

ENGINEERING DEVELOPMENT BOARD

30th Meeting of the Auto Industry Development Committee Held on, January 16, 2020

MINUTES OF THE MEETING

30th Meeting of the Auto Industry Development Committee was held on January 16, 2020 in the Committee Room of Board of Investment under the chairmanship of Advisor to the Prime Minister on Commerce, Industries & Production and Investment. Secretary Ministry of Industries and Production and Chairman EDB also attended the meeting. Detailed List of participants is at Annex-A.

The Chair welcomed all the participants and highlighted that automotive sector is one of the most important sectors of Pakistan and it is very significantly placed in the priorities of Government. He informed that Engineering sector has a lot of potential to grow and Government of Pakistan is aware of challenges being faced by the industry. He informed that the Ministry of industries has created a vibrant automobile industry due to sensible policies which now has the potential to go to the next stage, i.e. exports. Subsequently the chair opened the house for discussion on following agenda and working paper already circulated to the members.

| S.# | Agenda Items |
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| Item No. 01 | Confirmation of the Minutes of 29 th Meeting of AIDC held on November 29, 2019. |
| Item No. 02 | Discussion on Formulation of “National Electric Vehicle Policy“ by EDB/MoIP for 2/3 Wheelers. |
| Item No. 03 | Discussion on Formulation of “National Electric Vehicle Policy“ by EDB/MoIP for Four Wheelers. |

AGENDA ITEM NO. 01

CONFIRMATION OF THE MINUTES OF 29TH MEETING OF AIDC HELD ON JUNE 19, 2018.

The Committee was informed that Minutes of 29th Meeting of AIDC were circulated to members of AIDC. PAMA’s letter dated 15th January was discussed in the meeting wherein PAMA emphasized that MoIP/EDB may take a lead role in formulation of Electric Vehicles and requested for audience with Advisor to PM on Industries on the subject. The Advisor

clarified that EV Policy falls under purview of Ministry of Industries and Production according to the Rules of Business, and tasked EDB to carry out consultations with existing automotive sector and potential new investors in both, vehicle and part manufacturing. Since no objection/ observations were received on the minutes of 29th Meeting, therefore, the approval of minutes was solicited by Secretary to AIDC/Incharge Policy EDB.

Decision:

“AIDC approved the Minutes of the 29th AIDC”.

AGENDA ITEM NO. 02

Discussion on Formulation of “National Electric Vehicle Policy“ by EDB/MoIP for 2/3 Wheelers.

Chairman, EDB highlighted that Electric Vehicles are being discussed in the electronic and print media. However, EDB/MoIP wants that Electrical Vehicle policy may be formulated in a way that current industry is not adversely affected. He further added that standardization in case of EVs has to be ensured whereas environmental goals can be achieved by introduction of Euro IV compliant fuel in the market for existing gasoline vehicles.

On reply to a question regarding EV Policy, the Chair informed that EV policy was placed before the Cabinet in his absence as he was on an official visit abroad. He again emphasized that formulation of EV policy relates to MoIP as per Rules of Business. All policies being made in Pakistan are based on one slogan “Make in Pakistan”. The EV policy formulation needs to go through same rule. No Completely Built Units of EVs are acceptable to be imported at 1% Custom Duty or 1% Sales Tax. He added that all members/special invitees/EV manufacturers will get a chance to present their case. He advised the special invitees to forward their proposals including plans to manufacture EVs in Pakistan, to EDB for consideration.

DGM-Incharge (Policy) presented a brief background on EV policy formulation. He informed AIDC members in pursuance to Cabinet’s Decision dated 21st August 2019 MoIP formulated a committee on 5th Sept 2019. Subsequently first meeting of the committee was held on 18th Sept 2019 in MoIP. EDB scheduled follow-up consultative meetings with 2-3 & 4-Wheelers and afterwards stakeholders’ proposals were consolidated. He presented the consolidated proposals to the house.

