



## ENGINEERING DEVELOPMENT BOARD

**27<sup>th</sup> Meeting of the Auto Industry Development Committee  
Held on, 28<sup>th</sup> November, 2018**

### MINUTES OF THE MEETING

27<sup>th</sup> Meeting of the Auto Industry Development Committee was held on November 28<sup>th</sup>, 2018 in the Committee Room of Board of Investment under the chairmanship of Chief Executive Officer (CEO), EDB. The list of the participants is attached as **Annex-A**.

The meeting started with recitation of Holy Quran. The Chair welcomed all the participants. Subsequent to introduction of participants the chair opened the house for discussion on agenda and working paper already circulated to the members. Agenda was as under:

S.#	Agenda Items
Item No. 01	Confirmation of the Minutes of 26th Meetings of AIDC held on November 29, 2017.
Item No. 02	Recommendation on withdrawal of regulatory duty on import of all input materials to be used by local vendors for the manufacturing of auto parts under SRO 655(I)/2006.
Item No. 03	Consideration of relaxation of time period for installation of ED paint shop facilities by M/s Master Motor and M/s Afzal Motors.
Item No. 04	Review/Discussion on New Entrant Status of M/s MTW Pak Assembling Industries Plant.
Item No. 05	Discussion on Review of SROs in the light of 26th AIDC meeting and proposal to be submitted by PAMA and PAAPAM for value addition and additions deletions in SRO 693(1)/2006.
Item No. 06	Reduction of Customs Duty from 50% to 10% on CKD of electric vehicles subject to preparation of Localization Plan by EDB/MoI&P. Discussion on localization plan of EVs.
Item No. 07	Implementation of ADP 2016-21 <ul style="list-style-type: none"> <li>a) Discussion on incentivizing fleet operations.</li> <li>b) Discussion on implementation of Import Policy in accordance with ADP 2016-21 to curb illegal import of used cars.</li> </ul>
Item No. 08	Reconstitution of Committee on Automotive Development Policy 2016-21. Re-composition of AIDC (after two years of start of Policy Period)
Additional Item (If any)	Any other agenda item with the permission of the chair.



## **AGENDA ITEM NO. 01**

### **CONFIRMATION OF THE MINUTES OF 26TH MEETINGS OF AIDC HELD ON NOVEMBER 29, 2017.**

The Committee was informed that Minutes of 26<sup>th</sup> Meeting of AIDC were circulated to members of AIDC. Since no objection/ observations were received on the minutes of 26<sup>th</sup> Meeting, therefore, the minutes may be approved/ confirmed.

With reference to the query raised by CEO, M/s Indus Motor Co. Ltd regarding Agenda Item No 10 of 26<sup>th</sup> AIDC meeting wherein he emphasized that the decision recorded in the said meeting was “*The Committee recommended inclusion of fifth tyre in the list of importable components keeping in view its utility and importance for the customer*” but the approval has been given on provisional basis, which is contrary to the decision of AIDC. He requested EDB to amend the approval provided to M/s Indus Motor Company, the comment unanimously endorsed viewpoint of CEO, Indus Motor Company and recommended that the recorded decision may be implemented in letter and spirit.

#### **Decision**

*“AIDC confirmed / approved the Minutes of the 26<sup>th</sup> AIDC held on November 29, 2017 subject to implementation of decision taken in respect of Agenda Item no 10 in case of Indus Motor Company .*

## **AGENDA ITEM NO. 02**

### **RECOMMENDATION ON WITHDRAWAL OF REGULATORY DUTY ON IMPORT OF ALL INPUT MATERIALS TO BE USED BY LOCAL VENDORS FOR THE MANUFACTURING OF AUTO PARTS UNDER SRO 655(I)/2006.**

The committee was informed that the Regulatory Duty on various parts, components and other input materials has been imposed by FBR. PAAPAM has been agitating the same and removal of anomaly has been taken up with FBR wherein imported finished parts made of same steel materials were exempt from RD while, on the other hand, RAW materials for local manufacturing of parts were subject to RD as high as 30%. It was requested by PAAPAM that Government should review its decision vis a vis auto industry and withdraw RD on auto raw materials as it is hurting local industry. Accordingly, FBR has withdrawn RD on inputs but few cases are still unresolved.

Chairman Agri Auto explained that if the inputs i.e. value of raw materials will be high, the value of output will be high as well. This will make the companies non-competitive. PAMA and PAAPAM emphasized that there should be no Regulatory Duty on raw material to enhance the process of rapid industrialization. Furthermore the house recommended that SRO 655 may be exempted from

RD and advised EDB to take up the issue with relevant authorities. The proposal was supported by representative of Ministry of Commerce. The house agreed that RD should be removed from Raw materials. It was also agreed that proposals related to auto sector may be forwarded for removal of RD by December 05, 2018.

