



**Representation to Department of Heavy Industries for
Withdrawal of Countervailing Duty and
Special Additional Duty on Tunnel Boring Machine
12th January 2015, Udyog Bhawan, New Delhi**

PREVIEW

- Tunnel Boring Machine (TBM) is a specialised and Highly Capital intensive machine.
- Mostly used for construction of tunnels in Hydro Power, Water Supply, Metro Railway and Road Projects.
- These machines are tailor made and manufactured as per project requirement i.e., diameter of tunnel, geology conditions etc.
- Being project specific, re-use in another project is practically very remote.

IMPORT DUTY ON TBMs

- A. Initially, Sr. No. 598 of Notification No. 21/2010-cus. dated 27.02.2010 extended Custom Duty exemption when TBM is used for Hydro Electric project.
- B. Subsequently, exemption was extended to parts and components when used in the assembly when TBM is used in hydro electric projects.
- C. In view of extensive use and dependability only on imported TBM, exemption of import duty was extended to all projects vide notification no. 12/2012 dated 17.03.2012.
- D. Effective from 03.02.2014, exemption of countervailing duty (CVD) and special additional duty (SAD) have been withdrawn on TBM and parts and components of TBM for use in the assembly of TBM vide custom notification no. 4/2014.

TBM MANUFACTURING IN INDIA

- As per our members understanding, there is no indigenous TBM manufacturer till date. All TBMs required are imported from abroad.
- Understand from office of the Ministry of Industry, Department of Heavy Industries, New Delhi that M/s. Herrenknecht (H.K.), India is manufacturing TBM in Chennai and hence, based on your office recommendation, Ministry of Finance, Dept. of Revenue has imposed Countervailing Duty (CVD) and Special Additional Duty (SAD) on TBM.
- Our members are in regular touch with M/s. H.K. for requirement of TBM for projects under bidding and execution.

TBM MANUFACTURING IN INDIA

- Members till date have not received quote for supply of TBM manufactured in India.
- Even latest offers received by one of our members mention supply only from Germany / China factory. The rolling stock is being offered from their Chennai unit..
- M/s. H.K started their establishment in Chennai during 2007. Since then they are yet to give a quotation for TBM manufactured in India.
- To the best of our member's knowledge, the Chennai unit currently does only refurbishment/repairs of old TBM. Thus the present facility caters to rendering after sales services for imported TBM of HK make and is not a manufacturing unit for TBM.

IMPACT OF LEVY OF COUNTERVAILING DUTY AND SPECIAL ADDITIONAL DUTY

- During the pre-budget meeting, CFI members were informed by the budget team of the Ministry of Finance that exemption of CVD and SAD were withdrawn to safeguard indigenous TBM manufacturers based on the recommendation from your Department.
- In the absence of any TBM indigenously manufactured, levy of countervailing duty and special additional duty shall result in substantial increase in project cost.

To cite an example:-

- ✓ Tenders have been issued for Mumbai Metro Line 3 packages. Approx. 20 TBMs are required for execution of this project.
- ✓ The approximate basic cost of each TBM is Rs. 70 Cr. So for this project TBM's worth Rs. 1400 Cr is expected to be imported. Levy of these duties shall amount to Rs. 238 Crs. Thus the project cost shall increase by this amount.

IMPACT OF LEVY OF COUNTERVAILING DUTY AND SPECIAL ADDITIONAL DUTY

- In addition there are several metro projects coming up in major cities of India, apart from Hydel, water supply, road and rail projects, which require TBM's, even if assuming that there is a single manufacturer, it would be beyond such manufacturer's capacity to meet the huge requirement as per project schedule.

SUGGESTION

- To re-instate the exemption of Countervailing duty and Special Additional duty on import of TBMs and parts and components thereof.

Thank you