

ENGINEERING DEVELOPMENT BOARD

29th Meeting of the Auto Industry Development Committee Held on, November 29, 2019

MINUTES OF THE MEETING

Twenty Ninth Meeting of the Auto Industry Development Committee was held on November 29, 2019 in the Committee Room of Board of Investment under the chairmanship of Advisor to Prime Advisor to the Prime Minister on Commerce, Textile, Industries & Production and Investment. Secretary Ministry of Industries and Production and Chairman EDB's Board of Management also attended the meeting. Detailed List of participants is at **Annex-A**.

The meeting started with recitation of Holy Quran. The Chair welcomed all the participants and briefed the members about importance of Auto Industry Development Committee (AIDC) and its effective role in development of auto sector. The chair informed that Pakistan's Engineering Goods Industry, has a large potential to grow and contribute in GDP and exports and that the current Government is very keen to increase Engineering goods exports. Subsequent to introduction of participants the chair opened the house for discussion on following agenda and working paper already circulated to the members.

S.#	Agenda Items
Item No. 01	Confirmation of the Minutes of 28 th Meeting of AIDC held on June 19, 2018.
Item No. 02	Introduction of the members of Re-Composed AIDC.
Item No. 03	Progress review on Automotive Development Policy 2016-21. -New Entrants (Greenfield, Brownfield) -Regulatory Mechanism for Safety and Environment Regulations of UNECE's WP-29 -Update on Establishment of Pakistan Institute (PAI)
Item No. 04	Kick off meeting for formulation of Automotive Industry Development and Export Plan (AIDEP)
Item No. 05	Discussion on progress on formulation of " National Electric Vehicle Policy" by EDB/ Mol&P.
Item No. 06	Discussion on localization of automotive parts and accessories under S.R.O 655(I)/2006 dated 22 nd June 2006 letter submitted by Chairman PAAPAM.
Item No. 07	Discussion on Technical Issues by various stakeholders.
Additional Item (If any)	Any other agenda item with the permission of the chair.

Prior to discussion on the agenda, the house unanimously passed resolution on condolence of sad demise of Mr. Yusuf H. Shirazi (Chairman of Atlas Group) and conveyed a message of solidarity to stand united with entire Shirazi Family on this occasion of sorrow and grief.

AGENDA ITEM NO. 01

CONFIRMATION OF THE MINUTES OF 28TH MEETING OF AIDC HELD ON JUNE 19, 2018.

The Committee was informed that Minutes of 28th Meeting of AIDC were circulated to members of AIDC. However, few observations received from the members and the same were placed before the committee for consideration. Regarding, allowing subcontracting of ED paint facility by a New Entrant i.e M/s Master Motor Limited (MML), The request of M/s MML has been supported by PAMA also. Mr. Ali Asghar Jamali, CEO, Indus Motor Company (IMC) categorically supported M/s MML and said that since no incentives are being asked from the Government and the company should be allowed to carryout manufacturing of its existing variants of MMC at MML. He further emphasized that in the last meeting, participants were of the view that this item should not have been discussed as an agenda of the meeting,

Regarding Electric Vehicle (EV) Policy, Pakistan Automotive Manufacturers Association (PAMA) raised objection of having separate/standalone policies for two wheelers, three wheelers, buses and car segment, the house was informed by Secretary AIDC that MoIP has notified a committee for formulation/finalization of EV Manufacturing Policy wherein it has been decided that the EV Policy will not be a standalone policy but it will be a part of Automotive Development Policy (ADP 2016-21). CEO IMC emphasized that EV policy should focus on make in Pakistan. No import of CBUs may be allowed as envisaged in the policy circulated by Ministry of Climate Change. Parts not being manufactured in Pakistan may be allowed at concessionary duty and local assembly/manufacturing should be promoted. Advisor to PM showed strong reservation of EV policy being presented by Ministry of Climate Change (MoCC) and said that EDB/MoI&P is the best place to formulate Electric Vehicle Policy with stakeholder instead of MoCC. The industry highlighted that due to the news in social media, the foreign principals of major car manufacturers operating in Pakistan are in the state of confusion. Advisor to PM directed that EDB will take lead in the EV formulation as highlighted by the MoIP in its notification included as annexure of subsequent agenda. Furthermore, he agreed to discuss the EV Policy formulation in view of foregoing discussion and its discussion at irrelevant fora at appropriate level for remedial measures.