### **Decision**

***“EDB to forward proposal for removal of RD along with detailed representations from auto sector to FBR.”***

### **AGENDA ITEM NO. 03**

#### **CONSIDERATION OF RELAXATION OF TIME PERIOD FOR INSTALLATION OF ED PAINT SHOP FACILITIES BY M/S MASTER MOTOR AND M/S AFZAL MOTORS.**

The house was informed that all assemblers of automotive vehicles operate under SRO 656(I)/2006 after physical verification of in-house facilities specified therein. Accordingly, OEMs of HCVs are required to have the ED Paint Facilities for Cabin. Few OEMs approached EDB for relaxation of time frame for installation of ED Paint facility which was placed before AIDC in its 24<sup>th</sup> meeting held on 13<sup>th</sup> April, 2017. The committee decided that ***“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 30<sup>th</sup> 2018”***

However, following firms have submitted their request for further relaxation of time as they are in the process of installation of ED Paint facility

1	M/s Master Motor Corporation	Requested relaxation upto December 31, 2018 as they are installing the ED Paint Facility in their group company i.e. Master Motor Limited.
2	M/s Afzal Motors (Pvt) Limited	Requested relaxation upto June 30, 2019 as they are in the phase of evaluation and will issue ordering during December 2018

The AIDC was informed that EDB issued provisional import authorization to both firms up to December 31, 2018 to facilitate smooth operations/ production. EDB’s technical team also visited the facilities of M/s Master Motor Limited (M/s Master Motor Corporation) for examining the installation work of ED Paint facility and found that the pace of work is satisfactory. Accordingly, M/s Afzal Motors have submitted copies of purchase orders, Letter of Credit etc for installation of ED Paint Facility. Ex-post facto approval of provisional import authorization and relaxation of time mentioned above for installation of ED Paint Facility was placed before AIDC for consideration/ recommendation. The house was also informed that these companies have requested for the clearance of the CKD on provisional basis. Following decisions were taken;



### **Decision**

- i. The Committee decided to extend time period of installation of ED paint facilities to M/s Master Motors till January 30, 2019 for the last time.*
- ii. AIDC decided to give relaxation up to June 30, 2019 for one last time to M/s Afzal Motors (Pvt) limited as they are in the phase of placing orders and L.C opening of ED paint equipment during December 2018. Technical committee as constituted by EDB should visit company in April, 2019 to verify installation of ED paint facility. Meanwhile, the AIDC advised that provisional approvals to facilitate manufacturing may be considered by EDB.*

### **AGENDA ITEM NO. 04**

#### **REVIEW/DISCUSSION ON NEW ENTRANT STATUS OF M/S MTW PAK ASSEMBLING INDUSTRIES PLANT.**

The committee was informed that M/s MTW Pak Assembling Industries was awarded the New Entrant Status under Auto Industry Development Programme (AIDP 2007-12) which was ratified in 23<sup>rd</sup> meeting of AIDC. Accordingly, list of importable components and Manufacturing Certificate was issued to the company on June 30, 2016. MTW Pak Industries did not start commercial operation during the first year therefore the matter was placed before the AIDC in its 26<sup>th</sup> meeting held on 29<sup>th</sup> November, 2017. AIDC's previous decision is reproduced as under:

*The Committee decided that the localization plan shall be started from the date of commercial production; however, the parts localized by the firm shall be deleted from the list of importable components.*

Accordingly, manufacturing certificate and list of importable components after deletion of parts, localized by OEM was issued for the year 2017-18 and subsequently EDB issued provisional approval till 30<sup>th</sup> September 2018. The house was informed that the company did not import CKD in the stipulated time and instead requested for issuance of importable lists for 5 CKD kits in the month of October 2018, in view of their imports lying at port. EDB issued list of importable components to facilitate the company against demurrages on provisional basis to the extent of 5 CKD kits.

AIDC was informed that EDB's technical team also visited manufacturing facilities of the firm subsequently and found satisfactory for the assembly/ manufacturing of tractors.

