

# Engineering Development Board

Ministry of Industries & Production

Government of Pakistan

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No. EDB/AIDC/2021  
January 21, 2021

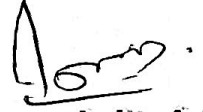
Subject: **34<sup>th</sup> Meeting of Auto Industry Development Committee**

Dear Sir,

Kindly refer to the 34<sup>th</sup> Meeting of the Auto Industry Development Committee held on Thursday, January 14, 2021 at Committee Room, Board of Investment, Islamabad.

2. The draft minutes of the subject meeting are enclosed for submission of comments before January 27, 2021.

***Best Regards,***



**(Engr. Asim Ayaz),**  
General Manager (Policy),  
Secretary AIDC,  
Ph: 051-9203140,  
Fax: 051-9206161,  
[asim@edb.gov.pk](mailto:asim@edb.gov.pk)

## **Distribution: -**

- (1) The Secretary, Ministry of Industries & Production, Islamabad
- (2) The Secretary, Ministry of Commerce, Islamabad.
- (3) The Secretary, Ministry of Communications, Islamabad
- (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) Director General, PSQCA.
- (16) Chairman PAAPAM.
- (17) Senior Vice Chairman, PAAPAM
- (18) Chairman PAMA/CEO, Indus Motor Company.
- (19) CEO, Honda Atlas Cars Pakistan Ltd.
- (20) CEO, Pak Suzuki Motor Co Pvt Ltd.
- (21) CEO, Ghandhara Industries Pvt Ltd.
- (22) CEO, Kia Lucky Motors Pvt. Ltd.

- (23) CEO, Atlas Honda Ltd.
- (24) CEO, United Auto Industries Pvt Ltd.
- (25) CEO, Millat Tractor Ltd.
- (26) CEO, Master Motors Pvt Ltd.
- (27) CEO, Metaline Industries Pvt Ltd.
- (28) CEO, Thermosole Industries (Pvt) Limited.
- (29) CEO, Infinity Engineering Pvt Ltd.
- (30) CEO, Hybrid Technics Pvt Ltd
- (31) CEO, Dartways.
- (32) Chairman, Consumer Association of Pakistan.
- (33) CEO, Hyundai Nishat Pvt Ltd.
- (34) Mr. Shariq Sohail, Rubatech Industries Pvt Ltd.
- (35) Mr. Amir Allawalah, Techno Engineering
- (36) Mr. Usman Malik, Kortech Industries Pvt Ltd.
- (37) CEO, AuVitronics Limited.
- (38) CEO, AL-Haj Faw Motors Pvt Ltd.
- (39) Director General, Environment Protection Department, MoCC.
- (40) Chairman, PASPIDA, Karachi.
- (41) Chief, National Transport Research Centre, Islamabad.
- (42) CEO, Regal Automobile Industries Ltd.
- (43) CEO, Khalid Mushtaq Motors (Pvt) Ltd.
- (44) CEO, Foton JW Auto Park (Pvt) Ltd.
- (45) CEO, Sazgar Engineering Works Ltd.
- (46) CEO, Pak China Motors (Pvt) Limited.
- (47) CEO, Topsun Motors & Engineering Services (Pvt) Ltd.
- (48) CEO, Al-Futtaim Automotive Pakistan.
- (49) CEO, Khalid & Khalid Holdings (Pvt) Ltd.
- (50) CEO, Pak CAMC (Pvt) Ltd.
- (51) CEO, Premier Motors Ltd.
- (52) CEO, Sinopak E-Motors (Pvt) Ltd.
- (53) CEO, Dysin Automobile Ltd.
- (54) CEO, Al-Haj Automotive (Pvt) Ltd.
- (55) CEO, Al-Haj Bus Company (Pvt) Ltd.
- (56) CEO, Universal Motors (Pvt) Ltd.
- (57) CEO, MG JW Automobile Pakistan Pvt Ltd,

**Copy to:**

1. Mr. Fareedoon Akram Sheikh, Director General, Mol&P.
2. ES to Secretary, Mol&P.
3. ES to CEO (EDB).

ENGINEERING DEVELOPMENT BOARD

34<sup>th</sup> Meeting of Auto Industry Development  
Committee (AIDC)

DRAFT MINUTES OF THE MEETING

34<sup>th</sup> Meeting of the Auto Industry Development Committee was held on Thursday, 14<sup>th</sup> January 2021, at 1400 hrs at Committee Room, Board of Investment, Islamabad. List of participants is enclosed at **Annex-A**. The Chair welcomed all the participants to 34<sup>th</sup> AIDC Meeting.

On the advice of Honorable Minister for Industries and Production, Secretary AIDC requested Chairman EDB to chair the meeting and to read the policy statement of the Government of Pakistan for new Automotive Industry Development and Export Plan (AIDEP 2021-26). The policy statement highlighted focus on smaller vehicle segment, enhancement of localization, innovation in tractor industry and in particular reduction of prices, exports and employment generation. It further clarified that Electric Vehicle Policy will become part of the new policy. The policy statement stressed that locally manufactured vehicles will match international quality benchmarks by adoption of UNECE's WP-29 regulations. The new policy shall be focused to enhance exports, reduce smuggling/under invoicing, Research and Development, vehicle manufacturing with an emphasis on customer satisfaction. The copy of the official policy statement by Minister on Industries and Production is at **Annex-B**.

EDB requested all participants for their introduction. Subsequent to the introduction, following agenda items were presented before AIDC with the permission of chair.