Decision:

“AIDC approved the Minutes of the 28th AIDC and recommended allowing subcontracting including ED paint by M/s MML for assembly/ manufacturing of

their existing makes at their Greenfield facility as per provision of SRO 656(I)2006”

AGENDA ITEM NO. 02

INTRODUCTION OF THE MEMBERS OF RE-COMPOSED AIDC.

The ADP 2016-21 was approved by ECC of the Cabinet on 18th March 2016 and is effective from July 1, 2016. Composition of AIDC and its re-composition is mentioned in the approved ADP 2016-21. It is also mentioned in the policy that composition of AIDC will be changed after every two years. The house was informed that keeping in view the grant of new entrant status to eighteen investors under ADP 2016-21, EDB has tried to accommodate maximum number of companies in the pre-defined structure of AIDC in order to get useful inputs.

In 28th AIDC it was proposed that a core group may be formed with special invitees on case to case basis and members co-opted from time to time depending upon relevance of the subject. Accordingly re-composition of AIDC was made and circulated to the member of AIDC. The participants/members introduced themselves. The Chair approved two leave applications from Mr. Sanallah Chaudhary and Mr. Amir Allawala due to their official commitments abroad. The participation from the members in their personal capacity was emphasized in the future AIDC meetings.

Decision:

“The Chair confirmed / approved the re-composition of AIDC and confirmed the notification of AIDC No. EDB/AIDC/2019 dated September 19, 2019”

AGENDA ITEM NO. 03

PROGRESS REVIEW ON AUTOMOTIVE DEVELOPMENT POLICY 2016-21.

-New Entrants (Greenfield, Brownfield)

Secretary AIDC/ DGM-Incharge (Policy) EDB, gave a presentation on achievements under Auto Development Policy (ADP) 2016-21. He informed that under ADP 2016-21, which was notified, vide Ministry of Industries & Production’s notification dated June 2, 2016. A total investment of USD 1.0 Billion approx. has committed so far. Under Category-A, eighteen new investors have been granted Greenfield status till date. In addition, under Brownfield category two closed down units have been revived. It was also informed that payments made by three OEMs as KIBOR +2% as a result of late delivery of vehicles beyond 60 days were 3 billion till date.

DGM-Incharge (Policy) informed that five companies including M/s Regal Automobiles, M/s United Motors, M/s Master Motors, M/s JW Forland and M/s Kia Lucky Motors have started production. However, M/s Hyundai Nishat has been granted the

manufacturing certificate and its first model i.e. an LCV, will be launched in January 2019.

Advisor to PM asked the New Entrants independently regarding their progress and emphasized on make in Pakistan. M/s United informed the house that they have sold 1,700 units of United Bravo and made more than 35 changes/improvements in the design of their principal. Advisor appreciated the efforts of the company and showed a desire to visit the plant at a convenient date.

The representative of M/s Master Motor Limited (MML) informed that their brand name is Changan, Advisor to PM however emphasized on local brand names. The representative of M/s Kia informed the house that they completed the project in minimum time period of 18 months and their company is performing well in the current situation. The representative of M/s Hyundai Nishat briefed about their project and showed satisfaction on the progress. Vehicle manufacturing by M/s Regal Automobiles and M/s JW Foton (Forland) also came under discussion. With reference to remaining companies, Advisor directed EDB to analyse the investment agreements and take up the matter with respective companies for compliance. In case of material deviation from their business plans or reasons for delay in their projects, the companies may be asked to submit an update or EDB may consider recommending cancellation of their Greenfield Status to MoIP.