The matter was placed before the Committee for ratification of approval of provisional import authorization of 5 CKD kits and consideration of continuation of new entrant status for the balance period. After detailed deliberation, following decision was taken;



**Decision**

*“Committee decided to allow authorization of 5 CKD kits and consideration of ab-initio continuation of new entrant status for the company.”*

**AGENDA ITEM NO. 05**

**DISCUSSION ON REVIEW OF SROs IN THE LIGHT OF 26TH AIDC MEETING AND PROPOSAL TO BE SUBMITTED BY PAMA AND PAAPAM FOR VALUE ADDITION AND ADDITIONS DELETIONS IN SRO 693(1)/2006.**

In pursuance of AIDC’s decision taken in its 26<sup>th</sup> Meeting, a meeting to review SROs was convened by EDB on February 22, 2018. During the review meeting of SRO 656(I) /2016 and SRO 693(I)/2006, it was decided that PAMA and PAAPAM will submit a joint proposal on agenda of aforesaid meeting by March 15, 2018. It was informed that PAMA and PAAPAM were requested to convey their position on review of SRO 693 as well. EDB sent three reminders to PAMA and PAPPAM regarding submission of proposal for review of SROs but response was not received. Meanwhile, EDB issued IORs on provisional basis in order to ensure continuation of routine manufacturing activities in the industry. PAMA and PAAPAM were once again requested to submit their proposal especially with reference to value addition. Few participants were of the view that value addition in case of hi tech and low tech parts should not be the same. In addition, simple assembly procedures should not be treated at par with the manufacturing involving expensive machinery, it was however, informed that matter is to be considered by the committee. The participants agreed to present consolidated proposal to EDB till Dec 15, 2018.

It was agreed that in case of any or no proposal, the matter shall be processed by EDB as per existing practice.

**Decision**

*“It was decided that PAMA and PAAPAM will submit proposal by 20<sup>h</sup> December 2018, failing which EDB will continue previous practice of calculation of value addition.*

**AGENDA ITEM NO. 06**

**REDUCTION IN CUSTOMS DUTY FROM 50% TO 10% ON CKD OF ELECTRIC CARS SUBJECT TO PREPARATION OF LOCALIZATION PLAN BY EDB/MOI&P. PREPARATION OF LONG TERM POLICY FOR EVS.**

It was informed that in recent Budget 2018-19, EVs have been incentivized. Customs duty on the import of electric cars in CBU form is also reduced from 50% to 25%.



Federal Government vide SRO 644 has exempted electric vehicles CBU falling under 8703.8090 of the First Schedule to the Customs Act, 1969 (IV of 1969), on the imports from the custom-duty as in excess of twenty five percent.

Import duty on CKD (completely knocked down) kits for the assembly of electric vehicles in the country was proposed to be reduced from 50% to 10% subject to preparation of Localization Plan by EDB/MoI&P. AIDC was informed that MoIP was pressing hard for the localization plan for further submission to the government. The matter was placed before AIDC for consideration with respect to tariffs and localization plan and consideration of preparation of long term policy. In view of local situation and international scenario. The house was of the view that the uncommon parts may be subject to lower duty, the common parts must be treated as per previous regime and a long term policy to be considered instead of provision of short term tariff measures to the industry. AIDC was informed by EDB that among new entrants, few players are already planning to introduce electric vehicles in local market under ADP 2016-21. One of the new investor shared plan with PAAPAM for reference/ consideration of localization plan. In view of foregoing, following decision was taken.

#### **Decision**

***“PAAPAM will provide list of core parts exclusive to EVs by December 20, 2018 i.e exclusive parts of EVs “not manufactured in Pakistan” may be allowed to be imported at reduced duty.”***

### **AGENDA ITEM NO. 07**

#### **IMPLEMENTATION OF ADP 2016-21**

- a) **DISCUSSION ON INCENTIVIZING FLEET OPERATIONS.**
- b) **DISCUSSION ON IMPLEMENTATION OF IMPORT POLICY IN ACCORDANCE WITH ADP 2016-21 TO CURB ILLEGAL IMPORT OF USED CARS.**

#### **a. DISCUSSION ON INCENTIVIZING FLEET OPERATIONS.**

AIDC was informed that Automotive Development Policy (ADP) 2016-21 was approved by the Government on March 18, 2016 and is effective from 1st July, 2016. Keeping in view China Pakistan Economic Corridor (CPEC) and other mega projects like Lahore-Karachi Motorway, it was envisaged to corporatize the trucking sector by incentivizing fleet operation schemes through allocation of dedicated funding by State Bank of Pakistan/IFIs with reduced interest rates to enhance volumes of the industry. The matter was discussed with SBP but concrete measures have not been taken in this regard. EDB is of the view that Heavy Commercial Vehicle Segment may give inputs on this intervention of ADP 2016-21 so that it can be taken up collectively with SBP. Following decision was taken:



**Decision**

***“EDB team along with representatives of PAMA to take up the fleet incentivization and long term financing facility for Trucking Industry/Heavy Vehicle Segment with SBP. PAMA will suggest members by 20<sup>th</sup> December 2018.”***

**b. DISCUSSION ON REVIEW OF IMPORT POLICY IN ACCORDANCE WITH ADP 2016-21 TO CURB ILLEGAL IMPORT OF USED CARS.**

It was informed to the committee that although commercial imports are banned. However, import schemes are being misused by the commercial importers especially in case of cars, LCVs and SUVs.