Serial #	Agenda Items
Item No. 01	Confirmation of the Minutes of 33rd Meeting of AIDC held on Thursday August 13, 2020.
Item No. 02	Update on Electric Vehicle Policy approved by ECC/Cabinet.
Item No. 03	Finalization of United Nations Economic Commission for Europe (UNECE) WP-29 Regulations for adoption.
Item No. 04	Viewpoint of AIDC on proposal of sub-committee of the Tariff Policy Board regarding reduction of Additional Custom Duty on import of Auto Parts.
Item No. 05	Update on Automotive Industry Development And Export Plan (AIDEP 2021-26). Discussion of proposals.
Item No. 06	Discussion on various technical issues by EDB's Tariff section.
Item No. 07	Discussion on localization of parts and components.
Item No. 08	Update on progress of ADP 2016-21 and cut-off date. Request of M/s Premier Motors Ltd for extension in their planned start of



	production date.
Additional Item (If any)	Any other agenda item with the permission of the chair.

➤ **AGENDA ITEM NO. 01**

**Confirmation of Minutes of 32nd Meeting of AIDC held on Thursday April 23, 2020.**

Secretary AIDC informed the committee that Minutes of 33<sup>rd</sup> meeting of AIDC were circulated among members of AIDC. However no specific comments were received except that Honda Atlas Cars Pakistan Limited (HACPL) highlighted that designations of the representatives of HACPL needed to be corrected. . No other observation was raised by any participant. Secretary AIDC said changes in minutes have been incorporated in view of comments by HACPL.

**Decision**

**"AIDC approved the Minutes of the 33<sup>rd</sup> AIDC"**

➤ **AGENDA ITEM NO. 02**

**Update on Electric Vehicle Policy approved by ECC/Cabinet.**

Secretary AIDC informed that, EDB started formulation of electric vehicle (EV) policy in line with Government of Pakistan vision of "Clean Green Pakistan". EDB focused on "Make in Pakistan" strategy for local manufacturing amid a shift from fossil fuels to environment friendly electric vehicles. In this regard a high level inter-ministerial committee finalized the recommendations of the EV Policy for 2-3 wheelers and Heavy Commercial Vehicles, which have been approved by the Cabinet and implemented. The recommendations which were approved and not implemented and policy/recommendations for 4 wheelers have also now been approved by the Cabinet and will be implemented shortly. He appraised the house on approved policy.

Muhammad Faisal, COO, Lucky Motors Corporation Ltd (LMCL) said that there should be a maximum cap of 25% to CKD Kits to avoid chance of misuse. Chairman, EDB clarified that valuation cannot be part of the ordinance however it can be made part of implementation mechanism. He further said that 25% is a random number therefore he requested M/s LMCL to provide detailed working that justifies that number. The Chair added that EVs range



from less than Rs. 1 million to over 10 million; every price range can have different percentage valuation. However, he stressed developing appropriate valuation mechanism to determine the pricing instead of a random percentage.

Mr. Muhammad Ashfaq, Joint Secretary, Ministry of Commerce said that forum of National Tariff Policy should be updated about new policies i.e. AIDEP, EV policy and Tariff related issues.

Secretary AIDC proposed that this matter requires a lengthy deliberation. Therefore, EDB will convene separate meeting with National Tariff Commission (NTC)/Ministry of Commerce at the earliest to discuss the EV policy matters. The house agreed to his proposal.

### **Decision**

**“It was decided that implementation mechanism of EV Policy will be finalized by EDB in consultation with public and private stakeholders”**

### **➤ AGENDA ITEM NO. 03**

#### **Finalization of United Nations Economic Commission for Europe (UNECE) WP-29 Regulations for adoption.**

Secretary AIDC informed the house that Pakistan has adopted WP Regulations and has been allocated the symbol E 64 for official communication. EDB/MoIP submitted regulations mentioned in the table below as annex to the accession document, but the annex forwarded by EDB has not been forwarded by UN Secretary General Office to WP 29 Secretariat in Geneva. EDB sought clarification from WP 29 Secretariat, which was replied by foreign counterparts. Pakistan can now opt for any regulation under 1958 Agreement in addition to agreed regulations. He explained that No joining fee, no lab infrastructure is required for adoption of WP-29 regulations. He further clarified that third party certification or certification by the principal, if accredited, can be accepted by EDB.

He informed that few issues were raised by part manufacturers which were forwarded to UNECE's WP 29 Secretariat and reply was shared with industry. Industry requested a clarification meeting which was held between industry and Director General UNECE's WP 29 on December 22, 2020. He further informed that Lahore High Court ordered EDB to ensure compulsory installation of air bags in a recent judgment, which needs to be included in the agreed list. The safety regulations agreed by the stakeholders shall be included in the SRO 656 with timelines, extension of which may be the prerogative of EDB.

Mr. Ali Asghar Jamali, Chairman PAMA said industry agrees to implement WP-29 regulations in a phase-wise manner. Mr. Tariq Ahmed Khan, Director (Technical), IMC endorsed Chairman, PAMA and said grace period is required in case of Airbags. Chairman, EDB asked the opinion of the new entrants on the matter. All new entrants showed agreement on the adoption of said regulations. Secretary AIDC explained that the new entrants are legally bound to adopt WP-29 regulations, under the Agreement signed between MoIP and New Entrants. Chairman, PAMA agreed to adoption of 16 regulations including airbags with timelines. He said that PAMA has already submitted the proposal that is agreed by all PAMA members. However he added that third party/ certification by principal should be accepted or if facilities are created in Pakistan; PAMA members can get their vehicles tested from Pakistan. He further said if we want to increase production and want to protect environment that there should be an old vehicle retirement policy. The decades old vehicles are unsafe and are destroying environment.

Mr. Zaheer-ud-Din Dar, CEO, Dartways questioned that whether vendors of tyres or lights will require to comply to WP-29. However he was replied that principal will provide certification.