The Chair enquired one of the participants of the meeting on his claim to be

the representative of EV Manufacturers Association, that whether his manufacturers/importer association is a registered association? In reply he informed that their association is not a registered association and their application is under process at Ministry of Commerce for registration. The participant added that EV is considered as future in advance part of the world. America and Europe are moving towards EVs adoption so policy should be finalized at earliest for the benefit. In reply to his comments, Chairman EDB said that it is accepted that EVs are the future, however, EDB/MoIP want to develop an EV policy in sensible manner so that the localization already achieved is enhanced and not rolled back. Advisor enquired from the claimed representative of EV importers/manufacturers that he has never submitted him his proposals. He again directed that he may submit a detailed proposal to EDB within 10-15 days on Local Manufacturing of EVs.

CEO, Honda Atlas Pvt Ltd said that Electric Vehicles are a distant future. Only 3% of vehicles produced globally are EVs. EVs have a very low demand. Things should not be changed overnight as they might injure the local industry. A well thought out policy is needed which is drafted carefully. He said that EDB/MoIP is the appropriate forum as EDB/MoIP understands industry, commerce and tariff matters better than any other organization/ministry.

CEO, Indus Motor Company Ltd said that Automotive Development Policy 2016-21 will continue till 2021. The policy beyond 2021 may be formulated based on Make in Pakistan. The proposed EV policy draft may be renamed as EV/Hybrid Policy so that latest technologies can be introduced.

Chairman, EDB advised that localization should be kept as top priority while shifting to EVs. Chairman PAAPAM said that automotive industry is entering into a new era of EV.

Chairman PAAPAM said that they will submit a well thought out proposal in 2 week time to EDB. He confirmed that they hadn't sent any proposal to any ministry as this was still being debated within their ranks.

Mr. Nabeel Hashmi, CEO, Thermosole Pvt Ltd said that he supports policy formulation for EVs by EDB. He added that EDB is already working on Automotive Industry Development and Export Plan 2021-26. He further emphasized that EV is an opportunity, but the policy should be formulated under one umbrella in a single

document which will create a competitive environment. He also highlighted that infrastructure is required for success of EVs in Pakistan. Furthermore, examples of Europe and USA are irrelevant in Pakistan's context. In these countries 90% of electricity is produced from nuclear source whereas in case of Pakistan most of electricity is produced from fossil fuel which creates its own pollution, which needs to be addressed in any proposed policy. However, he advised that the new policy should be focused on localization. He further highlighted that Federal Government may start preparation of policy and shift in a stepwise manner from HCVs to 2-3 wheelers and then to 4-wheelers. He further added that NEPRA etc needed to be consulted regarding tariff for EVs. There should be a step-by-step rollout of EV, Buses/Trucks, 2/3 wheelers first in an intelligent way. He said that it is critical that adequate infrastructure be developed first otherwise the EV policy will fail.

CEO, Dartways said that current Tariff Based System and Automotive Development Policy 2016-21 has no bar on EVs. Adequate policy is already there and formulation of new policy is questionable. Representative of EV importers/manufacturers said that lithium ion battery and EV specific parts are not covered in existing policies.

CEO, KA Hanteng said that for infrastructure development open license may be allowed to everyone. Furthermore standardization of equipment may be ensured. CBUs to be allowed for market testing should be cleared in period of 10 days by the customs authorities. Chairman EDB clarified that EV policy will not be based on import of CBUs and it will focus on locally manufacturing of EVs.

DGM-Incharge (Policy) highlighted that new tech subcommittee has been announced under AIDC to consider the subjects like EV Policy. Chairman PAAPAM said that most of electricity i.e. 60-65% is made from fossil fuel in Pakistan. Unless we go to alternate energy development the current electricity generation is polluting the environment and the objective for cleaner environment may not be achieved. CEO, Hybrid Technics said that local manufacturing can have chance for local engineers as in case of renewable solar panel, renewable, hydrogen fuel, cells. He further added that Engineering universities may be taken on board for developing human resource for EV technologies. The house was of the view that Pakistan needs to work on renewables as fossil fuel based electricity generation will never be feasible for EV.