In addition, local manufacturing under ADP 2016-21 by new cars, LCVs, SUVs and HCVS has already started. Most of the new companies are expected to become operational in next financial year whereas other will start commercial production in 2020-21. In view of the foregoing, the AIDC was requested to advise with reference to misuse of import policy schemes, flight of dollars from local market to foreign country against the spirit of import policy schemes wherein expatriates are allowed to remit their money to Pakistan from abroad. The impact of imports on local industry including Auto Part Manufacturers was also discussed in detail. PAAPAM along with other participants of AIDC were of the view that matter should be taken up by EDB once again with Ministry of Commerce to ensure surveillance. The house was informed that this is one of the interventions proposed in ADP 2016-21. Representative of Ministry of Commerce supported the proposal whereas representative of FBR was of the view that FBR may be taken on board before final decision. In view of above, following decision was taken

**Decision**

***“EDB to submit a proposal to increase surveillance on import of cars and curb misuse of import policy schemes”.***

**AGENDA ITEM NO. 08**

- a) **RECONSTITUTION OF COMMITTEE ON AUTOMOTIVE DEVELOPMENT POLICY 2016-21.**
- b) **RE-COMPOSITION OF AIDC (AFTER TWO YEARS OF START OF POLICY PERIOD)**

a) It was informed that a sub-committee was constituted under the convener-ship of JS (LED) with EDB, PAMA, PAAPAM and FBR as members to review results of the policy in 26<sup>th</sup> meeting of AIDC. Due to certain administrative changes in the task was not assigned to EDB. The matter was deliberated at length in the meeting wherein it was decided that a working group comprising



members from EDB, MoIP, Ministry of Commerce, FBR,BOI, PAMA, PAAPAM and a representative from New Entrants may be constituted to review the policy. The new entrants

proposed that all the new companies should be invited to attend preliminary meeting of the working group.

b) In the approved ADP 2016-21 it is mentioned on Page 88 that; “Composition of AIDC will change after every two years”. AIDC was informed that under Category-A, thirteen new investors have been granted Greenfield status till date and two closed down units have been revived. Currently AIDC has no representation from new entrants. However, few new entrants were already on AIDC due to leading role in two-three wheeler segment.

The ADP 2016-21 was approved by ECC of the Cabinet on 18th March 2016 and is effective from July 1, 2016. As two years of have elapsed on June 30, 2018 and few other applications for grant of Greenfield status are pending, it is desirable that composition of AIDC may be changed as per ADP 2016-21. The AIDC was requested to advise composition of new committee with special emphasis on total number of members to be taken in AIDC, participation of members in AIDC meetings, inclusion of important member organizations like BOI, formulation of a committee to review AIDC etc.

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. Following decisions were taken

**Decision**

- a) *it was decided that a working group may be constituted with members from EDB, MoIP, FBR, BOI, PAMA, PAPAAM, Representative from new investors( Chinese, Korean, European). Special invitees on case to case basis and members co-opted from time to time.*
- b) *Composition of AIDC will be decided by the above working group in its first meeting.*

**ADDITIONAL AGENDA ITEM**

The representatives of tractor industry inquired about adoption of WP 29 as envisaged in ADP 2016-21. The representative of M/s Al Ghazi Tractors was of the view that summary on WP 29 may be submitted which envisaged EDB to be a secretariat of WP 29 Activities. Representative of Millat Tractors explained that collection of marking fee as in case of motorcycle industry without provision of technical services will not be acceptable to the industry. He supported submission of summary on adoption of WP-29 Regulations by EDB/MoIP for signing 1958 Agreement which does not involve construction of heavy lab infrastructure and hence third party certification is accepted. The recent letter of support to EDB by PAMA with reference to adoption of WP-29 having EDB as a Secretariat was also referred by the participants. The chair agreed to the proposal of representatives of tractor industry and ensured that the matter will be brought into the knowledge of MoIP for consideration.

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