

Engineering Development Board
Ministry of Industries & Production
Government of Pakistan

No. EDB/AIDC/2020
May 06, 2020


SUBJECT: **MINUTES OF THE 32TH MEETING OF AUTO INDUSTRY
DEVELOPMENT COMMITTEE (AIDC)**

Dear Sir,

Please refer to the 32th Meeting of the Auto Industry Development Committee held on Thursday, 23rd April, 2020 through Internet (Zoom).

2. The draft minutes of the subject meeting are enclosed for submission of comments before 20th May, 2020.

Best regards,


(Engr. Asim Ayaz),
Dy. GM-Incharge (Policy),
Secretary AIDC,
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Distribution: -

- (1) The Secretary, Ministry of Industries & Production, Islamabad
- (2) The Secretary, Ministry of Commerce, Islamabad.
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- (4) The Secretary, Ministry of Science & Technology, Islamabad
- (5) The Secretary, Ministry of Climate Change, Islamabad
- (6) The Secretary, Ministry of Planning, Development & Reforms, Islamabad
- (7) The Chairman, Federal Board of Revenue, Islamabad
- (8) The Chairman, Higher Education Commission (HEC), Islamabad
- (9) Joint Secretary (LED), Ministry of Industries and Production.
- (10) Joint Secretary, Ministry of Science and Technology.
- (11) Joint Secretary, Ministry of Commerce.
- (12) Joint Secretary, Ministry of Climate Change.
- (13) Dr. Gul Muhammad Laghari, Chief (Industries and Commerce), Ministry of Planning Development and Reform.
- (14) Chief Custom (Tariff & Trade), Federal Board of Revenue.
- (15) Chairman, Higher Education Commission.
- (16) Managing Director, PSQCA.
- (17) Chairman PAAPAM.
- (18) Senior Vice Chairman, PAAPAM
- (19) Chairman PAMA.
- (20) CEO, Indus Motor Company.
- (21) CEO, Kia Lucky Motors Pvt. Ltd.
- (22) CEO, Atlas Honda Ltd.
- (23) CEO, United Auto Industries Pvt Ltd.
- (24) CEO, Millat Tractor Ltd.

- (25) CEO, Master Motors Pvt Ltd.
- (26) CEO, Metaline Industries Pvt Ltd.
- (27) CEO, Thermosole Industries (Pvt) Limited.
- (28) CEO, Infinity Engineering Pvt Ltd.
- (29) CEO, Hybrid Technics Pvt Ltd
- (30) CEO, Dartways.
- (31) Chairman, Consumer Association of Pakistan.
- (32) CEO, Ghandhara Industries Pvt Ltd.
- (33) CEO, Hyundai Nishat Pvt Ltd.
- (34) CEO, Honda Atlas Cars Pakistan Ltd.
- (35) CEO, Pak Suzuki Motor Co Pvt Ltd.
- (36) Mr. Shariq Sohail, Rubatech Industries Pvt Ltd.
- (37) Mr. Amir Allawalah, Techno Engineering
- (38) Mr. Usman Malik, Kortech Industries Pvt Ltd.
- (39) CEO , AuVitronics Limited.
- (40) CEO, AL-Haj Faw Motors Pvt Ltd.
- (41) CEO, M/s Foton JW Auto Park (Pvt) Ltd.
- (42) CEO, M/s Regal Automobile Industries Ltd.
- (43) Mr. Farhan Hanif, Chairman Crown Group.
- (44) CEO, Daehan Dewan Motor Company, Karachi.
- (45) Shabbir Dewan, Gatron Industries Ltd. / Novatex Ltd, Karachi.
- (46) CEO, Khalid and Khalid Holding Pvt Ltd.

Copy to:

1. PSO to Minister on Industries and Production.
2. ES to Secretary, MoIP.
3. ES to CEO, EDB, Islamabad.



ENGINEERING DEVELOPMENT BOARD

32nd Meeting of the Auto Industry Development Committee (AIDC)

MINUTES OF THE MEETING

32th Meeting of the Auto Industry Development Committee was held on Thursday, 23rd April 2020 at 1100 Hours through Internet (Zoom), under the chairmanship of Chief Executive Officer, EDB. The list of participants is enclosed as Annex-A.

The Chair welcomed all the participants. CEO, EDB started the meeting by paying rich tributes to the Late Mr. Ali Suleman Habib, Chairman Indus Motor Company Ltd. AIDC members expressed profound grief over his death and offered fateha for the departed soul. CEO also expressed sorrow on sad demise of Mr. Qaiser Khatana, Ex-member AIDC and offered prayers.