#### Decision

**"It was decided that 16 shortlisted regulations will be submitted to Government for inclusion in the SRO 656 with appropriate timelines, extension of which may be the prerogative of EDB"**

#### **➤ AGENDA ITEM NO. 04**

#### **Viewpoint of AIDC on proposal of sub-committee of the Tariff Policy Board regarding reduction of Additional Custom Duty on import of Auto Parts.**

Secretary AIDC informed that Ninth meeting of the Sub-committee of the Tariff Policy Board (TPB) was held on August 19-20, 2020 under the Chairmanship of the Ministry of Commerce. The matter of removal of Additional Customs Duty on import of Auto Parts was examined by the Sub-committee. The Sub-Committee recommended referring this matter to the AIDC. The matter is placed before the AIDC members and recommendation of the AIDC will be shared with the Tariff Policy Board for consideration.

Mr. Iftikhar Ahmed, Chief (Tariff & Trade), FBR said that currently new entrants are not included in calculations. As per FBR's calculation 16 billion is due and had not been

deposited in the National Exchequer. However ledger of PAMA figure is 8 billion. The issue is also sub-judiced before the Court. He offered that reduction of ACD can be deliberated if OEMs pay 25% of the payable tax and withdraw the case. Chairman PAMA said figure of 8 billion is correct and FBR may reconcile their figures. He added that PAMA committed that they will pay/submit amount to national exchequer, if matter is settled. Joint Secretary, Ministry of Commerce (MoC) said that if industry can give a figure, consider payment of 25% then settlement is possible. PAMA said if FBR reduces ACD we are ready to pay 25% payment in 6 months and withdrawal of cases. He said that he sent proposal for settlement to various forums including MoC and FBR. He further added that in case of delay the amount would start to exceed a certain limit, then it will be difficult to settle. COO, Lucky Motor Corporation said that maybe their company does not want to settle the matter out of court. Representative of MoC said letter was received few days back.

Chairman, EDB proposed that matter needs deliberation to reach a win-win situation therefore a separate meeting in EDB may be convened for appropriate recommendation. CEO, EDB highlighted that matter is referred to AIDC therefore AIDC should make a decision on the matter. However it was decided that it is recommendation of AIDC to call a meeting in EDB of relevant public and private sector stakeholders. Chief (Tariff and Trade), FBR recommended to include new entrants and remove the glitches and matter should be resolved.

### Decision

**"It was decided that a separate meeting of public and private sector stakeholders will be held at EDB for appropriate recommendation to sub-committee of National Tariff Policy Board"**

### **➤ AGENDA ITEM NO 5**

- **Update on Automotive Industry Development And Export Plan (AIDEP 2021-26).**
- **Discussion of proposals.**

Secretary, AIDC discussed various international examples related to Auto and Electric Vehicle policies of various countries. He elaborated the HEV & EV incentives in Malaysia, Indian Automotive Mission Plan 2016-26, Faster Adoption and Manufacturing of Hybrid & Electric Vehicles (FAME: Phase 2) and import duties of automobile and auto parts.

He added that AIDEP proposals will be discussed at the forum of National Tariff Policy



Board before finalization.

He informed that PAMA has submitted proposals whereas PAAPAM proposals are awaited.. Secretary AIDC informed that PASPIDA has also submitted proposals although they were asked to reply to some queries. Reply has not been received and they were invited and have not attended the meeting as well.

He further informed the house that tractor industry and motorcycle industry have only provided tariff proposals. Funding is not available for Pakistan Automotive Institute and JICA is also no more interested to develop this institute.

Director (Technical), IMC said that they have proposed incentives on CKD, airbags, subassembly and components and requested for no change in tariff for CBUs. Chairman PAMA said remaining incentives are debatable however there is complete consensus on two things, 1. Removal of FED and 2. No change in tariff for CBUs. He proposed that new policy should provide incentive for hybrid vehicles. Joint Secretary, MoC said that Commerce Ministry has taken a principled stance that reduction in duty/taxes can only be supported if its benefits are passed on to the end customers. He elaborated that CBU tariff should be rationalized so as to create some competition for local manufacturers and this will help local players lower prices and improve quality. Chairman PAMA replied that pricing is normally set against a benchmark exchange rate and this cannot be changed with regular fluctuations of exchange rate. Current prices are based on Rs 162 to a dollar and manufacturers have been absorbing losses when the exchange rate has rose beyond this benchmark rate in recent times. Most recently the Rs has fluctuated very little below this benchmark rate and has not provided room for prices reductions. He further added that continuous dialogue is needed to settle this matter.

CEO, Dartways said that price of motorcycle was reduced due to market expansion and competition. If we want to decrease prices than market expansion is the only way forward. He said Dartways has conducted a study in collaboration with JICA and found that rate of motorization strongly relates to per capita income. Additionally, it also depends on relationship between cost of production and market price. If there is no relationship between these the motorization will fail. He suggested developing a relationship between cost of production and market price. He gave several examples of Japan and China.

Abdul Rehman Aizaz, Chairman PAAPAM said that new entrants are entering our market, and they are creating competition. New policy should be an extension of the current policy. He suggested that we should allow time for competition to be established. Changing tariffs

for CBUs, at this stage, will be injurious for the part making industry. He suggested to wait and see the results of ADP before jumping into another policy regime. Responding to CEO Dartways, he said that comparison of Pakistan should be with contextually similar countries i.e. Malaysia, Vietnam. Comparison with Germany, Japan and China is not relevant. Tariff adjustments in wrong direction will injure the entire industry.

