

ENGINEERING DEVELOPMENT BOARD

24th Meeting of the Auto Industry Development Committee Held on, 13th April, 2017 Minutes of the Meeting

24th Meeting of the Auto Industry Development Committee was held on 13th April, 2017 in the conference room of EDB under the chairmanship of Mr. Sher Ayub Khan, Chief Executive Officer (CEO), EDB. The list of the participants is attached as *Annex-I*.

The meeting started with recitation from Holy Quran. The Chair welcomed all the participants. After introduction of the participants, the forum was opened for discussion. The Meeting was held in cordial environment and participants supported positive steps for promotion of automobile industry. Following Agenda Items were discussed during meeting.

S.#	Agenda Item
Item No. 01	Confirmation of the Minutes of 23 rd Meeting of AIDC held on June 09, 2016
Item No. 02	Implementation of ADP 2016-21, Reimbursement payment adjustment @ KIBOR +2% on delivery beyond 60 days
Item No. 03	Request of Regal Automobile Industries Limited under Automotive Development Policy 2016-21
Item No. 04	Request for Brownfield Investment under Automotive Development Policy 2016-21 by M/s Dewan Farooque Motors Ltd.
Item No. 05	Request for Green Field Investment under Automotive Development Policy 2016-21 by M/s Al-Haj Faw Motors (Pvt.) Ltd
Item No. 06	Discussion on FTA's with Thailand & Turkey and Pakistan's stance.
Item No. 07	Installation of E.D Paint facility for Cars, LCVs and HCVs: Discussion on amendment in relevant SRO.
Item No. 08	Update on Adoption of United Nations Economic Commission for Europe (UNECE) WP-29 Regulations
Item No. 09	Discussion on establishment Pakistan Automotive Institute (PAI)
Item No. 10	Discussion on Motorcycle Policy in the light of ECC's decision.
Item No. 11	Snapshot of applications received for investment in Automotive sector.
Additional Items	
Addl. Item No. 01	Inclusion of text in the Appendix- H of the Import Policy Order (IPO)-2016
Addl. Item No. 02	Clarification in dates for commercial production – Ghandara DF (Pvt.) Ltd.,

AGENDA ITEM NO. 1

CONFIRMATION OF THE MINUTES OF 23rd MEETING OF AIDC HELD ON 9th JUNE, 2016.

The Committee was informed that Minutes of 23RD Meeting of AIDC were circulated among members of AIDC. The objections raised by M/s PAAPAM regarding approval of M/s Minsk Tractor Works (MTW) Pak Assembling Industries as New Entrant under previous policy, were clarified and since no objection/ observations were raised by AIDC Member/s on other agenda items, therefore minutes of 23rd Meeting of the AIDC may be confirmed/ approved.

The AIDC confirmed / approved the Minutes of the 23rd AIDC held on 9th June, 2016.

AGENDA ITEM NO. 2

IMPLEMENTATION OF ADP 2016-21, REIMBURSEMENT PAYMENT / ADJUSTMENT @ KIBOR +2% ON DELIVERY BEYOND 60 DAYS

The committee was informed that under Automotive Development Policy 2016-21, approved by the ECC of the Cabinet on 18th March 2016 which became effective from 1 July 2016, among the other consumer welfare measures following measure was also taken to address vehicle delivery issues:

“Amount of advance payment shall be limited up to 50 percent of the total price. Price and delivery schedule, not exceeding two months, shall be firmed at the time of booking. Any delay over two months shall result in discount @ KIBOR+2 percent prevailing on the date of final delivery/settlement from the final payment, which shall help shorten delivery lead time”

Furthermore, the Committee was also informed about the implementation status of above policy measure. It was informed that the notification issued by Ministry of Industries & Production was circulated by EDB to OEMs to ensure compliance. Among the car manufacturers, M/s Honda Atlas Cars (Pakistan) Ltd. and M/s Indus Motors Company Ltd. have shown compliance, whereas, feedback from Pak Suzuki Motor Co. Ltd., was received by EDB a day before AIDC Meeting wherein Pak Suzuki Motor Company has informed that they are also complying with the policy.

