

Engineering Development Board
Ministry of Industries & Production
Government of Pakistan

No. EDB/AIDC/2020
August 20, 2020

Subject: **33rd Meeting of Automotive Industry Development Committee**

Dear Sir,

Please refer to the 33rd Meeting of the Automotive Industry Development Committee held on Thursday, 13th August 2020, under the chairmanship of Chief Executive Officer, Engineering Development Board (EDB) at Committee Room of EDB in Islamabad.

02. The minutes of subject meeting are enclosed for submission of comments before 05th September, 2020.

Best Regards,



(Engr. Asim Ayaz)
General Manager (Policy)
Secretary AIDC
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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.
- (19) CEO, Indus Motor Company.
- (20) CEO, Kia Lucky Motors Pvt. Ltd.
- (21) CEO, Atlas Honda Ltd.

- (22) CEO, United Auto Industries Pvt Ltd.
- (23) CEO, Millat Tractor Ltd.
- (24) CEO, Master Motors Pvt Ltd.
- (25) CEO, Metaline Industries Pvt Ltd.
- (26) CEO, Thermosole Industries (Pvt) Limited.
- (27) CEO, Infinity Engineering Pvt Ltd.
- (28) CEO, Hybrid Technics Pvt Ltd
- (29) CEO, Dartways.
- (30) Chairman, Consumer Association of Pakistan.
- (31) CEO, Ghandhara Industries Pvt Ltd.
- (32) CEO, Hyundai Nishat Pvt Ltd.
- (33) CEO, Honda Atlas Cars Pakistan Ltd.
- (34) CEO, Pak Suzuki Motor Co Pvt Ltd.
- (35) Mr. Shariq Sohail, Rubatech Industries Pvt Ltd.
- (36) Mr. Amir Allawalah, Techno Engineering
- (37) Mr. Usman Malik, Kortech Industries Pvt Ltd.
- (38) CEO , AuVitronics Limited.
- (39) CEO, AL-Haj Faw Motors Pvt Ltd.
- (40) Director General, Environment Protection Department, Ministry of Climate Change.
- (41) Mr. Mohammad Saleem Baig, CEO, M/S Daehan Dewan Motor Company, Karachi
(Special Invitation for respective *Agenda Item*)
- (42) Mr. Muhammad Yasin Khan, Director, Premier Motors Limited, Karachi (*Special Invitation for respective Agenda Item*)
- (43) Mr. Anwar Iqbal, Chief Operating Officer, Khalid Mushtaq Motors (Pvt) Ltd, Karachi.
(*Special Invitation for respective Agenda Item*)

Copy to:

- 1. PSO to Advisor to PM for Commerce, Industries & Production and Investment
- 2. ES to Secretary, Mol&P.
- 3. ES to CEO (EDB).

ENGINEERING DEVELOPMENT BOARD

33rd Meeting of Auto Industry Development Committee (AIDC)

DRAFT MINUTES OF THE MEETING

33rd Meeting of the Auto Industry Development Committee was held on Thursday, 13th August 2020, at 1500 hrs at Committee Room, Engineering Development Board, Islamabad, under the chairmanship of Chief Executive Officer, EDB. The list of participants is enclosed at annex-A.

The Chair welcomed all the participants. The meeting started with the recitation from the Holy Quran. After the introductions by participants, following agenda items were presented before AIDC with the permission of chair.

Serial #	Agenda Items
Item No. 01	Confirmation of the Minutes of 32 nd Meeting of AIDC held on Thursday April 23, 2020.
Item No. 02	Update on New Investment under ADP 2016-21
Item No. 03	Requests received for consideration for relaxation in time for New Investors under ADP 2016-21 due to Corona Pandemic.
Item No. 04	Update and implementation status on Electric Vehicles Policy (2 – 3 Wheelers and Heavy Commercial Vehicles).
Item No. 05	Update on Adoption of United Nations Economic Commission for Europe (UNECE) WP-29 Regulations
Item No. 06	Discussion on standard formulation process for automobiles at PSQCA/ MoST.
Item No. 07	Automotive Industry Development And Export Plan (AIDEP 2021-26), a way forward
Additional Item (If any)	Any other agenda item with the permission of the chair.

➤ AGENDA ITEM NO. 01

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

Mr. Asim Ayaz, Secretary AIDC updated that Minutes of 32nd meeting of AIDC were circulated among members of AIDC. However, Mr. Nadeem, CEO, Master Motor Company suggested reducing CBU import units from 100 to 10 per variant of Buses. CEO, EDB informed that since no restriction to numbers were discussed in the last AIDC, import of Buses CBU condition under ADP 2016-21 is being dealt administratively by MoIP as per decision of AIDC, therefore no change in minutes is required in EDB's view. He said that, if any numbers are to be discussed that can be discussed as an additional agenda item if requested by the AIDC. Muhammad Faisal, COO, KIA Lucky Motors Pvt Ltd said that the differential of duties between existing players and new entrants should be kept intact, as any reduction in such differential will hurt the New Entrants under ADP 2016-21. CEO, EDB assured him that no such budget proposal has been deliberated /forwarded by EDB, hence the point of view of M/s KIA Lucky Motors has been considered. As such no further action is required in this case.