Following agenda items were presented before AIDC with the permission of chair.

Serial #	Agenda Items
Item No. 01	Confirmation of the Minutes of 31 st Meeting of AIDC held on 12 th March 2020 at EDB Islamabad
Item No. 02	Update on Implementation of major decisions taken in 31 st AIDC Meeting
Item No. 03	Endorsement of Proposals submitted by PAMA and PAAPAM for consideration in Federal Budget 2020-21
Item No. 04	Recommendation for waiver of ACD & FED in Federal Budget 21
Item No 05	Snapshot of achievements under ADP 2016-21, recommendations and clarifications, if any.

➤ AGENDA ITEM NO. 01

Confirmation of the Minutes of 31st Meeting of AIDC held on January 16, 2020.

Mr. Asim Ayaz, Secretary AIDC updated that Minutes of 31st meeting of AIDC were circulated among members. No comments/observations have been received from the members except PSQCA. The observation from PSQCA, being of a technical nature, which will be considered in Technical Committee as advised by AIDC.



Decision

"AIDC approved the Minutes of the 31st AIDC"

➤ AGENDA ITEM NO. 02

Update on Implementation of major decisions taken in 31st AIDC Meeting

Secretary AIDC informed that decisions taken against various agenda items of 31st AIDC Meeting have been taken up with relevant bodies by EDB for provision of information, forwarded to concerned authorities for implementation or are being discussed as agenda of the 32nd AIDC Meeting.

The house was informed that EDB/MoIP has already taken up matter of waiver of ACD & FED with FBR through MoIP. EDB will propose the waiver in the proposals for Federal Budget 2020-21 also.

It was highlighted that import of used cars through misuse of import policy was discussed in 31st AIDC Meeting. According to the data provided by FBR, the import average import of approx. 600 units per month during July-Dec 2019 increased to approx. 1500 units per month in January-February 2020. However, the imports of used cars in March have reduced as per verbal confirmation by FBR. The decrease in imports during March and April may also be attributed to the emergency situation abroad and decreasing interest of the customers due to lock down.

Mr. Tariq Ahmed Khan, Senior Director, Indus Motor Company (IMC) said that total production of all new entrants was around 7,000 units during the corresponding period. It may be noted that import of vehicles from abroad always hurt the local industry. Mr. Shariq Sohail, CEO, Rubatech said that Federal Government may adopt change as per emerging situation as in present circumstances, survival of Automotive industry is an issue. Mr. Muhammad Faisal, COO, KIA Lucky Motors Pvt Ltd said that AIDC may notice that All Pakistan Motor Dealers have approached the court to open commercial imports. Secretary AIDC informed the house that EDB has already submitted reply to the petition and EDB, as always, has supported local manufacturing. Mr. Tahir Secretary (Tariff), FBR said that as the imports of used cars under import policy have reduced significantly, no recommendation is required at this stage.

Zaheer-ud-Din Dar, CEO, Dartways said that import of used cars under import policy schemes can be termed as grey imports. Overseas import may be discontinued and commercial import with restrictions and proper duty structure may be envisaged in upcoming

Auto Industry Development and Export Plan (AIDEP).

Mr. Shariq Sohail, CEO, Rubatech/member PAAPAM proposed that overseas Pakistanis may be offered incentives on locally manufactured cars. Mr. Tariq Ahmed Khan, Senior Director, IMC said that used cars will turn Pakistan into junkyard. The misuse of used cars schemes was key reason behind destruction of automotive industry in New Zealand and Australia. He said that imported used cars with 100% or even with 200% duty will be cheaper than Pakistani cars. Furthermore valuation at custom stage needs to be streamlined whereas proposal to discourage used car imports needs to be deliberated at length.

Secretary AIDC highlighted that draft EV policy has been submitted by EDB to MoIP for consideration. He said that in EDB's view, the recommendations regarding EV specific parts may be forwarded to National Tariff Commission (NTC) for consideration and incorporation in Budget for 2021-22 to the extent of 2-3 wheelers. AIDC members showed no specific observations on lists of EV Specific Parts, which were circulated to relevant industry for their inputs. It was agreed that the EV Specific Proposals will be supported by EDB in upcoming budget.

AIDC was informed that EDB has already supported Vintage Car import proposal with several precautionary measures, which was presented and agreed in the 31st AIDC meeting. Secretary AIDC further added that adoption of WP 29 will be discussed in upcoming meeting of Technical Committee and participation of relevant stakeholders including PSQCA/MoST will be ensured. The concerns of PSQCA submitted in writing will also be addressed in the meeting of technical committee.