Mr. Maqsood ur Rehmani, Vice President, M/s Honda Atlas Cars (Pakistan) Ltd. informed that

they have made payment adjustment amounting to approximately Rs 200 million on account of late delivery charges. He added that they have also started their second shift from December 2017 to cater for increased demand. Mr. Wajid Bux, representative of M/s Indus Motor Company informed that the company also adjusted @KIBOR+2%, on account of late and have so far paid Rs 100 mil. to consumers. Regarding production of cars he informed that at the moment they are operating at 110% of their installed capacity to meet the increased demand. Representative of Pak Suzuki Motor Company informed that they are complying to the policy and carrying out booking on advance payment of Rs. 200,000. He added that there are no late delivery issues and Pak Suzuki is delivering vehicles to customers within two months. Car OEM's emphasized on the issuance of SRO/ legislation for implementation of consumer welfare measures i.e. discount@KIBOR+2%.

Mr. Muhammad Abid Mumtaz Warraich, President Consumer Welfare Association informed that claims of car OEM's are not correct as M/s Indus Motors Company has stopped booking and delivery schedule is 5-6 months instead of two months while ON money is Rs. two lac. He further suggested the OEMs to enhance their capacity.

Dr. Kausar Ali Zaidi, Joint Secretary, Ministry of Commerce, also stressed upon enhancement of capacity in view of increased demand. Ministry of Commerce's viewpoint imports of cars should be more liberal to fulfill shortfall and to address issues of delivery and ON money. Regarding issuance of SRO for implementation of discount@KIBOR+2% he was of the view that there is no need for issuance of SRO as the price is not fixed by the Government.

Mr. Shariq Suhail, CEO, Rubatech Manufacturing Co. added that in coming few years new investors are expected to invest under Automotive Development Policy 2016-21 and the existing supply demand gap shall be filled in near future.

Decision:

The Committee decided that Car OEM's shall provide the details of customer wise booking & delivery schedules to EDB. Matter regarding issuance of SRO for implementation of discount @KIBOR+2% shall be considered after discussion with Ministry of Finance and State Bank of Pakistan.

AGENDA ITEM NO. 3

REQUEST OF REGAL AUTOMOBILE INDUSTRIES LIMITED UNDER AUTOMOTIVE DEVELOPMENT POLICY 2016-21

The Committee was informed that M/s. M/s Regal Automobiles Industries Ltd (RAIL) applied for the Greenfield Investment Incentives under New Investment Policy of ADP 2016-21 for establishing auto assembly plant in Lahore for the production/ assembly of light commercial vehicles (LCVs) and Mini Van/ Bus under Technology Transfer agreement with DFSK Motor Co. Ltd, a subsidiary of Dongfeng Motors Corporation, China.

Further, it was informed that M/s Tayyaba Motors (Pvt.) Limited, approached EDB claiming that their and M/s RAIL's principals is same i.e. Dongfeng Sokon and DFSK, even their factory address and vehicles offered by both of them are physically same with the only difference of label/ logo. The firm therefore claimed that M/s Regal Automobile Industries Ltd., cannot avail the concessions of Greenfield investment under ADP 2016-21. However, M/s Regal Automobiles denied and claimed that the WMI Number which segregates one assembler from the other is different in case of Sokon and DFSK in addition to the Government Website information which also confirms that these two are different makes.

Decision:

After detailed deliberations, the committee decided that both the firms shall provide information of design patents from their principals and other related information facilitating EDB to evaluate and decide, accordingly.

AGENDA ITEM NO. 4

REQUEST FOR BROWNFIELD INVESTMENT UNDER AUTOMOTIVE DEVELOPMENT POLICY 2016-21 BY M/S DEWAN FAROOQUE MOTORS LTD.

The Committee was briefed regarding the application of M/s Daehan Dewan Motor Company (Pvt.) Ltd., received through BoI for revival of manufacturing plant of M/S DEWAN FAROOQUE MOTORS LIMITED (DFML), under Brownfield Investment category of Automotive Development Policy (2016-21) for the production of Shehzore (LCV) and Ssangyoung (SUVs) vehicles. Further, the plant was closed down since 2010.