-Regulatory Mechanism for Safety and Environment Regulations of UNECE's WP-29

Chairman BoM, EDB informed the meeting regarding WP-29 Regulations of United Nations Economic Commission for Europe (UNECE)'s which is aimed at harmonization of automotive regulations/ standards relating to safety and environmental protection across the globe. DGM-Incharge (Policy) EDB further informed the house that summary for adoption of WP 29 Regulations has been approved by Cabinet. Accordingly Ministry of Industries and Production forwarded the accession document on 11th July 2019 to Ministry of Foreign Affairs (MoFA) for consideration and onward submission to UN for adoption. The house was informed that MoIP has recently issued a reminder to MoFA regarding submission of accession document to UN Secretary General in view of the approval of Cabinet. Advisor to PM asked Secretary MoIP to pursue the matter at his level and ensure submission of accession document to UN Secretary General at the earliest. Furthermore, he emphasized adoption of WP 29 Regulations on Priority Basis to ensure harmonization and increasing prospects for export development.

-Update on Establishment of Pakistan Institute (PAI)

The house was informed by DGM (Policy), that Auto Development Policy (2016-21) recommended establishment of Pakistan Automotive Institute (PAI) and a merger of Automotive Testing & Training Center (AT&TC) with the proposed PAI was also considered. It was also informed that EDB is working with Japan International Cooperation Agency (JICA) since 2010, in the recent past, a Japanese Consultant working on the establishment of PAI questioned the feasibility of establishment of PAI without Government's Financial Support. It was informed that the utility of PAI has been further necessitated by the growth in the number of automobile manufacturers in Pakistan. The matter was placed before AIDC for information and update.

Following decisions were taken

Decisions

- i) **EDB to analyze business plans of New Entrants and may recommend cancellation of New Entrant Status in case of material deviation or if progress has not been achieved by a company without significant reason.**
- ii) **MoIP to take up the matter with MoFA for submission of accession document to Office of UN Secretary General.**
- iii) **Visit of Advisor to PM to local manufacturing plant (M/s United Automobiles) to be arranged by EDB on a convenient date.**

AGENDA ITEM NO. 04

KICK OFF MEETING FOR FORMULATION OF AUTOMOTIVE INDUSTRY DEVELOPMENT AND EXPORT PLAN (AIDEP)

DGM-Incharge (Policy) informed the house that ADP 2016-21 attracted significant players from all segments of 4 wheelers. It was proposed that AIDC may consider exporting parts and components at initial stage. Mr. Nabeel Hashmi member BoM added that industry has a great potential to expand within the country and abroad as well. He said that EDB has always taken steps to encourage local manufacturing and EDB should liaise with local manufacturers to develop auto parts specific policy as well. Advisor to PM supported the proposal and it was decided that on expiry of ADP 2016-21, the new policy should be named as Auto Industry Development and Export Plan (AIDEP) and it should also include steps towards penetration of local manufacturers in the aftermarket and towards exports of automotive parts and components in addition to CBUs.

The advisor approved kick-off of Auto Industry Development and Export Plan (AIDEP) and directed to carryout stakeholder consultation in this regard. Chairman BoM informed that in order to ensure further development of local automotive industry and to align it with the global requirements, Auto Industry Development and Export Committee (AIDEC) will be constituted under which various sub committees shall deal with all aspects governing the auto sector to effectively meet the AIDEP objectives . Chairman BoM also asked the house to submit TORs for AIDEP to EDB for compilation before the next meeting which will be held in mid of December 2019.

Decision:

“It was decided that AIDEP committee may be constituted and a meeting may be scheduled in middle of December 2019 for inputs of stakeholders.”

AGENDA ITEM NO. 05

Discussion on progress on formulation of “ National Electric Vehicle Policy” by EDB/ Mol&P.

The detailed progress report on EV Policy Formulation was presented in the meeting which inter-alia included following information:

- Presentation to Honourable Prime Minister by MoCC, 17 May 2019
- First Meeting at MoCC, May 23, 2019 wherein EDB was invited.