Decision

EV specific parts may be forwarded to National Tariff Commission (NTC) for consideration and incorporation in Budget for 2021-22 to the extent of 2-3 wheelers.

➤ AGENDA ITEM NO. 03

Endorsement of Proposals submitted by PAMA and PAAPAM for consideration in Federal Budget 2021-21

Secretary AIDC opened the discussion on the proposals submitted by PAMA and PAAPAM. Mirza Nasir Baig GM (Tariff), said that EDB will analyze all the proposals submitted by the industry before submission to NTC through MoIP. He highlighted that the proposals can mainly be categorized into three categories i.e. PAMA's proposals, PAAPAMs

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recommendations and EV Specific Proposals.

Secretary AIDC informed that due to shortage of time proposals submitted by PAMA and PAAPAM may be discussed in a separate meeting in detail. The house agreed to the proposal and it was agreed that a specific meeting will be held on internet (Zoom) to take a stance on each proposal.

Decision

Proposals submitted by PAMA and PAAPAM to be discussed in a separate meeting in detail and agreed proposals to be submitted to NTC.

➤ AGENDA ITEM NO. 04

Recommendation for waiver of ACD & FED in Federal Budget 2020-21

Secretary AIDC informed that in the 31st AIDC meeting, it was unanimously agreed that removal of Federal Excise Duty and Additional Custom Duty may be recommended in order to boost sales of vehicles in the country. As the data is still awaited from FBR for analysis, In view of request by the industry, EDB proposed that the removal of FED and ACD may be recommended to give relief to the local automotive industry which has been adversely affected by the prevailing situation due to Covid-19. The house unanimously agreed to EDB's proposal.

Decision

Proposal regarding removal of FED and ACD to be forwarded to NTC by EDB along with other Budget Proposals.

➤ AGENDA ITEM NO 5

Snapshot of achievements under ADP 2016-21, recommendations and clarifications, if any.

AIDC was informed that under ADP 2016-21, 19 companies have been granted Greenfield Status whereas 2 units have been revived under Brownfield Category. EDB has facilitated import of plant and machinery and CBUs on case to case basis. Accordingly, the manufacturing certificates have been granted to respective companies on verification of their manufacturing facilities upon requests submitted to EDB. Six new entrants have already started local manufacturing of vehicles in Pakistan.



As per ADP 2016-21, the manufacturing companies have signed contract agreements with MoIP wherein the local manufacturing of CBUs imported under concessionary regime has to be started within two years of import. Similarly, the plant has to start its operations within two years of signing the agreement. New entrants, who have not started their production showed apprehensions to miss the timelines slightly due to prevailing situation, Covid19 and Lockdown. AIDC members were of the view that timeline should be kept intact and cases may be presented to AIDC, which will recommend relaxation on case to case basis.

It was highlighted that ADP, which includes incentives for cars, LCVs, , trucks and buses etc will end in June 30, 2021. During the policy formulation on EVs, EDB has taken the stance the proposals should be synchronized with ADP 2016-21, continuity of ADP 2016-21 to be ensured and no change in ADP till its expiry period i.e. June 30, 2021 should be made.

The house was informed that recently, Al-Haj Bus Company has been approved as new entrant under ADP for manufacturing of 5 variants of buses. Furthermore, M/s Khalid & Khalid, new entrant under ADP also intends to manufacture buses. EDB has also received an application by M/s Universal Motors for manufacturing of Make "Higer". Few other new entrant companies including JW Foton Auto Park, M/s Dysin Automotive have submitted request for change in business plans to introduce HCVs in local market. In this context, the request by M/s Foton JW Auto Park for approval of revised business plan was also discussed, under which approval of five additional variants of buses has been requested in addition to three variants which have been approved already by MoIP. It was highlighted that the company will be entitled to import 800 units of buses. AIDC was informed that MoIP has also desired the inputs by the committee on this important issue. CEO EDB informed the house that Federal Minister for I&P was also briefed regarding M/s JW Forland's request on 13th April 2020 regarding and it was decided to refer the matter to the Auto Industry Development Committee (AIDC).

The house was opened for discussion on import of buses under concessionary regime provided in ADP 2016-21.

