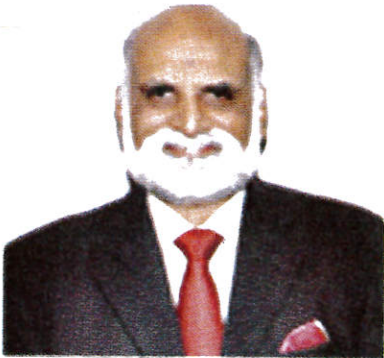


THE CRIPPLING IMPACT OF COUNTERFEITING, CONTRABAND AND SMUGGLING ON THE **AUTO** **PARTS INDUSTRY**



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IN TODAY'S WORLD hardly anything is more visible and integral to a majority of the population than the myriad vehicles that literally form a ring of dependence in our daily lives. However, it is these very modes of transportation whether in the form of a car, a bus or a two-wheeler which are increasingly becoming victims of counterfeiting in many of their vital components. For those who didn't know

this already, here are some startling facts that will most certainly make us sit up and take notice. Nearly 20 per cent of road accidents which account for nearly 25,000 deaths and over 93,000 injuries every year are caused by fake spare parts in automobiles [Source: Society of Indian Automobile Manufacturers, (SIAM)]. Counterfeiting is a thriving business in our country with low quality fakes accounting for anywhere between 32 to 47 per cent of the industry. The total industry in India for after-market spares and services is more than Rs 33,000 crore out of which the parts industry alone comprises of around Rs 25,000 crore.

Let us now discuss the wide array of spare parts that are prone to counterfeiting. What is particularly disturbing is that most of them are critical to the safe functioning of the automobiles. These include brake pads and brake discs, something which is

used in the entirety of our vehicular journey. One can only imagine what can go wrong and what the consequences can be if they are made of counterfeit, substandard material. In fact, a large number of mishaps do occur due to the ineffectiveness of this critical component as a result of counterfeiting. The list goes on to include rubber rings, axle boots, gearboxes and suspension parts. Interestingly, parts which are volume and consumption driven and have low technology inputs are duplicated on a larger scale. At this juncture it is also important to mention the other detrimental impact of substandard, counterfeit spare parts. They lead to excessive fuel consumption estimated at an additional 109 million litres of petrol and eight million litres of diesel. When converted to money the amount reaches a staggering \$6 billion per annum. If the safety and the financial aspect wasn't enough, there is another addition to the



negative list—environmental. In fact, emissions of vehicles which are using counterfeit parts shoot up between 10 to 15 per cent. To add insult to injury, since most fake part manufacturers do not pay taxes, they cause a loss of Rs 22 billion per annum to the government.

Having said this, we also need to be objective and look at the shortcomings in the automobile sector. Consumers invariably visit small-time workshops because they find them extremely competitive on the price factor vis-à-vis the dealer's network developed by the manufacturers. There is a need to identify the reasons why small-time manufactures continue to flourish even though they deliver substandard and spurious products and quality. More often than not, the customer is unaware that the cheap spare parts at such workshops are actually fake and therefore carry a very serious safety risk. This forms a vicious cycle that dents the credibility of the company involved and also puts the vehicle owner at a high risk of an accident. Immediate steps need to be taken to ensure that the dealers network developed by the manufacturers provide value for money services and parts to the consumers, this can go a long way in eradicating the scourge of counterfeiting in the automobile parts industry.

We also need to look at the world

scenario. Today there is credible evidence of a spurt in the global trade of counterfeit automobile parts. It is now truly a global malaise. Frost and Sullivan estimated that the global loss to motor vehicles because of counterfeiting could be as high as \$45 billion in 2011. A recent seizure of aftermarket parts in Dubai by the Commercial Compliance and Consumer Protection (CCCP) division of the Dubai government's Department of Economic Development that contained more than 64000 fake automotive parts worth \$817,000 was largely made up of duplicates of major Japanese brands. According to the Middle East business resource AME, commercial fraud costs the country nearly \$136 million a year with a greater part of that figure attributed to counterfeit automotive parts. In Europe, the European Commission recorded that fraudulent vehicles, parts and accessories worth a retail value of \$35 million were seized in 2011 of which 68 per cent were from China and 25 per cent from UAE. In the US, according to the Automotive Aftermarket Suppliers Association (AASA), the US industry loses \$3 billion annually to service parts counterfeiters.

To my mind, the way out of this rather crooked situation lies in awareness and initiatives from all the stakeholders. Earlier this year, SIAM

had launched an awareness campaign called "Be Genuine, Buy Genuine" to fight against manufacturers producing counterfeit products and components. SIAM has laid the foundation for the Anti-Counterfeiting Group, also known as ACG, and has teamed up with all the major auto players in the Indian car industry. If we look at the list of countries by vehicles per capita we will see the potential that India has to offer. At the moment, the highest number of vehicles per thousand people is in San Marino (1,263) while the United States of America comes third with 797 vehicles. India comes way down the ladder with 41 vehicles. As the Indian economy scales new heights and is rightly termed as the fastest growing economy in the world, India's position is only bound to rise exponentially in the years to come. This also means that India will increasingly become a hot destination for unscrupulous elements who will try to exploit this situation to the fullest and thus becoming an even greater menace to society. A sharp rise in population means that more and more lives are dependent on the mode of travel. Clearly, with both safety and economic health compromised, the situation doesn't get more serious than this and warrants urgency on the part of all the stakeholders to address this issue. ■