g) To carry out technical studies on cost of production of different goods and services and their competitiveness in relation to other countries.
- (h) To render advice on issues referred to it by the Government on classification of goods, and products along with applicable tariff on such goods and products.
- (i) To undertake such other tasks as may be assigned by the Government from time to time.
- (j) To present an annual report to the Government of its activities.

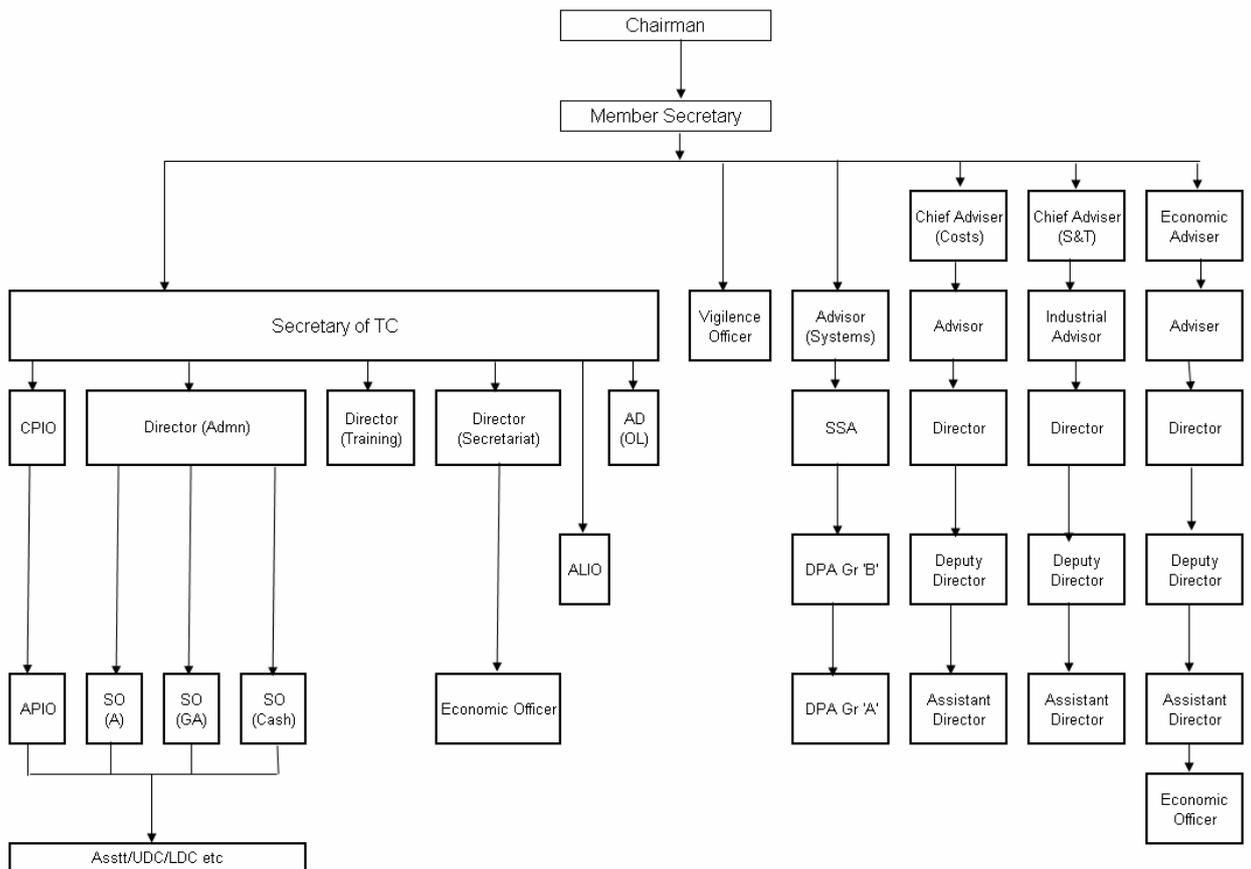
6. In 1999 the BICP was merged with the Tariff Commission.

CHAPTER 2

STRUCTURE OF TARIFF COMMISSION

The Commission is headed by a full-time Chairman of the rank of Secretary to the Government of India and assisted by a full-time Member Secretary, in the rank of Additional Secretary.