Chairman PAAPAM proposed to keep duty structure stable, he wanted no change in CBU rates, removal of ACD and other additional taxes. He proposed focus should be on technological changes; he also said any reduction on rate of duty on CKD and A-Max part list will hurt localization. He said that cascading principal should be considered. He said that PAMA studied that one car locally manufactured provides employment to 6 six people, half of it is provided by part manufacturers.

Regarding motorcycle industry it was highlighted that there are various anomalies. He suggested tariff incentives may be given for introduction of motorcycles higher than 125CC. In this regard he suggested that PAMA, PAAPAM and EDB should propose tariff after discussion.

He suggested tractors are 90% localized so no change is suggested. Regarding Hybrid Chairman PAAPAM said that duty reduction is debatable.

He said that ACD on A-Max assembly, raw materials or CKD should be eliminated.

Joint Secretary, Ministry of Commerce said that value addition is the key. Spread between raw material and finished product should be rationalized. He added that government is not considering change in cascading. He said that other industries are operating even where duty on raw material and finished product is same.

COO, LMCL agreed with Chairman PAAPAM viewpoint and further proposed that duty differential for new entrants should be maintained between CKD and CBU. He showed reservation on incentives on hybrid technology in new policy and said it is an obsolete technology. Mr. Muhammad Afzal, United Motors Pvt Ltd endorsed that there should be no change in tariff on CBUs. Chairman EDB did not agree to comments of LMCL. He asked LMCL to provide global data, if hybrid technology is on decline.

He also proposed that all new technologies should find space in our next policy. Director (Technical), IMC also objected to COO, LMCL and said Malaysian example is there; they first shifted to Hybrid and then planned for EVs. CEO, Master Motor Limited said let us not confuse the consumers and see where the world is going. He further added that EV parts

are expensive and hybrid parts are cheaper in case of same duty incentive for both will make EVs at disadvantage and will make Hybrid much cheaper than EVs.

Chairman, EDB said that fuel efficiency is an advantage of hybrid. We have one and a half months to deliberate. We have to focus on higher volumes and quantity. End Consumer is a big stakeholder therefore window for cost effective, new technologies should not be closed. He added that target for 2026 should be 650,000 vehicles and subsequently 1 million vehicles by 2030.

### **Decision**

**"It was decided that a series of meeting will be held at EDB to finalize proposals. Initially Tariff will be sent after analysis, to Ministry of Commerce for Feedback"**

### **> AGENDA ITEM NO. 06**

#### **Discussion on various technical issues by EDB's Tariff section.**

Following matters were placed before the AIDC for advice:

- i. Issuance of Manufacturing Certificate for locally developed, indigenously produced models of Vehicles
- ii. IORC to the extent of sub-component under SRO 655(1)/2006 for supply to 2<sup>nd</sup> Tier Vendor

General Manager (Tariff) highlighted that Orient Automotive Pvt Ltd has requested for issuance of Manufacturing Certificate for their indigenous models. CEO, Dartways said in case of Motorcycle industry, no foreign Principal was asked. Only part catalogue, and appropriate manufacturing facilities were required. He endorsed that the firm should be allowed, and performance may be determined by market.

General Manager (Tariff) said that SRO says road worthy vehicles. However it was highlighted that this is off-road vehicle. CEO, Dartways said that basic condition of SRO is minimum facilities. CEO, EDB said standards and safety is the concern of EDB. Representative of Millat Motors Pvt Ltd said that they would appreciate if new companies and new designs/technologies are introduced in the market, however they have serious reservation if their design is copied, which are registered in IPO.

Mr. Anis Siddiqui, Senior GM of Orient Automotive said that they have facilities as per SRO. They are already in production and their facilities are approved. They have added facilities



and research and development section as well. He clarified that their design is accredited from AMRI Multan. He informed that their design is registered. Furthermore ten test units are being tested for last one year without any problem.

Millat Tractor was advised that if their design is being copied, IPO is responsible to protect them and courts are there to resolve any such disputes. General Manager (Tariff) added that EDB only verifies the facilities not the product. PAMA endorsed the reverse engineering and development of local vehicles and brands.

General Manager (Tariff) explained that SRO 655 is only for automotive sector. However there is a proposal that it may be extended to other sectors to allow raw materials to be imported at 0%. Millat Tractors and Motorcycle supported this idea as they are getting many parts from 2<sup>nd</sup> tier vendors.

Chief (Tariff and Trade), FBR questioned that is it an isolated case. FBR has to look at revenue loss. Why industries want IORC as an independent solution?

Chairman PAAPAM explained that it is an issue of Ease of Doing Business; instead the vendors imports and get sheets cut size from MIDP, MIDP should directly import and cut-size as per our requirements. IORC for small vendor is very complex therefore they avoid applying for it.

Joint Secretary, MoC did not agree to the proposal and said SRO 655 is tried and tested mechanism. Any change should be traceable and needed to a study in depth. Chairman PAAPAM said that there is no change in law required. It is for everybody. Chairman, EDB said that EDB will work on it to find a win-win solution for FBR and vendors.

### Decision

- i. "It was decided to issue Orient Automotive Pvt Ltd manufacturing certificate if they fulfill the criteria of SRO i.e. Minimum in-house facilities"
- iii. "It was decided EDB will work on IORC to the extent of sub-component under SRO 655(1)/2006 for supply to 2<sup>nd</sup> Tier Vendor and if agreed it will be placed for amendment in SRO 655 through Federal Budget"

### ➤ AGENDA ITEM NO. 07

#### Discussion on localization of parts and components.

CEO, EDB explained that Localization is being discussed at a higher forum and they are

concerned about potential rollbacks. Secretary, AIDC requested comments from New Entrants on localization. COO, LMCL said localization is needed for sustainability. LMCL is working on massive localization both in and out house localization. Chairman, PAAPAM agreed that currently LMCL is availing incentives; however they are taking market from existing OEMs, for whom vendors were delivering 60% parts of their vehicles. So incentives given to new entrants are hurting PAAPAM members.