The Committee was also briefed about reasons for operations of M/s DFML beyond the cutoff

date i.e July 1st 2013 which was given special approval by Auto Industry Development Committee (AIDC) (16th meeting) to consume their leftover inventory during September 2013 to February 2014. During the said time period, M/s DFML did not import any kit. Mr. Shariq Suhail informed that continuation of the plant also helped the vendors who were in crisis as well at that time. M/s Indus representative also appreciated the fact that M/s Dewan despite the crisis maintained the plant and supported the employees during the period of closure i.e 2010 to 2016. This served the national interest. They supported revival of the unit. Representative of M/s Tayyaba Motors while endorsing the point of view informed that the unit is located in the remotest areas of Sindh, they need to be morally and ethically supported. While other OEMs and participants also unanimously agreed that M/s Dewan Motors need to be duly facilitated and that the plant was shut down in 2010 and temporary operations may not be termed as plant being operational in view of no CKD imports and the agreement with Principal was also not revived. Their case may be processed without change in policy. FBR point of view was that whether the plant was closed or operational is to be decided by the EDB, they do not support any change in policy since it is mentioned in the policy that it can only be reviewed after two years while it is only in its first year of implementation.

The EDB officials involved in the process of developing the policy were of the view that the Brownfield Investment category was proposed to facilitate revival of closed down units and M/s DFML was the largest among such units.

Decision:

Keeping in view the spirit of the existing policy for revival of closed down units, the AIDC unanimously supported the case of M/s Dewaan Farooque Motors for suitable amendments in the ADP 16-21 for availing benefits under the Brownfield Category

AGENDA ITEM NO. 5

REQUEST FOR GREEN FIELD INVESTMENT UNDER AUTOMOTIVE DEVELOPMENT POLICY 2016-21 BY M/S AL-HAJ FAW MOTORS (PVT.) LTD

The Committee was informed regarding the request of M/s AL-Haj FAW Motors (Pvt.) Ltd., for Greenfield incentives under Automotive Development Policy 2016-21 for the assembly of their

new vehicle i.e. cars. Further, it was also informed that M/s Pak Suzuki Motors Co has requested that their new investment should also be considered under Greenfield Investment on the same grounds. Representative of M/s FAW informed that BOI team visited their facilities and recommended their case. Representative of BOI however interjected that BOI supported their case and did not recommend.

Majority of the participants were of the view that comparatively existing OEMs are in a better position to bring new products in the country, therefore, they should also be considered for incentives under new Policy for their new products for a lesser period of say two years. Moreover, through this amendment local vendors would have more opportunities for new businesses and technologies. FBR was not in support of any amendment in the ADP 2016-21 at this point of time. The auto parts manufacturers were of the view that the incentives should be given to them also as car/vehicle manufacturing is a coordinated activity which involved investments by the part makers also. The house was briefed that the draft policy provided for the incentives for existing car manufacturers but the same was not agreed by the committee which finalized the draft of ADP. In view of the aforementioned discussion, majority of the house was of the view that the policy could have been more effective in its previous drafted shape with a wider scope of competitiveness and as such it merits consideration for review.

Decision:

The AIDC recommended amendment in ADP 2016-21 to existing OEM's for two years in order to provide level playing field to existing OEM's for their new category of vehicles and also incentives for auto parts manufacturers to upgrade and enhance their competitiveness as per proposed draft policy.

AGENDA ITEM NO. 6

DISCUSSION ON FTA'S WITH THAILAND & TURKEY AND PAKISTAN'S STANCE.

The Committee was briefed that PAAPAM delegation has visited Bangkok in March 2017 and a meeting was organized through Embassy of Pakistan in Bangkok. On Chair's request PAAPAM briefed the participants regarding outcomes of their meeting with Thai counterparts. Major points discussed were as under:

- Thai auto parts manufacturers were invited for investment in Pakistan through joint ventures and technology transfer agreements;
- Potential for export of auto parts from Pakistan was also discussed.