- Meeting of Stakeholders by EDB, May 29, 2019 and its proposals
- EVs discussed as agenda of AIDC Meeting, June 19, 2019 and the point of view taken in the meeting of stakeholders were endorse.
- Meeting of Advisor to PM: EDB & MoCC, June 21, 2019 wherein it was decided that the policy formulation for automobiles relate to MoIP
- Cabinet Division OM, 27th August 2019 stating Policy Formulation is MoIP’s domain
- Notification of EV Policy Formulation Committee by MoIP, 5th Sept 2019 wherein EDB has been tasked to perform as a Secretariat.
- Meeting at MoIP with MoCC, FBR, MoST & EDB, Sept 18, 2019 chaired by Addl. Secretary MoIP and subsequent meetings of stakeholders at LCCI with 2-3 wheelers (10,Oct), Meeting in PIDC Karachi, 2-3 wheelers & 4 wheelers(01 Nov 2019), Internal discussions and various tariff options discussed at MoIP

The house was informed that EDB/MoIP has reached initial agreement and EV Policy is to be discussed among Government Bodies at MoIP’s level, the Ministry of Climate Change has presented Electric Vehicle Policy before Cabinet on November 05, 2019. The decision of the Cabinet is still awaited. However, it has been dicussed in the cabinet meeting that an inter-ministerial committee co-chaired by Ministry of Industries and Production will be formulated to further deliberate of the EV Policy. The stakeholders showed reservations to the advisor and he asked the stakeholders to submit their reservations on the same to his office i.e. MoIP and EDB. He highlighted that EDB/ Mol&P is mandated for EV Policy formulation under rules of business and possess requisite expertise as well.

Mr. Ali Asghar Jamali, CEO, M/s Indus Motor Company Pvt Ltd highlighted that EV and Hybrid be included in the policy and Make in Pakistan be promoted rather than import in CBU form. He added that parts not being manufactured in Pakistan may be allowed at concessionary duty. Mr. Shafiq A Sheikh of Pak Suzuki endorsed the proposal of M/s Indus Motor Company. Secretary Mol&P also informed the house that Mol&P initiated work on EV Policy Formulation and designated EDB as the secretariat of the Electric



Vehicle Policy Formulation subsequently a number of meeting were conducted with stake holders. Secretary Industries said the MoI&P will be able to take any action on receipt of

letter by Ministry of Climate Change or as and when the decision of Cabinet is conveyed to MoIP. Mr. Shafiq Ahmed, Head of Public Relations, M/s Pak Suzuki Motor informed the house that their Japanese Principals are showing great concerns on EV policy and the reports on media are also alarming. He highlighted that Pakistan Standards Quality Control Authority is also working on EV standards without consultation with stake holders.

Advisor to PM asked the house to submit their reservations to EDB especially in view of accession of WP 29. The CEO of M/s Kortech Auto Industry highlighted the importance of parts manufacturers and asked for tax break for parts manufacturers for investment in EV projects.

Decision:

“It was unanimously agreed that MoIP/EDB shall take over EV policy and all stakeholders will submit their reservations to EDB by Monday and the same will be forwarded to ECC as and when required. Meanwhile, EDB was directed to carryout consultations with stakeholders and prepare a policy encompassing all the major aspects including technology development, tariff rationalization, mission reduction, localization of parts and components etc.”

AGENDA ITEM NO. 06

DISCUSSION ON LOCALIZATION OF AUTOMOTIVE PARTS AND ACCESSORIES UNDER S.R.O 655(I)/2006 DATED 22ND JUNE 2006 LETTER SUBMITTED BY CHAIRMAN PAAPAM.