Chairman, PAAPAM said that this is a lengthy matter and due to shortage of time a committee of PAMA, PAAPAM and Government may be constituted to develop a consensus.

Chairman, EDB said that there is perception at Government is not very positive, This perception needs to be changed through urgent localization in the interest of the companies and the country.

Director (Technical), IMC said that many players are causing low volumes per model which hurts localization. Incentives are needed for building volumes.

#### **Decision**

**"It was decided that the issue will be discussed with relevant stakeholder by EDB"**

#### **➤ AGENDA ITEM NO. 08**

##### **Update on progress of ADP 2016-21 and cut-off date.**

##### **Request of M/s Premier Motors Ltd for extension in their planned start of production date.**

Secretary AIDC informed the house that under ADP 2016-21, twenty one new investors have been granted Greenfield status. The investment figure i.e. approx USD 475 million has been actualized as six units have started manufacturing operations. Additionally, companies like Proton, Sazgar, MG, Higer Bus, Zhontong Bus, Forland Bus, Shacman Trucks, Sinotruk etc have to start manufacturing and the investment figure will increase.

He further explained that Policy shall expire on 30<sup>th</sup> June 2021. Therefore, import of CBUs shall be allowed till same date i.e. 30 June 2021 after that quota will off loaded from WEBOC. However approved business plans have different dates for launching of various approved models. In that case cut-off date of ADP benefits for CKD parts is 30<sup>th</sup> June 2026. Furthermore no change in approved business plan shall be allowed after expiry of policy period. In that case New Entrants can respond/submit application/finalize plans by 30 April

2021. Chairman PAMA said that he assumed that all new entrants have to start production before June 30, 2021. However Secretary AIDC explained that there is no such restriction in policy. If approving authority which is MoIP has approved a Business Plan and it has approved dates of production even after June 30, 2021, then firm can start production as per approved business plan however deadline to avail incentives will be upto June 30, 2026, and not beyond. COO, LMCL said that as per their understanding June 30, 2021 is the cutoff date. Secretary AIDC again clarified that whether production is started in 2022, 2023, 2024, or 2025 the period to avail incentive on CKD will end on June 30, 2026. In that case the incentive will reduce and will not be beyond cutoff date which is June 30, 2026.. Firms can start production as per their approved Business Plan. Director (Technical), IMC said what if the firm produces four models and discontinues after availing incentives. Chairman PAMA also questioned that whether localization is required as per ADP 2016-21. Secretary AIDC said policy is silent on localization as per policy any model produced by new entrants can avail incentive till June 30, 2026. After that if a model is changed, law of land will apply. New entrants were of the view that no localization is mentioned in policy however it is required for their own sustainability.

Secretary AIDC informed that it was decided in the 33<sup>rd</sup> AIDC meeting that progress of the M/s Premier Motors Ltd shall be reviewed by EDB and status may be placed before AIDC for advice. EDB visited the site and found that M/s Premier Motors Ltd has acquired 140 acre land and erected the boundary wall. The civil work in progress is slow. Moreover, the project has the potential to provide employment opportunities to locals in Lasbella, Baluchistan. The request of extension of incentive period by M/s Premier Motors Ltd was placed before AIDC members for advice please.

CEO, Dartways said that Covid-19 situation is Force Majeure. However AIDC cannot extend the date, only Cabinet can extend the incentive period. Chairman PAAPAM said it was only 45 days lockdown. CEO, Al-Haj FAW motors said that there is no such lockdown, and people are working from home. There are no travel restrictions also.

CEO, Khalid and Khalid holding said that due to Covid situation Chinese experts were unable to travel to Pakistan and they are facing troubles to erect their plant and start production.

CEO, Premier Motors Pvt Ltd said that lockdown period in Germany is hurting their progress. Germany is under continuous lockdown for the last one year since January 19, 2020.



Furthermore there were restrictions by State Bank of Pakistan. He added that Germans cannot travel to Pakistan. He said that Volkswagen is the biggest manufacturer in the world. They have plans of high level of fast localization. They have planned for local part development and their exports from Pakistan to the world. They have investment plan of \$150 Million. He said Force Majeure is the part of the agreement. COO, Lucky Motor Corporation said six months of force majeure may be given to all New Entrants.

Secretary AIDC said that EDB will internally analyze the clauses and MoIP will decide. Chairman, EDB said only the Federal Cabinet, which approved the Policy, can give extension to avail incentive beyond deadline. Therefore he advised CEO, Premier Motors Pvt Ltd to submit their case with facts and figures/documents and EDB after analysis will forward their case to the concerned quarters.

### **Decision**

**"It was decided M/s Premiere Motor will submit their case for extension of incentive period which will be forwarded after analysis by EDB to the Ministry of Industries & Production"**

### **Additional Agenda Items**

#### **i. Support for Export of vehicles, parts and components-EXIM Bank**

Mr. Irfan Ansari, CEO, EXIM Bank of Pakistan said their bank will be operational by June, 2021. Currently the bank is hiring, RFP for headquarters is submitted and resources are being arranged. Their first priority is to make bank operational. He said that EXIM bank is different than Commercial banks. He added that role of their bank will be to promote expansion & diversification of the export base of the country by providing short term export credit facilities and long term financing facilities for setting up export oriented projects. He explained that if buyer gets bankrupt than balance sheet of exporters gets affected. Therefore their bank will provide a facility that 80% of receivables are protected for exporters. He said that their bank will partner with commercial banks. Furthermore, as a Government institute EXIM bank will create partnerships with World Bank, Asian Bank etc. World Bank and Asian Bank will assist EXIM bank and it will support industry. Export credit will be provided to industry and it will change face of exports.