Members of PAAPAM appreciated the efforts of EDB regarding inputs taken from part manufacturers from time to time during finalization of FTA with Thailand and Turkey.

Decision:

The Committee acknowledged the efforts of EDB and advised to ensure active participation of PAPAAM in FTAs to safeguard interest of local industry.

AGENDA ITEM NO. 7

**INSTALLATION OF E.D PAINT FACILITY FOR CARS, LCVS AND HCVS:
DISCUSSION ON AMENDMENT IN RELEVANT SRO.**

The Committee was briefed on newly imposed mandatory condition of installation of E.D. paint facility under SRO 656(I)/2006 dated 22.06.2006 for OEMs manufacturing Cars & LCVs. The problems faced by existing LCV/ HCV manufacturers due to the said change were also highlighted. Representative of NLC was of the view that E.D. paint facility may also be relaxed for new investors of HCV's for certain time period. However, it was agreed that the existing players may be facilitated for installation of ED Paint facility at present whereas EDB may decide the applications submitted by new entrants on case to case basis.

Decision:

Keeping in view requirements of heavy investment and time for installation of E.D. paint facility, the Committee recommended relaxation in the said mandatory condition for existing OEM's up till June 30th 2018.

AGENDA ITEM NO. 8

UPDATE ON ADOPTION OF UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UNECE) WP-29 REGULATIONS

The Committee was informed about EDB's participation in 167th meeting of WP-29 held in Geneva and it was highlighted that summary for adoption of regulations has been submitted to Ministry of Industries & Production for final approval.

Few participants had reservations on adoption of WP-29 and informed that they are not aware of WP-29 regulations and requested that Government should take on board all the stakeholders

before adoption of these regulations. The Secretary AIDC, reminded the participants that adoption of WP-29 was discussed in 22nd AIDC meeting held on 17th November 2015 and was supported by PAMA, PAAPAM and other stakeholders. The chair proposed formulation of a sub-committee to work on adoption of WP 29.

Decision:

EDB to constitute a Committee comprising members from PAMA, PAAPAM, Consumer Rights Association and relevant Government Bodies to adopt WP 29 Regulations.

AGENDA ITEM NO. 9

DISCUSSION ON ESTABLISHMENT OF PAKISTAN AUTOMOTIVE INSTITUTE (PAI)

The Committee was briefed that among other interventions, ADP 2016-21 provides for establishment of Pakistan Automotive Institute (PAI) for planning and implementation of activities relating to the development of the automobile industry, particularly research, education, testing infrastructure and technical guidance relating to quality improvement, safety inspection and environmental preservation as well as development of a database covering technical information relating to the automobile industry. This can be achieved through merger of the newly-created PAI with Automotive Testing and Training Centre (AT&TC), a subsidiary of Pakistan Industrial Development Corporation, which is being considered for transfer to EDB.

Mr. Y. Nakagawa, JICA Expert, also briefed the Committee about the status. He informed that EDB initiated the process for establishment of Pakistan Automobile Institute and circulated questionnaires to OEMs and vendors to have need assessment of local automobile industry regarding testing and training requirements. He added that in spite of repetitive reminders and follow-ups, a few OEMs & vendors submitted filled questionnaires and, therefore, in upcoming weeks he is planning to visit Karachi and Lahore based OEM's to get the necessary information.

Decision:

AIDC appreciated the initiatives and advised PAMA & PAAPAM to provide the necessary information at the earliest and help the team in data collection with reference to PAI.

AGENDA ITEM NO. 10

DISCUSSION ON MOTORCYCLE POLICY IN THE LIGHT OF ECC'S DECISION.

The Committee was informed that in the case of M/s Atlas Honda Ltd., regarding New Entrant Status for their new motorcycle the ECC of the Cabinet directed that a Committee comprising Secretary, Industries & Production (Convener), Chairman FBR and representative from Finance Division will review the New Entrant Policy for Motorcycle Industry and submit its report to the ECC. Further, few meetings of the Committee were held in Ministry of Industries and Production and in the final meeting the Committee directed EDB and FBR to decide the tariff structure to be proposed in the new policy for motorcycle industry. In this regard, it was decided that a meeting between FBR and EDB shall be scheduled to discuss the issue while stakeholders shall be contacted for inputs during AIDC.

