

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 2007-08.

The Tariff Commission is functioning since 1997-98 and the former BICP was merged in the Tariff Commission in 1999.

The main functions of Tariff Commission are to undertake studies in tariff, productivity related areas of industrial activities and to provide to the Government of India critical inputs for appropriate policy initiatives and modifications.

During the year 2007-08, the Commission completed some important studies covering diverse areas like impact of change in royalty rates of coal and lignite on cement prices, comparative performance of HMT machine tools with major companies in ten part schemes, determining normative prices of Di-ammonium phosphate, complex fertilizers and muriate of potash, escalation formula for complex fertilizers, impact of free trade agreements on pharmaceutical industry, realistic cost of various types of condoms, tubal rings and oral contraceptive pills. The other important studies taken up by the Commission are critical analysis of the impact of port tariff regulations, conversion cost for pricing of levy sugar, determining fair prices of B-twill jute bags, study on milk availability and transportation charges to be paid by FCI to the rice millers.

The Commission continued its effort in improving its organisational outlook and delivery efficiency through various measures such as training and inter-institutional interactions.

Despite inherent constraints, the Commission has endeavoured to discharge its assigned functions efficiently and with promptitude.

(Raghubir Singh)
MEMBER SECRETARY
TARIFF COMMISSION

New Delhi
Dated:5.3.09

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 to recommend to the Government requisite measures for protecting Indian industries, necessary reduction in customs and excise duties in respect of specific industries and suggest remedial measures against dumping of goods. The Commission also undertook suo-moto studies on cost and price of various goods and services.

2. The Tariff Commission set up in 1951 was wound up in 1976 in wake of implementation of the recommendations of the Second Fiscal Commission considering that the functions of the Commission were largely similar to those of the Bureau of Industrial Costs and Prices (BICP), set up in 1970 on the recommendations of the Administrative Reforms Commission.

The then Finance Minister (present Prime Minister) in his Budget Speech in 1991-92 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, the then Finance Minister said in 1996-97 in his Budget Speech :

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

5. The Tariff Commission in the present form was established on 2nd September 1997. In 1999, the BICP was merged with this Commission. The Terms of Reference of the Commission are as under:

- (a) To make recommendations as an expert body, on matters referred to it by Government regarding fixation of tariffs 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.

- (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.

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. Subsequently, recommendations of Parliamentary Committee recommending enhanced role for the Commission are under examination of the Government of India

4. The staff strength of the Commission as on 31.03.2008 was as follows:

S. No.	Group of Post	No. of Posts		
		Sanctioned	Filled	Vacant
1	Group 'A'	75	28	47
2	Group 'B'	41	34	7
3	Group 'C'	26	18	10
4	Group 'D'	23	21	-
Total		165	101	64

5. The plan and non-plan Budget Estimates, Revised Estimates and Actual Expenditure during the year of 2007-08 are given below:

Budget 2007-2008

(Rupees in lakh)

	Budget Estimate	Revised Estimate	Actual Expenditure
Non-Plan	384	392	312.80

6. Apart from the core functions relating to cost/price studies, the development activities of the Tariff Commission during 2007-08 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 and 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-governance.

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, nine studies were completed. Six 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 2007-08 (1st April, 2007 to 31st March, 2008):

1. Impact of Change in Royalty Rates of Coal & Lignite on Cement Prices.

Client: Deptt. of Industrial Policy & Promotion

The study aimed at changing the existing system of royalty from specific levy to a combination of specific and ad valorem levies on coal and lignite.

2. Study on benchmarking of machine tools sector vis-à-vis comparison of M/s HMT Machine Tools Ltd. Bangalore with leading players in the Pvt. Sectors. Performance of HMT Machine Tools Ltd.

Client: Ministry of Heavy Industries and Public Enterprises

The study aimed at assessing the performance of M/s HMT Machine Tools Ltd., Bangalore and comparison with some leading companies in the private sector.

3. Study on Pricing of Di-Ammonium Phosphate, various grades of Complex Fertilizers and Muriate of Potash

Client: Deptt. of Fertilizers

The study aimed at determining normative delivered prices of products of DAP and various grades of Complex Fertilizers and the cost of handling and distribution of imported DAP and MOP.

4. Escalation formula for Complex Fertilizers

Client: Ministry of Chemicals & Fertilizers

The study aimed at suggesting separate escalation/de-escalation formula for the two gas based units, namely, M/s Deepak Fertilizers & Petrochemicals Ltd. (DFPCL) and M/s Rashtriya Chemicals & Fertilizers Ltd. (RCF).

5. Report on Impact of Free Trade Agreements on Indian Pharmaceuticals Industry

Client: Ministry of Chemicals & Petrochemicals

The study aimed at reviewing the impact of existing FTAs on domestic pharma industry and to evolve guidelines in the context of signing of new bilateral/multilateral/provisional/free trade agreements.

6. Report on Realistic Cost/Price of various Types of Condoms

Client: Deptt. of Family Welfare

The study aimed at recommending realistic cost/price of various types of condoms supplied to Government of India.

7. Report on Data Base of items frequently imported/exported by Biotech Companies

Client: Deptt. of Biotech Technology

The study aimed at developing data base of items that were being frequently imported/exported by Biotech Companies.

8. Report on realistic cost/price of Tubal Ring

Client: Deptt. of Family Welfare

The study aimed at recommending realistic cost/price of Tubal Rings supplied to Government of India.

9. Report on cost price study on various types of oral contraceptive pills

Client: Deptt. of Family Welfare

The study aimed at recommending realistic cost/price of various types of oral contraceptive pills supplied to Government of India.