Chairman, EDB said that service sector industry do not have enough support. EXIM bank is an institution to help their exports. COO, Lucky Motor Corporation said that it seems as Government worthy effort to enhance exports. He questioned that whether EXIM bank will provide first initiative funding to buyer. He also asked that will EXIM bank support expansion plans including expansion of their firm in other countries. CEO, EXIM bank said that yes it is part of their long term objective. However he explained that number of insurances are not yet final but it will be better than commercial pricing model. About expansion of projects, CEO, EXIM bank said it depends on returns however it is part of their mandate.

**ii. Discussion on Pak-Thailand FTA, issue raised by M/s Lucky Motors Co.**

LMCL has raised concerns over Pak-Thailand FTA. General Manager(SDG) explained that Government has signed FTA with China and all benefit related to Auto sector will start after January, 2022. He explained that no concession has been given on CBUs and local parts. Director (Technical), IMC said that the agreement and items were discussed in detail with the industry.

General Manager (SDG) elaborated that in case of Pak-Thailand FTA, previously a deadlock was created in 2018. 200 items are selected for discussion. Out of these 200, 55 items relate to automotive sector. Further negotiations will be made on the pattern of FTA signed with China. Similarly he apprised the AIDC about Pakistan FTAs with various other countries i.e. Afghanistan, Srilanka, Turkey. General Manager (SDG) said that focus of EDB will be on technology transfer, investment and enhancement of exports. CEO, Al-Haj said that FTAs should be signed in a way that a specific origin is not favored. CEO, EDB said that EDB/MoIP efforts during FTAs deliberations are for opening trade, job creation and to promote local industry.

CEO, Dartways said that China and Thailand also have FTA as well, and that is needed to be considered during deliberations. General Manager (SDG) replied that all concessions offered to ASEAN countries will be offered to Pakistan from China and Thailand. Chairman, EDB and house praised efforts of EDB that best interest of industry has been kept in front while discussion on these FTAs.

**iii. Impact of COVID-19 & industrial facilitation**

Secretary AIDC explained that there are few requests for enhancement of time required for localization by various vendors. CEO, Dartways said that localization requirement is

informal process and as such it is not required by the SRO. After deliberation the house was of the view that it is internal matter of EDB and in order to enhance localization extensions may be provided on case to case basis.

**Date for Next AIDC Meeting**

In the end Secretary AIDC requested the chair to decide on next date of meeting. In this regard several suggestions were made. Industry suggested that AIDC may be called before end of February 2021. Chairman EDB said AIDC meeting may be called on last week of January or First week of February, 2021. However, he clarified that EDB will convey the exact date and time of next meeting to all members shortly.

The meeting ended with the vote of thanks to the chair by all the participants. CEO, EDB also thanked all the participants for attending the meeting

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Annex-A

# Engineering Development Board

## 34<sup>TH</sup> Meeting Of Auto Industry Development Committee (AIDC) Attendance Sheet

S No	Name	Designation	Company	Mobile No.	Email
1.	Mr.Abdul Rehman Aizaz	Chairman	PAAPAM	0333-2153975	<a href="mailto:Rehman.aizaz@tpi.com.pk">Rehman.aizaz@tpi.com.pk</a>
2.	Mr.Saad Sherani		PAAPAM	0321-2416093	<a href="mailto:Saad@sheraniengineering.com">Saad@sheraniengineering.com</a>
3.	Mr.Zaheeruddin Dar	CEO	M/s Dartways	0333-5131458	<a href="mailto:dar@dartways.com">dar@dartways.com</a>
4.	Mr. Ali Jamali	CEO	M/s Indus Motor Company Ltd		
5.	Mr. Waseem Hassan	Head of corporate	M/s Honda Atlas Cars Ltd	0300-4100970	<a href="mailto:waseem@honda.com.pk">waseem@honda.com.pk</a>
6.	Mr. Umair Nazir	Corp.Affairs	M/s Pak Suzuki Motor Co Ltd	0333- 2142902	<a href="mailto:Umair.nazir@paksuzuki.com.pk">Umair.nazir@paksuzuki.com.pk</a>
7.	Mr. Ehsan ul Haq	General Manager	M/s Millat Tractors Ltd	0300- 8483734	<a href="mailto:ehsan@millat.com.pk">ehsan@millat.com.pk</a>
8.	Mr. Sadullah Ejaz	Head of Corp Affairs	M/s Atlas Honda Ltd	0300-8414130	<a href="mailto:saadejaz@gmail.com">saadejaz@gmail.com</a>
9.	Mr. Danial Malik	CEO	M/s Master Changan Motors	0300-0544949	<a href="mailto:Deanial.malik@changan.com.pk">Deanial.malik@changan.com.pk</a>
10.	Mr. Mian Asad Hammed	CEO	M/s Sazgar Engineering Ltd	0300-8461001	<a href="mailto:Mian.asad@yahoo.com">Mian.asad@yahoo.com</a>
11.	Mr. Hilal Afridi	CEO	M/s Al-Haj Faw Motor	0301-8222092	<a href="mailto:hilal@alhajfaw.com">hilal@alhajfaw.com</a>
12.	Mr. Shahid Naseem	Director Operation	M/s Regal Automobile Ltd	0322-4482278	<a href="mailto:Orient15@hotmail.com">Orient15@hotmail.com</a>
13.	Mr. M.Faisal	COO	M/s Lucky Motor Ltd	0300-2036555	<a href="mailto:muahmmadfaisal@kia-lucky.com">muahmmadfaisal@kia-lucky.com</a>
14.	Mr. Ashfaq Ahmed	TTA (JS)	M/o Science & Technology	0333-2672778	<a href="mailto:ashfaquone@gmail.com">ashfaquone@gmail.com</a>
15.	Mr. Ghazala Abid	Deputy Chief	M/o PSQCA	051-9269864	<a href="mailto:pakplanner@gmail.com">pakplanner@gmail.com</a>
16.	Mr. M. Ashfaq	JS	MDC	0313-2458956	
17.	Mr. Iftikhar Ahmed	Chief Tariff	Federal Board of Revenue	0321-8209922	<a href="mailto:Ifti07@gmail.com">Ifti07@gmail.com</a>
18.	Mr. Fakharat	S.(TB)	Federal Board of Revenue	051-9203993	
19.	Mr. Hafiz Bilal	Manager After sales	M/s Top sun Motors	0333-8635666	<a href="mailto:hb20903@Gmail.com">hb20903@Gmail.com</a>
20.	Mr. AG Khan	Director	PML Ltd	0300-8253414	<a href="mailto:ag@premier.com.pk">ag@premier.com.pk</a>
21.	Mr. Nadeem Malik	CEO	M/s Master Motors	0300-2021530	<a href="mailto:malik@mmcl.com.pk">malik@mmcl.com.pk</a>
22.	Mr. Anseer Majeed	Secretary Sales Tax	Federal Board of Revenue	051-9222276	<a href="mailto:asnermajeedfbr@gmail.com">asnermajeedfbr@gmail.com</a>
23.	Mr. M. Yasin Akhtar	Director	PSQCA	0333-6511121	<a href="mailto:myasinakhtar@yahoo.com.pk">myasinakhtar@yahoo.com.pk</a>
24.	Mr. M. Afzal	GM Sales	M/s United Motors Pvt Ltd	0300-8484433	<a href="mailto:marketing@unitedcars.compk">marketing@unitedcars.compk</a>
25.	Mr. Obaid ullah	GM Sigma Motors	M/s Sigma Motors	051-5707360	<a href="mailto:obaid@sigmamotorspk.com">obaid@sigmamotorspk.com</a>