Decision

"AIDC approved the Minutes of the 32nd AIDC"

➤ AGENDA ITEM NO. 02

Update on New Investment under ADP 2016-21

Secretary AIDC informed that under ADP 2016-21, nineteen new investors have been granted Greenfield Status. In addition, under Brownfield category two closed down units have been revived. Total investment attracted so far under ADP 2016-21 is approximately USD 1 billion. He informed that United Motors (Pvt) Ltd, Regal Automobile Industries Ltd., Foton JW Auto Park (Pvt) Ltd, Master Motors Ltd., M/s KIA Lucky Motor, M/s Hyundai Nishat Motors with committed investment of USD 476 million have started manufacturing. He further added that Sazgar Engineering Works Ltd., Lahore with investment of USD 23 Million is expected to start production shortly. He added that MoIP has desired to deliberate the cases of cancellation of Greenfield status of M/s Pak CAMC and Pak China Motors in the AIDC.

CEO, EDB said more than four years have passed and Government of Pakistan has given adequate time to the two companies. CEO, Dartways said that there should be a minimum time, which he proposed to be 6 months to sign agreement after Grant of Status and if that time period is not met than status can be withdrawn. Secretary AIDC said that as per agreement the firm has two years to install production facilities and start production within two years after import of CBUs for test marketing. He informed that no agreement has been signed by the aforementioned firms. EDB has sent notices and reminders and then recommended MoIP for the cancellation of two firms. CEO, Dartways was of the view that approving authority which is MoIP in this case should send show cause notice to avoid any litigation issues. CEO, Honda Atlas Pvt Ltd said that, if there is no termination clause then EDB/MoIP may wait till June 30, 2021 and the firms which have not signed agreement until that time will automatically stand cancelled. Secretary AIDC said that EDB recommends to case wise analyze each firm. He said that EDB focus was to bring investment. He added that M/s Topsum Motor was granted status and after lapse of two years the firm submitted business plan through Board of Investment with new principals including Zotye. The firm submitted revised Business Plan and New Investment Committee of EDB has recommended to visit the company premises to ascertain groundbreaking of the project/ investment in land and building prior to recommending the case to MoIP for approval. Senior Manager, Indus Motor Company recommended cancellation of non-complying firms after March 2021.

Secretary AIDC said that Al-Futtaim was a renowned group considering to launch Renault in Pakistan; however, reportedly the firm has shown no progress. It would be better if non-complying firms are eliminated and correct investment figures be reported. CEO, EDB said that EDB/MoIP will finalize the modalities however EDB/MoIP seeks an in principle decision from AIDC.

CEO, Dartways said that General Clauses Act allows amendment/withdrawn/conditionality to the approving authority. He reiterated that reminder and cancellation should be done by MoIP. He added that ADP 2016-21 is approved by MoIP any amendment can only be made by ECC. He said Public Notice may be given before cancellation. Muhammad Faisal, COO, KIA Lucky Motors Pvt Ltd said that if no agreement is signed then there is no value of Greenfield Status as the Greenfield status is subject to conditions mentioned in the notification.

CEO Atlas Honda requested a clarification regarding benefits to variants beyond 2021. It was informed by EDB that benefits under the policy are to be extended for a period of five

years, however the cutoff date under the Policy is June 30, 2026; i.e. if a variant is launched in June 2021, then it will avail benefits till June 2026, however if a variant is launched in June 2022, then the cutoff date of June 2026 will apply.

Decision

- a) It was decided that adequate time has been given. New Entrants M/s Pak CAMC, Pak China Motors and Al-Futtaim under ADP 2016-21 have not signed agreement with MolP and neither any progress shown, hence they may be recommended to MolP for cancellation. In case of M/s Topsun Motors, EDB may visit to ascertain progress and status, which may be reported back to AIDC.

➤ AGENDA ITEM NO. 03

Requests received for consideration for relaxation in time for New Investors under ADP 2016-21 due to Covid-19 Pandemic.

Secretary AIDC said that Dewan Farooq Motors Limited started production in 2018; however the firm could not continue due to various macroeconomic factors i.e. Rupee Devaluation etc. according to their statement. The firm requested for extension of one year in their existing Brownfield expiry date of March 05, 2022. EDB is of the view that as per policy no such extension can be granted. CEO, Dartways said that we have to see the progress of the firm before Covid-19 situation arose and in case the firm has not shown any progress by that date then extension should not be given.