2. The Commission has three specialised functional divisions viz Economic, Science & Technology and Costing & Finance. In addition, it has a secretariat to provide administrative and secretarial support. The staff is drawn from various central services like ICAS, IES, ISS, CSS & CSSS. The Commission has its own cadre of scientific & engineering professionals. The organisational structure of the Commission is as under:



3. The organisational structure and manpower requirements of the Commission were assessed by the Human Resource Management group formed for the purpose, which submitted its report to the Government in February, 2000. The report was examined by a Committee headed by Additional Secretary and Financial Adviser, Ministry of Commerce and Industry. However, further action to restructure the Commission got stalled in view of the Expenditure Reform Commission's (ERC) recommendations of July, 2000 to wind up the Commission.

4. The staff strength of the Commission as on 31.03.2007 was as follows:

S. No.	Group of Post	No. of Posts		
		Sanctioned	Filled	Vacant
1	Group 'A'	75	29	46
2	Group 'B'	41	30	11
3	Group 'C'	31	19	12
4	Group 'D'	23	23	-
Total		170	101	69

5. The plan and non-plan Budget Estimates, Revised Estimates and Actual Expenditure during the year of 2006-07 are given below:

Estimate / Expenditure

(Rupees in lakh)

	Budget Estimate	Revised Estimate	Actual Expenditure
Plan	75	75	68.53
Non-Plan	270	275.70	252.93

6. The prevailing uncertainty about the fate of the Commission continued to adversely affect its functioning inter alia including its developmental activities.

7. The development activities of the Tariff Commission during 2006-07 have been as follows:

- (a) Strengthening of database for monitoring global trade & Policies trends of goods & services as also WTO issues.
- (b) Providing real-time information on the website of the Tariff Commission including requisite disclosures under Right to Information Act, 2005.

- (c) Continuous training of employees on emerging trade and industry aspects as also fast changing organizational concepts/techniques.
- (d) Modernization cum updation of library & documentation facilities to enable the organisation to deal effectively with its mandate.
- (e) Sustainably ensure the state-of-the-art computer network infrastructure for e-functioning.

CHAPTER 3

MAJOR ACTIVITIES

The Commission undertook studies relating to tariff, pricing and trade related subjects referred to it by various Ministries and departments of the Government of India. During the year, five studies were completed. Twelve studies were at different stages of completion. Besides, the Commission continued to share its expertise by way of active participation in various expert committees/ groups formed by the government.

A Studies Completed

The Commission completed the following studies and submitted the reports with appropriate recommendations during 2006-07(1st April, 2006 to 31st March, 2007).

1. **Transportation Tariff Charged by M/s GAIL for Supply of KG-Basin Gas to Power Producers through its pipeline network**

Client: Ministry of Petroleum and Natural Gas.

The study aims at examining the issue of transportation tariff charged by M/s GAIL for gas supply to various independent power producers (IPPs) through its pipeline network in KG-Basin area in Andhra Pradesh. The study report along with recommendations has been submitted to the client ministry.

2. **Mechanism for Coal Pricing**

Client :- Ministry of Coal.

The objective of the study is to recommend normative grade wise prices for supply of coal by M/s Coal India Ltd. and M/s Singareni Collieries Company Ltd. to power sector and also to suggest modalities for pricing of coal for other

sectors. The study report along with recommendations has been submitted to the client ministry.

3. **Determination of the producer price of the natural gas produced by ONGC and OIL**

Client : Ministry of Petroleum and Natural Gas.

The study aims at determination of producer price of natural gas produced by ONGC and OIL from the nominated blocks taking into account the investments for development of infrastructure and cost of exploration and also the market conditions including price of alternate fuels and price of natural gas from alternate sources to make it sufficiently remunerative to provide incentives for future investments. The study has been completed and the report submitted to the client ministry.

4. **Impact of Indo-Singapore Comprehensive Economic Cooperation Agreement (CECA Assessment)**

Client :- Ministry of External Affairs.

The study aims at analysing the impact of Indo-Singapore CECA on the economies of the two countries and the relevance of the findings of the study for the proposed agreement with Malaysia. The study has been completed and submitted to the client ministry.

5. **Revision of Rates in respect of various types of condoms -**

Client : Ministry of Health & Family Welfare

The main objective of the study was to examine the cost implications of (a) identification marking on the body of the condoms between the two latex dipping layers during the manufacturing process through screen printing and (b) introduction of bar coding to indicate the batch no. on the outer carton in addition to the alphanumeric code.