26.	Mr. Tanvir Ahmad	Technical Adviser	AL Ghazi Tractor Ltd	0333-3833223	<a href="mailto:Tanvir.ahmad@alghazimotor.com">Tanvir.ahmad@alghazimotor.com</a>
27.	Mr. Faheem Haider	N.M	M/s Atlas Honda Ltd	0302-4770655	<a href="mailto:Faheem.haider1973@gmail.com">Faheem.haider1973@gmail.com</a>
28.	Mr.Waheed Gvc Afridi	Director Sales	M/s Al-Haj Bus Ltd	0345-2883888	<a href="mailto:waheed@alhajfaw.com">waheed@alhajfaw.com</a>
29.	Mr. Anis Siddiqui	SGM	M/s Orient Automotive	0323-4909002	<a href="mailto:Anis.siddiqui@orientautomotive.com">Anis.siddiqui@orientautomotive.com</a>
30.	Mr. Atif Masood Khan	DY GM Commercial	M/s Foton JW	0320-0864444	<a href="mailto:Wajahat.ali@foton-jw.com.pk">Wajahat.ali@foton-jw.com.pk</a>
31.	Mr.Syed Wajahat	GM Commercial	M/s MG JW Automobile Ltd	0300-9444920	<a href="mailto:Arshad.najwa@mgmotors.com.pk">Arshad.najwa@mgmotors.com.pk</a>
32.	Arshad F. Bajwa	Head of Commercial	MG JW Automobile Pakistan	0300-9444920	
33.	Mr.Dr.Usman Ali	Director	M/s Topsun Motors Pakistan	0334-6067604	<a href="mailto:info@topsunmotor.com">info@topsunmotor.com</a>
34.	Mr.Syed Farukh	Coo	M/s Khalid & Khalid Holdings	0300-8546631	<a href="mailto:Farrukhshah21@gmail.com">Farrukhshah21@gmail.com</a>
35.	Mr.Muhammad Ali	GM	M/s Khalid & Khalid	0333-5185576	<a href="mailto:lrnforte@gmail.com">lrnforte@gmail.com</a>
36.	Mr.Babar S. Khan	CRO Indus Motor	Indus Motor Company Ltd	0334-3000740	<a href="mailto:Babar.salim@toyota-indus.com">Babar.salim@toyota-indus.com</a>
37.	Mr. Jahanzeb khan	Sr. GM	M/s Master Motor Ltd	0300-8251850	<a href="mailto:jzk@mmcl.com.pk">jzk@mmcl.com.pk</a>
38.	Mr.Syed Abbasul Husain	CEO	M/s Au Vitronics Ltd	0333-3365135	<a href="mailto:Abbasauvitronics.com">Abbasauvitronics.com</a>
39.	Mr. Hammed Akhtar	Chief NTRC	M/o Commerce	0300-538879	<a href="mailto:Hammed.akhter@yahoo.com">Hammed.akhter@yahoo.com</a>
40.	Mr.Hakim ali	COO	M/s Dysin Automobile Ltd	0300-8211475	<a href="mailto:hakim.ali@dysin.com.pk">hakim.ali@dysin.com.pk</a>
41.	Mr.Zain ul Abidin Shariq	DO/Mc	M/s PAAPAM Rubatech	0334-3441260	<a href="mailto:zainshariq@gmail.com">zainshariq@gmail.com</a>
42.	Mr.Abdullah M.Sherazi	Project Cordinator	Vw Premier Motor	0300-95038707	<a href="mailto:a.muhammad@premier.com.pk">a.muhammad@premier.com.pk</a>
43.	Mr. Naveed Ahmed	Project Head	M/s Preimer Motor Ltd	0300-8206994	<a href="mailto:Naveed.ahmed@premier.com.pk">Naveed.ahmed@premier.com.pk</a>
44.	Mr. Q.A. Mujtaba	Consultant JICA	JICA	0321-4533277	<a href="mailto:Mujtabaquddus@gmail.com">Mujtabaquddus@gmail.com</a>
45.	Mr.Bukhari Irfan	CEO	Exim Bank of Pakistan	0301-401929	<a href="mailto:Irfan.bukhari@eximbank.gov.pk">Irfan.bukhari@eximbank.gov.pk</a>
46.	Mr.Shahid Ikram	Advisor	OAI	0300-8502200	<a href="mailto:SI.shahidikram@gmail.com">SI.shahidikram@gmail.com</a>