Mr. Abid Saeed, COO, JW Foton Pvt Ltd was asked to elaborate the request submitted by his company. He said that M/s JW Foton has made investment under the policy. Investment Agreement signed between his company and MoIP also permits revision of Business Plan. The business considerations of the investors may change by passage of time. With reference to import of buses in CBU condition and expected damage to local manufacturing, he highlighted that import of SUVs have also challenged the existing manufacturers of SUVs



as they also have low volumes. However, policy was kept intact despite the loss of sales to existing manufacturers of SUVs initially. It was also emphasized that the incentive in the policy is linked with investment, which JW Forland has already made partially with an aim to invest further in future. The imported units are to be manufactured locally at a later stage as per agreement, otherwise Government reserves the right to withdraw the benefit and collect the duties retrospectively.

Mr. Nadeem Malik, CEO, Master Motor Ltd was of the view that retrospective collection of duties will be subject to litigation etc. therefore, Government may like to restrict the number of imported CBUs of buses owing to smaller market size. M/s JW Foton may be extended new entrant advantage to the extent of CKD Manufacturing and import of CBUs may be limited to ten per variant as test marketing can be carried out with this number. In addition, Mr. Muazzam Pervaiz, COO Ghandhara Nissan highlighted that the collective market size of Hino, Master and Isuzu is less than 1000 units and as such imports in large number may disturb the market. Mr. Shafiq Ahmed Sheikh, Head (HR & Public Affairs) said that many proposals including their proposal to invest in local market were submitted to EDB/AIDC. But it was decided that current policy will not be changed. He said that new proposals should be discussed in AIDEP whereas continuity of ADP 2016-21 may be ensured.

Mr. Hilal Afridi, CEO, Al-Haj Bus Company, the new entrant under ADP, said that policy should be continued. He highlighted that investment has been made based on commitment by the Government for continuity of the policy till 2021. Changes in the policy might require approval by the ECC, which might be time consuming in current circumstances. He said the change in policy at this stage will send negative signal to the foreign principals/investors as they have planned investments under current regime highlighted in the policy.

Mr. Muhammad Faisal, COO, Kia Lucky Motors said that although the authorization of import of buses to the new entrants will be more than the existing market size, continuity of policy should be ensured. He further explained that if incentives under policy are to be availed till June 30, 2020, it is most unlikely that the new entrants will be able to import their entire quota of buses as imports of buses in CBU condition will depend upon market demand also. He recommended that instead of changing the policy, EDB/MoIP may handle import of buses administratively and the imports may be allowed in phase wise manner.

COO M/s JW Forland emphasized again that the incentive being extended to the new entrants is linked to investment and subsequent local manufacturing of variants imported under concessionary regime, and as such it cannot be classified as cash subsidy being

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provided by the Government. The import of CBUs involves investment i.e. payment to the principal and payment of customs duty on imports. The relaxation is once again linked to the expenses on part of the importer.

In view of foregoing, AIDC deliberated on the matter and decided against changes to be made in ADP 2016-21 at this stage. AIDC was of the view that import of buses in CBU condition under concessionary regime may be handled administratively.

Decision

AIDC recommended in principle that any change in Automotive Development Policy (ADP 2016-21) is not advisable at this stage.

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Engineering Development Board

ATTENDANCE SHEET

32th Meeting on Auto Industry Development Committee (AIDC)

April 23, 2020

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1.	Mr. Raza Abbass Shah	CEO	EDB	051-9202899	
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4.	Mr. Usman Ali	Dy. Manager	EDB	051-9210285	usman@edb.gov.pk
5.	Mr. Shoaib Ch	Assistant Manager	EDB	051-9202108	
6.	Mr. Afzal	GM Marketing & Sales	M/s United Auto Industries Ltd	03008484433	marketing@unitedcars.com.pk
7.	Mr. Atif Masood Khan	Dy. GM Commercial	M/s United Auto Industries Ltd	03334442410	atif@unitedmotorcycle.com.pk
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24.	Mr. Haris Aziz	Executive Member	Vintage & Classic Car Club of Pakistan		haris.akhtar.aziz@gmail.com
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26.	Mr. Zain Shariq	Director Rubatech	M/s Rubatech/PAAPAM	0334-3441260	
27.	Mr. Akhtar.A.	Director PSQCA	PSQCA	0300-8249844	
28.	Engr Ali	Director PSQCA	PSQCA	0300-2255861	
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38.	Mr. Umair Ahmed	DM	Pak Suzuki		
39.	Mr. Nabeel Hashmi	CEO	Thermosole		
40.	Mr. Mirza Nasir Baig	GM	Tariff/EDB		
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