B. Studies under progress

1. Export competitiveness of wagon manufacturing units in India

Client :- Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises.

The study aims at examining performance of Indian Wagon Manufacturing Units, their export potential and factors adversely impacting their competitiveness and to suggest remedial measures.

2. Benchmarking of Machine Tools Sector, particularly comparison of M/s HMT Machine Tools Ltd. with leading players in the private sector

Client : Department of Heavy Industry.

The main objective of the study is benchmarking of machine tool sector, particularly, comparison of M/s HMT Machine Tools Ltd. with that of leading private sector companies.

3. Impact of Free Trade Agreement on Domestic Pharma Industry

Client : Ministry of Chemicals and Petrochemicals

The study aims at reviewing the impact of Free Trade Agreements on domestic pharma Industry and to suggest proper guidelines in the context of signing of new bilateral/multilateral/ preferential/free Trade Agreements.

4 Study on critical analysis of the Impact of Port -Tariff Regulation and the effect of such Regulation on EXIM Trade

Client :- Department of Shipping, Ministry of Shipping, Road Transport and Highways.

The study aims to review the regulation of port -tariff to understand the impact of such arrangement on overall EXIM Trade of the country and development of port infrastructure.

5. Assistance that can be given to Indian companies to bid for and win infrastructure and economic/social development projects, contracts being multilaterally funded in Africa

Client : Ministry of External Affairs

The objective of the study is identifying the areas for assistance to the potential Indian companies for bidding and winning multinational funded projects in Africa.

6. Preparation of data base of items being frequently imported/exported by the Biotech Companies

Client: Department of Bio-Technology

The objective of the study is to develop a data base of items that are being frequently imported/exported by the Biotech Companies.

7. Pricing of Levy Sugar

Client: Department of Food and Consumer Affairs

The study aims at recommending zonal conversion cost schedules, escalation formula, return on capital and other issues of levy sugar pricing.

8. **Cost-pricing of complex fertilizers, DAP & MOP**

Client : Department of Fertilisers

The study aims at cost evaluation of all indigenous producers of DAP and Complex Fertilizers, make an assessment of capacity and capacity utilisation and efficiency norms and normative delivered prices and the cost of handling and distribution of imported DAP & MOP.

9. **Cost-pricing of B-Twill Jute Bags**

Client: Ministry of Textiles

The study aims at computing the prices of B-Twill Jute bags for packing food grains and sugar.

C **Dissemination of Expertise**

The expertise/specialised skills of the Commission are being shared with different government departments by way of its representation on specialised and expert committees. The Commission is represented on the following Expert Committees/Groups.

1. Tariff Advisory Committee (General Insurance) of the Department of Revenue, Ministry of Finance, New Delhi.
 - i. Breach of Tariff
 - ii. Technical Group (Marine hull)
 - iii. Engineering sub-committee
 - iv. Technical Group (Petro-Chemicals)
2. Solid Mineral Fuels Sectional Committee, PCD 7 and its Sub-committee, Bureau of Indian Standards (BIS) of the Ministry of Consumer Affairs, Food and Public Distribution, New Delhi.
3. Fertilizer Industry Coordination Committee of the Department of Fertilizers, Ministry of Chemicals and Fertilizers.

4. Working Group headed by Dr. Y.K. Alagh to review the effectiveness of 'New Pricing Scheme' for urea fertilizer units constituted by Deptt. of Fertilizers, Ministry of Chemicals and Fertilizers.
5. Expert Group under the Chairmanship of Prof. Abhijeet Sen, Member, Planning Commission to examine the pricing of phosphatic fertilizers and other related issues constituted by Deptt. Of Fertilizers, Ministry of Chemicals and Fertilizers.

CHAPTER 4

OTHER ACTIVITIES

In addition to taking up various studies listed earlier, the Commission continued its efforts to improve its functioning by taking the following measures:

1. Database

The comprehensive Data base of foreign trade statistics of UN members , COMTRADE, maintained by the United Nations is being subscribed by Commission for catering to the needs of the officers of the Commission.

2 Human Resource Development

To enhance the skills of officers in changing economic scenario, Human Resource Management Continues to be an important activity in Tariff Commission. In view of the increasing importance of globalization, a comprehensive customized training programme was organized on “Competition Policy” for all the economic, cost and technical officers of the Commission at the Indian Institute of Public Administration, New Delhi.