Secretary AIDC informed that M/s Premier Motors Ltd. signed agreement with Volkswagen, Germany to produce Volkswagen brand automotive vehicles in Pakistan. The firm CKD manufacturing as per their Business Plan submitted in November 2019 was delayed due to prevailing situation due to Covid-19/Lockdown. Representative of M/s Premier Motors Ltd informed that their firm was not able to hold design review meetings, design approval and manufacturing release for the equipment with vendors and with their principle in Germany due to lockdown and travel ban etc. The firm was not able to proceed with construction at production site due to non-availability of labor during execution of construction activities. Therefore firm requested to allow an extension in their planned start of production date by nine months, i.e. from July 01, 2021 to March 31, 2022.

CEO, Dartways was of the view that cutoff date to start production is June 30, 2021 or within

2 years after signing the agreement whichever is earlier. Force Majeure is needed to be considered. He argued that master document is Policy not the Agreement, the ADP 2016-21 must be followed. However, the relaxation, if any should be analyzed on case to case basis. The house agreed with the point of view.

Decision

- a) M/s Khalid Mushtaq Motors and Dewan Farooq Motors Limited requests were not supported as such by AIDC since no progress was shown pre-Covid. EDB to analyze progress of M/s Premier Motors pre-Covid and put up status in next AIDC meeting for consideration.

➤ AGENDA ITEM NO. 04

Update and implementation status on Electric Vehicles Policy (2 – 3 Wheelers and Heavy Commercial Vehicles).

Secretary AIDC informed that Electric Vehicle Policy 2020-2025 was approved by the ECC of the Cabinet in case No. ECC-244/27/2020 in its meeting held on June 10, 2020 wherein various policy recommendations were approved by the Cabinet. EDB is getting a positive response from investors in response to the policy. The scope of EV policy is to be extended to cars, sports utility vehicles and light commercial vehicles. In this regard, MoIP will also convene a meeting to discuss EV policy for said categories. CEO, EDB said that the proposal for four wheelers already recommended by AIDC will be discussed in the next meeting of the high level Committee constituted by ECC of the Cabinet.

Chairman, PAMA said that still there is confusion that who is custodian of the EV policy. CEO, EDB said it is very clear that MoIP is the custodian of the EV policy and EDB is implementing it. He added that policy draft prepared by Ministry of Climate Change was tilted towards imports which are now structured around local manufacturing. CEO, Dartways said notifications or relevant SROs determine the implementing organization which in this case is EDB/MoIP. Statement of any organization does not matter and EDB is custodian of the policy as is clear from these notifications. Chairman PAMA said that Ministry of Climate Change may look into climate issues, but EDB is appropriate body to look into manufacturing. He recommended that technical matters should be kept with EDB so that they can be handled appropriately.

Representative of M/s Premier Motors Ltd asked what if their firm wants to add EV in their Business Plan. CEO, EDB replied that it will be inbuilt in policy. EDB has already taken deliberated EV policy to the Committee and will update AIDC.

Decision

EDB will keep AIDC updated on status of EV Policy implementation and approval.

➤ AGENDA ITEM NO 5

Update on Adoption of United Nations Economic Commission for Europe (UNECE)

WP-29 Regulations

Secretary AIDC updated AIDC members that, Pakistan has been notified as contracting party to 1958 Agreement by the UN Office of Legal Affairs on 24 April 2020 and has been assigned with the symbol "E 64". Before accession, Pakistan was the only vehicle manufacturing country which was not represented in WP 29. He added that 1958 Agreement contains 158 regulations relating to safety and environment whereas Pakistan opted for 15 Regulations including brakes, steering, tyres, lighting, safety belts, seats, collision, safety glazing, mirrors and cameras, antitheft devices etc. for cars, van and heavy commercial vehicles. He added that regulations can be added in phase wise manner and their inclusion in vehicles can be ensured through inclusion in SRO 656(I) 2006, under which local assembly/manufacturing is allowed by EDB. The agreement does not involve any penalties in case of any delay in compliance to the roadmap given by a country. He added that further recommendation i.e. Airbags can be included after recommendation by AIDC as highlighted by Senate and National Assembly on several occasions.

CEO, EDB said that Minister of Industries and Production desired that EDB may put up a comprehensive proposal as to what needs to be done in the current scenario. He added that timeline is three years and within that time period, OEMs operating in Pakistan have to implement it. Secretary AIDC said that WP-29 is needed to be part of SRO as EDB is the implementing body for the said SROs. In this way the compliance to the notified regulation can be ensured at the time of launch. It was highlighted that third party certification of their OEM in Japan will be acceptable to Pakistan for issuance of manufacturing certificate.