B. Studies under progress

1. Cost/Price of Copper T.

Client: Department of Family Welfare.

The study aimed at recommending realistic cost/price of Copper-T supplied to Government of India.

2. 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.

3. 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 to identify the areas for assistance to the potential Indian companies for bidding and winning multinational unfunded projects in Africa.

4. Pricing of Levy Sugar

Client: Department of Food and Consumer Affairs

The study aims at recommending zone-wise conversion cost, escalation return formula on capital in the context of pricing of levy sugar and other related issues.

5. Cost-pricing of B-Twill Jute Bags

Client: Ministry of Textiles

The study aims at determining normative fair price of B-Twill Jute bags of size 94cm X 57cm – 6X7 (665gms/bag, 50kg capacity) for packing foodgrains.

6. Study on milk availability & its price

Client: Department of Animal Husbandry Dairying & Fisheries

The study aims at determining the gap in demand and supply of milk in next 10 years and the impact of higher international prices of milk and milk products on the domestic market.

7. Study on transportation charge to be paid by FCI to the rice millers for transportation beyond 8 K.M.

Client: Department of Food & Public Distribution

The study aims at recommending normative transportation charges for delivery of rice by millers beyond 8 km.

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 was 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.
6. Corn committee of Ministries of New & Renewable Energy.

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

Professional support for retrieval of information from secondary sources, as per the requirement of the Commission is provided by the computer centre unit.

The Commission has subscribed to the statistical databases of UNCTAD and DGCIS as secondary sources to meet the data requirements of the various studies undertaken by the Commission. DGCIS is the principle authority of trade related information in India and provides year wise trade statistics and commercial information in India.

UNCTAD's Statistical Database provides global statistical information consisting of demographic, social and economic data which is used in the various studies undertaken by the Commission.

2 Human Resource Development

Human Resource Management continues to be an important activity in Tariff Commission for the enhancement of the skills of officers in changing economic scenario. A number of officers were nominated for training programmes on globalization, 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:

- International Conference on Fertiliser Technology organised by the Fertiliser Association of India, New Delhi.
- Global Summit on Management Accounting organised by Indian Institute of Cost and Works Accountants of India, New Delhi.
- National Workshop on Coal bed & Coal mine Methane organised by CBM Solutions and supported by the Ministry of Petroleum & Natural Gas and Ministry of Coal.
- Seminar on Future Vehicle Technologies organised by SIAM, New Delhi.
- Knowledge Management Practices and Application organised by the National Productivity Council, New Delhi.
- Training programme on Presentation Skills at Indian Institute of Public Administration, New Delhi.
- Conference of Central and State Statistical Organisations conducted by Ministry of Statistics and Programme Implementations.
- Conference on Implementing Automotive Plan 2006-16: Ensuring Sustainable Growth organised by SIAM, New Delhi.
- Training programme on Management Development conducted by HMC Rajasthan State Institute of Public Administration, Jaipur.
- Seminar on Climate Change and Disaster Management organised by National Institute of Disaster Management, New Delhi.

A number of officers and staff, PAs and Stenographers of the Commission 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 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 organised during the period from 14th Sept. to 28th Sept., 2007. During this period, various Hindi competitions such as – noting and drafting, dictation, essay writing, typing, poems and debates were organised. Response from participants was overwhelming. Prizes were distributed to winners by Member-Secretary of the Commission. Meetings of the Official Language Implementation 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 Boards 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 have been 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. 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 number of employees in position in the Tariff Commission as on 31/03/08 was 99, majority of which is from the organised services like ICAS, IES, ISS, CSS and CSSS. Out of the existing employees, 29 belong to SC/ST and OBC categories. The category-wise details of employees are as follows:-

Sl. No	Group of Post	No. of Posts			
		Filled up	SC	ST	OBC
1	Group 'A'	25	4	3	0
2	Group 'B'	35	3	0	1
3	Group 'C'	18	5	1	1
4	Group 'D'	21	11	0	0
	TOTAL	99	23	4	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 1-4-2007 to 31-3-2008, a total of 16 requests were received under the RTI Act and the information was furnished within the stipulated time frame.

Annual report for the year 2007-2008

The Annual Report for the year 2007-08 has been attempted and is placed below for perusal/approval. The report consists of the following 4 chapters:

Chapter 1: The role and functions of the Tariff Commission are given in this chapter and the contents are similar to the last year's Annual Report.

Chapter 2: The structure of the Tariff Commission is detailed in this chapter. The staff strength of the Commission and the expenditure details have been updated as per the information furnished by the Administration (F/G) and Cash Section (F/D).

Chapter 3: The major activities undertaken by the Commission during the period of the Report have been given in this chapter. The details of the studies completed as well as the studies under progress have been highlighted in the chapter. The client Ministry which had referred the study and the aims of the study, in brief, have also been indicated against each study. The aim of the study as given for completed studies have been taken from the reports submitted by the Commission. In so far as the on-going studies are concerned, the aim of the studies for studies at Sl. No. 1 to 4 have been retained as given in the last report and the aim of the studies at Sl. No. 5 & 6 have been drafted from the ToRs of the study. Besides this, the representation of Commission in the expertise and groups have also been indicated in this chapter.

Chapter 4: It deals with other activities of the Commission such as data base, human resource development, promotion of official language, administrative grievance, implementation of RTI and employment of SC/ST/OBC candidates. The information collaborated in this chapter is based on the inputs provided by the Computer Division, Director(Trg.) (F/F), RTI Section (F/E), Hindi Section (F/D).

Submitted please.

(R.K. Puri)
Economic Officer

DD(Sectt)