There were several other training programmes relating to different fields such as WTO, economic integration, regionalism, infrastructure and industrial sectors. International competitiveness of domestic industries was another important area for enhancing their professional competence. Following is the list of important training programs/ seminars in which the officers of Tariff Commission participated during the year:

- Conference on “Building Infrastructure: Challenges & Opportunities” organized by the India Brand Equity Foundation and the CII, New Delhi.
- Seminar on “WTO and the Doha Round: The Way Forward” organized by the ICRIER, New Delhi
- Conference on “India-Africa Project Partnership 2006” organized by the CII, New Delhi.
- International Conference on “Statistics and Informatics in Agriculture Research” organized by Indian Agriculture Statistic Research Institute, New Delhi
- “9th Energy Summit” organized by the ASSOCHAM and supported by the Ministry of Petroleum and Natural Gas, New Delhi
- Seminar on “India-An Automotive Hub: The next Leap” organized by the Society of Indian Automobile Manufacturers, New Delhi
- Conference on “India and the Global Economy “ by ICRIER on at Vigyan Bhawan, New Delhi
- Conference on “5th World Wind Energy “ organized by World Wind Energy Association & the Indian Wind Energy Association, New Delhi
- Seminar on “Fertilizers and the Revival of Agriculture” The Fertilizer Association of India, New Delhi
- Training on “Indian Infrastructure Development Financing” conducted by National Maritime Academy at Port Blair.
- Training on “Monetary Policy, Foreign Exchange Management etc.” at the Bankers Training College, RBI, Mumbai.

Many officers and staff of Administration, PAs and Stenographers were sponsored to ISTM and NIC for the administration/ computer related training programmes such

as right to information, financial rules, good governance, record management, establishment rules, Microsoft power point, MS excel, etc.

3. Promotion of Official Language

The Commission continued to strive towards faithful implementation of various provisions of the Official Language Act and Rules to promote and progressively propagate the use of Official Language in its working. A "Hindi Pakhwara" was organized during the period from 14th Sept. to 29th Sept. 2006. During this period, various Hindi Competitions were held, such as-noting and drafting, dictation, essay writing, typing poems and debates. Response from participants was overwhelming. Prizes were distributed to winners by Member Secretary. Meeting of the Official Language Committee were also held regularly. Books in Hindi were purchased for enriching the existing collection in the library. Sayings of eminent persons and meanings of Hindi words were displayed on the Board located at the convenient places in the office to popularize the use of Hindi.

4. Administrative Vigilance

The Tariff Commission has been vigilant in regard to the maintenance of efficiency and integrity of its personnel and ensuring impartiality and objectivity in their functioning.

All the instructions on vigilance by CVC and extant rules and procedures relating to vigilance matters are adhered to strictly. The Commission has constituted a Complaint Committee headed by a woman officer to deal with the cases of any complaints of sexual harassment of women at workplace as required under the directions of the Hon'ble Supreme Court. No complaint has been received by the committee during the year and a congenial work environment exists for female employees working in the Commission.

5. Employment of SC/ST/OBC Candidates

Total employees in position in the Tariff Commission as on 31/03/07 was 101, majority of which is from the organised services like ICAS, IES, ISS, CSS and CSSS. Out of the existing employees, 30 belong to SC/ST and OBC categories. The details of employees of SC/ST/OBC category are as below :-

Sl. No	Group of Post	No. of Posts			
		Filled up	SC	ST	OBC
1	Group 'A'	29	5	1	0
2	Group 'B'	30	4	0	1
3	Group 'C'	19	5	1	1
4	Group 'D'	23	12	0	0
	TOTAL	101	26	2	2

6. Implementation of RTI ACT in the Tariff Commission:

The RTI Act which was enacted with the objectives of empowering the citizens, promote transparency and accountability in the working of the Government is being implemented by the Commission in letter and spirit. All the requests received under the act are being dealt with as per the provisions laid down in the ACT. The information is provided within the stipulated time frame.

During the period from 1-4-2006 to 31-3-2007, a total of 15 requests were received under the RTI Act. Out of the fifteen requests, there were two requests wherein information was not furnished under section 8(j) of the RTI Act. For the remaining 13 requests information was furnished promptly.