Decision:

The Committee decided that EDB and FBR shall decide the tariff structure in consultation with the stakeholders.

AGENDA ITEM NO. 11

SNAPSHOT OF APPLICATIONS RECEIVED FOR INVESTMENT IN AUTOMOTIVE SECTOR.

The Committee was briefed on the applications received for investment in automobile sector under the new Investment Policy of ADP 2016-21.

Decision:

The Committee acknowledged the information.

ADDITIONAL ITEMS

ADDL. AGENDA ITEM NO. 1

INCLUSION OF TEXT IN THE APPENDIX- H OF THE IMPORT POLICY ORDER (IPO)-2016

The Committee was informed about the inter-ministerial group comprising of Ministries of Science & Technology, Commerce and National Food Security & Research constituted to review the list of pre-shipment inspection companies in Appendix-H. The Committee was also briefed

that the group had decided that following text would be included in Appendix-H of IPO instead names of pre-shipment inspection agencies:

- a) Pre-shipment Inspection shall be conducted by Inspection Agencies accredited in accordance with the requirement of ISO/IEC 17020;
- b) The Inspection Agency's scope of accreditation shall encompass the type of inspections required for the particular inspection work;
- c) The accreditation of inspection agency must be issued by an accreditation body in the country of origin or export, which is operating in accordance with ISO/IEC 17011, and preferably a member of International Laboratory Accreditation Cooperation (ILAC). List of such agencies is available on www.ilac.org.
- d) In case, there is no accreditation body in the country of origin or export, a pre-shipment Inspection Certificate will be issued by one of the inspection agencies accredited by Pakistan National Accreditation Council. Details of Inspection Bodies are available on www.pnac.org.pk.

Decision:

Keeping in view the reservations raised by the local OEMs the Committee decided not to support the proposed amendment in the Trade Policy. However, Ministry of Commerce may take the final decision in view of international commitment, if any, but after ensuring protection for the local industry against misuse.

ADDL. AGENDA ITEM NO. 2

STUDY ON CONVERTING AUTOMOBILE INDUSTRY INTO AN EXPORT ORIENTED INDUSTRY

The Committee was briefed that the 10th meeting of the Advisory Committee of Ministry of Planning, Development and Reform was held under the chairmanship of Prof. Ahsan Iqbal, Minister for Planning, Development and Reform in August, 2016. EDB made a presentation on deletion programs and its implementation and the ADP (2016-21). Further, following decision taken by the Advisory Committee.

“EDB will carry out a study on converting Automobile Industry into an export oriented industry.”

Decision:

The AIDC advised PAMA and PAAPAM to ensure feedback to EDB for submission of recommendations on converting automobile industry into export oriented industry.

ADDL. AGENDA ITEM NO. 3**CORRECTION IN DATES FOR COMMERCIAL PRODUCTION –GHANDARA DF(PVT)LTD**

The Committee was briefed about the request of Ghandhara DF (Pvt.) Ltd., regarding start of production period as per following schedule from date of commercial production on products approved by the AIDC in previous meetings:

Vehicles	Start of Trial production	Start of commercial production
DONG FENG 4X2 rigid model captain c(c62867)	31 may 2014	31 May 2015
DONG FENG KINLAND 6X4 TRUCK TRACTOR/PRIME MOVER MODEL DFL 4250-K04Y-981-022J(280HP)	27 October 2014	16 Feb 2015
DONGFENG KINGRUN 4X2 RIGID TRUCK MODEL DFL3180-KU2Y-981-002J(210HP/18TONS)	26 January 2015	31 August 2015

The house was informed that since the above case was the last under previous Auto Policy i.e 2007- 2012 they may therefore be facilitated however for all future cases involving investment/ localization plans , generation of first sales tax invoice may be considered as start of commercial production.

Decision:

The committee approved the request of M/s Gandhara DF and that in future first Sales Tax invoice shall be considered as start of commercial production.

The meeting ended with a vote of thanks to and from the Chair.