Annex-B

# ENGINEERING DEVELOPMENT BOARD

Ministry of Industries and Production Islamabad

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## POLICY STATEMENT BY MINISTER FOR INDUSTRIES AND PRODUCTION REGARDING AUTOMOTIVE INDUSTRY

Minister for Industries and Production

Talking points for AIDC Meeting to be held on 14<sup>th</sup> January 2021.

- i) As Automotive Development Policy (ADP 2016-21) is reaching its end, new Automotive Industry Development and Export Plan (AIDEP) will be prepared by EDB/MoIP for FY 2016-21.
- ii) The new entrants under ADP 2016-21 will be facilitated through continuity of the policy to ensure confidence of the investors. They should however prepare to merge with the mainstream at the end of their 5 years period.
- iii) The Electric Vehicle Policy has been approved by Government. Any improvement needed in the policy will be discussed during preparation of AIDEP and the EV Policy will become part of consolidated policy for automotive sector for FY 2021-26. Implementation of EV Policy will be ensured by EDB in consultation with relevant Government and Private Sector stakeholders.
- iv) The Government has been successful in increasing competition in the market by attracting 21 manufacturers in car, SUV, LCV, buses trucks and prime movers. 6 companies with an investment of USD 476 million have already started manufacturing of Cars, SUVs and LCVs whereas 9-10 companies are expected to start their production in 2021.
- v) The small (entry level) have been neglected in the past, thus providing limited choices with high prices to the customers. The new policy must focus on manufacturing of entry level cars
- vi) Tractor industry also needs innovation and the policy must provide roadmap for introduction of latest models in Pakistan.
- vii) The prices of vehicles in Pakistan are on higher side. Government may consider reduction in Custom Duty, removal of ACD and FED for entire auto sector in upcoming AIDEP. With an overall view of reducing the input costs. In return, Government expects reduction in prices by the OEMs, increase in localization and concerted effort to increase exports.
- viii) The local vehicle manufacturing companies should strengthen their ties with local part manufacturers to enhance localization, which will lead to cost reduction, price stability and employment generation.

- ix) Pakistan has acceded to WP-29, which administers UNECE's harmonized regulations for safety and environment. Our industry has to ensure speedy adoption of regulations for provision of quality to the customers. EDB will regulate inclusion of regulations at manufacturing stage through stakeholder consultation. The quality of locally manufactured vehicles should match the international benchmark for which local manufacturers are advised to work closely with the Government.
- x) The export of vehicles and parts/components is targeted to ensure sustainable volumes in the auto industry. EDB in consultation with stakeholders will ensure provision of export friendly regime for the industry by analyses of proposals submitted by PAMA, PAAPAM, international agencies and individual companies. With a focused effort of the Government and the industry, we expect an annual export of 1B\$ by 2026.
- xi) The new policy must envisage a mechanism to reduce smuggling, misdeclaration, under invoicing of various parts and components, which are hurting our local part manufacturers in particular and vehicle manufacturing in general. Proposals for valuation and assessment should also be included.
- xii) The new policy must also include setting up design houses, testing laboratories, certifications, service centres, R&D support centres, etc. to develop local designs and products.
- xiii) As establishment of Pakistan Automotive Institute could not be achieved in previous policy period, it may be analyzed again to ensure engineering design capability, human resource development, analysis of global trends, development of testing infrastructure to support the local vendors etc. as per international practices.
- xiv) As competition has been created in the local market, the focus of the upcoming policy should be on Customer Satisfaction in addition to sustainability, quality improvement, fair competition, reduction in delivery lead times and export enhancement.



## GOALS FOR AIDEC 2021-2026

<b>Annual Production Targets :</b>		
<b>Category</b>	<b>AIDEP Target</b>	<b>ADP 2016-21 Target &amp; Achievement</b>
Cars/Van/SUV/Jeep	650,000	418,500 installed capacity achieved. Target 350,000
LCVs		
Trucks over 3 Tons	22,000	3,631 (Target: 12,000)
Buses		623 (Target: 1,200)
Motorcycles	5,000,000	1,659,459 (Target: 2.5 M)
Agricultural Tractors	100,000	32,565 (Target: 88,000)
<b>Other Targets:</b>		
Investment	USD 1.0 Billion	
Tax Revenue		
Exports of Parts & vehicles	USD 1.0 Billion	
Establishment of PAI		
Complete implementation of WP29 targets		
Establishment of design houses, testing laboratories, certification / service centers, R&D support centers in the private sector.		
Elimination of smuggling, misdeclaration, under invoicing of various parts & components		
Reduction of Prices of Vehicles		
Increase in localization of Vehicles, Parts & Components		