Chairman PAAPAM wrote a detailed letter to Secretary Ministry of Industries and Production wherein certain proposals were highlighted for consideration. The letter was circulated as an enclosure of the agenda. During the meeting, Chairman PAAPAM was asked to explain the requests by PAAPAM in detail. On reply to a query and contents of the letter, Mr. Zaheer Uddin Dar highlighted that neither EDB nor MoIP has the mandate to intervene in the business decisions and transactions between the OEMs and vendors. However, the localization aspect and export of automotive parts and components can be discussed in detail before making and final decision. The proposal of Chairman PAAPAM with respect to review of SRO 655 was much argued by the OEMs. It was decided that instead of bringing such letters for discussion in AIDC, PAAPAM and PAMA may jointly discuss the feasibility of proposals and discuss the same in the AIDC meeting if required. Moreover, such matters can be discussed in the technical committee of AIDC prior to putting up as an agenda of AIDC meeting. It was decided that a sub-committee will be formulated under AIDC which will submit its technical input for consideration of AIDC on case to case basis including new technologies. Moreover, to review the inputs allowed to various companies under SRO 655, a review committee to streamline/cross check the inputs allowed under SROs may be formulated. Following decisions were taken:

Decision:

- i) "AIDC recommended constitution of a sub-committee on Technical issues related to automotive sector."***
- ii) "Formulation of SROs Rationalization Committee was recommended by AIDC"***

AGENDA ITEM NO. 07

Discussion on Technical Issues by various stakeholders.

-Value Addition in the light of SRO

The discussion on the agenda was not held in view of decision regarding composition of technical committee.

-Classification of assemblies, sub-assemblies & respective levy of custom duty

It was unanimously agreed to form subcommittee for such issues and the same will be discussed at length at the sub-committee level for intimation to AIDC and its enforcement of EDB.

-Permission of imports against foreign remittance-letter by Ministry of Overseas Pakistanis

Regarding permission of imports against foreign remittance-letter by Ministry of Overseas Pakistanis, Pakistan Automotive Manufacturers Association (PAMA) and Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM) members have unanimously refused the subject proposal. They showed concern on the proposal and suggested to give exemption on sales tax and other benefits on the locally produced vehicles to support the overseas Pakistanis who remit USD 100,000 over a period of 2 years instead of allowing them to import used vehicles from abroad. Chairman EDB highlighted that surprisingly, he has not seen any proposal for concessionary import of trucks or buses against such remittances, which might add to the economy of the country. Apparently, this proposal has been forwarded to serve vested interests of importers and hence cannot be supported.

Decision

" AIDC unanimously regretted/rejected the proposal to allow duty free import of cars against remittances from abroad"

ADDITIONAL AGENDA ITEMS

I. BOI's letter regarding scope of AIDC & review of ADP 2016-21

Secretary AIDC discussed the letter addressed to EDB in the light of minutes of 28th AIDC meeting by Director Board of Investment and clarified that any changes in the



ADP 2016-21 are recommended, approval from ECC of the cabinet would be required. At present, no changes are under consideration.

II. Limiting import of Buses in CBU under ADP 2016-21, minimizing the incentive

The request by PAMA and M/s Master Motors was discussed and it was highlighted that change in policy and approval from the cabinet will be required in case of any change in the policy for minimizing the incentive. CEO Al Haj FAW strongly opposed the change in policy as it is favoring a specific company. It was highlighted

by EDB that several other companies under ADP 2016-21 are also planning to manufacture buses in Pakistan, the legal position in this regard will also need consideration prior to any recommendation. In addition, the matter needs deliberation at length.

III. Definition of SUVs for submission to FBR

It was highlighted that FBR understands the classification of vehicles as SUV or otherwise, it is appropriate that the cases may be forwarded for clarification if the misuse is feared at import stage (commercial imports or import under import policy schemes). The classification of EDB as an SUV for import of CKD is to be considered as final

IV. Problems regarding uploading in WEBOC System for new investors under ADP 2016-21

The problem of uploading on WEBOC by new entrants, the manual entries and difficulties in sales tax refund at the later stage were discussed. It was decided that EDB and FBR will liaise to solve this operational problem by mutual discussion.

The meeting ended with the vote of thanks to the chair by all the participants. Advisor to MoIP congratulated Chairman BoM EDB for organizing a successful meeting encompassing almost all the issues being faced by automotive sector.