The OEMs Indus, Suzuki and Honda requested hybrid vehicles may be part of the new EV policy. Mr. Nabeel Hashmi, CEO, Thermosole Pvt Ltd opposed idea of inclusion of Hybrid in EV policy, however, Chairman EDB said that all categories will have separate tariff and parts not manufactured locally may be imported at concessionary duty to promote new technologies. CEO, Ghandhara Industries said that commercial viability of HCVs is not there. He added that we should discourage old trucks and move to Euro-IV and availability of same may be ensured by relevant Government Body.

CEO, Thermosole Pvt Ltd argued that Euro-IV may not have requisite volume unless Euro-II fuel is replaced. He was of the view that provincial governments may be taken in loop to determine demand and give incentives. CEO, Foton JW said that special policy for infrastructure is needed for success of EVs on major roads like Motorways. He further added that charging stations may be developed on motorways first. He proposed that local assemblers may be given concessions. EV specific materials should be on concessionary rates.

Decision:

- All stakeholders to give proposals on parameters of the proposed EV Policy, including the incentive structure proposed by EDB within 15 days.
- Automotive sector and fuel should be converted to Euro-IV standards. The recommendation of AIDC may be forwarded to MoCC.

AGENDA ITEM NO. 03

Discussion on Formulation of “National Electric Vehicle Policy“ by EDB/MoIP for 2/3 Wheelers.

DGM-Incharge presented the incentive proposals for Scooty, 2 & 3 wheelers and environmental standards for petrol.

The AIDC members were of the view that EV policy should be “Made in Pakistan”. CEO, Atlas Honda said that battery of 2/3 wheelers is needed to be standardized. Battery and charging time should be addressed. In this regard international standards may be followed. He further added that 60% cost of EV bike would be batteries hence standards should be developed for batteries. The price of EV bike should not be more than maximum

consumer threshold. Amir Allawala CEO, Techno said that environmental aspects with respect to disposal of the battery should also be taken into account.

General Manager, United Motorcycle said that 2/3 wheelers has a price threshold which a customer has in his mind. A study should be conducted especially with respect to maximum benefits which could be extended to the EVs to bring the prices down.

Representative of Crown Motorcycle supported the proposals presented. He requested that in addition to incentives offered withholding tax may be minimized due to refund issues. CEO, Foton JW said that as the current designs are obsolete, incentives proposed for new shape may be further enhanced. CEO, JW Foton gave example of Harley Davidson and CEO, Honda Atlas said the house may discuss realistic examples in line with income of common Pakistani. Advisor was of the view export should be kept in mind while formulating policies. We have a lot of markets which we are trying to explore i.e. Africa.

The chair reiterated that we should shift to Euro-IV and refineries may be given 2-3 years to shift to Euro-IV fuel. CEO, Indus Motors was of the view that first refineries should provide Euro-IV fuel then OEMs can shift to Euro-IV.

CEO, Foton JW was of the view that refineries may be given timeline as people are suffering and Lahore pollution is an example. It was replied by Amir Allawala CEO; Techno Engineering that pollution has become fashionable term nowadays. While the prime objective by MoCC in proposing an EV policy is environmental concerns, however no study has been formally carried out on contribution of automotive sector in the pollution. The figures often quoted are exaggerated. Chairman, EDB said new vehicles will be WP-29 compliant. Overall incentives for 2/3 wheelers and scooty were supported by AIDC members.

Decision:

- The incentives for 3-wheelers (EVS) were unanimously supported.
- All stakeholders were advised to give proposals (if any) on incentives presented within 15 days. After 15 days incentives will be finalized and they will be forwarded MoIP for further necessary action.
- MoCC may be requested to consider upgrading the refineries for provision of Euro IV complaint fuel.

. The meeting ended with the vote of thanks to the chair by all the participants. Secretary AIDC thanked Advisor, Secretary MoIP, Chairman EDB, CEO, EDB and all the participants



for attending the meeting