Senior Manager, Indus Motor Company said that separate deliberations on implementation mechanism are required and this may be done in a smaller group. Nominations were requested and Sr. Manager Indus Motor Company, CEO Dartways, DG PSQCA, Vice President, M/s Honda Atlas Cars (Pakistan) Ltd volunteered.

Decision

EDB's Committee including relevant stakeholders to recommend implementation of WP-29 regulations within the stipulated period.

➤ AGENDA ITEM NO. 06

Discussion on standard formulation process for automobiles at PSQCA/ MoST.

Secretary AIDC updated AIDC members that, PSQCA has formulated five standards for four wheelers and one standard for helmets. Standards formulation as per Pakistan Standards and Quality Certification Authority (PSQCA) Act 1996 comes under the mandate of PSQCA. CEO EDB requested PSQCA to give a presentation on the issue. Mr. Ali Buksh Somroo, Director (Standards), PSQCA gave a presentation about their authority and explained about their organization, procedure for development and standards and regulations. He informed that standards developed by PSQCA are not mandatory. However once approved by Cabinet/ECC they become regulations and they are mandatory. He added that these six standards under discussion are going through the process to become regulations.

Chairman PAMA and OEMs highlighted various concerns on the formulation of standards by PSQCA. CEO, EDB highlighted that standards development is PSQCA's domain however; they should be developed in consultation with industry. He said that reportedly due process as highlighted by participants does not seem to have been followed.

Chairman PAMA and Sr. Manager, Indus Motor Company questioned benefit of the standards and added that marking fee will be passed to the consumers. CEO, EDB asked whether the said standards were adequately consulted. Ali Buksh Somroo, Director (Standards), PSQCA said that the procedure is being followed and regulations have been circulated and consultation is under process. The industry representatives including PAMA and Non-PAMA members said that they have not received relevant information. CEO, EDB requested PSQCA to circulate the standards to the industry and subsequently meet with them to complete the procedure of adequate consultation and deliberations.

Sr. Manager, Indus Motor Company said eventually WP-29 will become mandatory that will attain the objective of quality and standardized vehicle. Marking fee will increase price of the vehicles. Ali Buksh Somroo, Director, PSQCA said that countries like India, Turkey have both local standards and WP-29 regulations certified by the government. He said PSQCA is not a revenue collecting department. The marking fee will be minimal as in case of food and non-food items.

Chairman, PAMA said that Infrastructure is needed before implementation of standards. Implementation of standards without infrastructure and any benefit to consumer/industry is not understandable. OEMs follow the manufacturing standards of their principals. That is the prime reason M/s Millat Tractors was able to export tractors worldwide. He said consumer has to pay for such additional regulations. Sr. Manager, Indus Motor Company said WP-29 is a known language worldwide. CEO, EDB said that mistakenly wrong image of industry has been portrayed that industry is against standardization and industry must cooperate with PSQCA and other relevant agencies of the government to address this. Director, PSQCA replied that type approval is to check quality. Conformity and Type approval can be discussed and PSQCA can go for type approval.

CEO, Honda Atlas Pvt Ltd said that helmet standards were made without consultation with local manufacturers and Industry is waiting to be involved in consultation process. Rules were not followed. Director, PSQCA said that the standards are not developed on Research and Development they are based in international standards i.e. ISO. CEO, Honda Atlas Pvt Ltd said that a complete helmet industry can be created if a consultative process is followed for standards development, just like Tyre industry development in India. He said that National Standards Committee does not include industry. Director PSQCA said if locally developed standards are conflicting with World Trade Organization (WTO) requirements. WTO can raise objections which is detrimental for Pakistan.

CEO, Dartways said that there are two main issues with industry Marking fee and confidence on PSQCA ability. We need to find a way out. PSQCA apparently has no funding from Government. Can they be converted to a service organization? The industry may consider focusing on its success and collaboration.

Secretary AIDC said EDB will forward its comments accordingly but PSQCA may circulate standards to the industry as OEMs and industry are claiming that they have not received it. Even EDB received it today. As per EDB view system has not been followed. CEO, EDB said regulations should not be forced but considered after mutual consultations. Secretary AIDC said EDB is secretariat for WP-29 regulations as per ADP 2016-21 and PSQCA is the custodian for standards development. So PSQCA may handle meeting on standards development at its premises as per their rules/regulations.

Decision

EDB will provide a list of local manufacturers to PSQCA, which will convene a meeting of stakeholders for preparation of standards for auto sector, after prior

circulation of the draft standards.

➤ AGENDA ITEM NO. 07

Automotive Industry Development and Export Plan (AIDEP 2021-26), a way forward

CEO, EDB informed that agenda was to be placed in the presence of the Honorable Minister of Industries and Production. Therefore Agenda item is postponed. Mr. Asim Ayaz, Secretary AIDC informed the house that EDB will initiate consultative meetings on the matter shortly.

➤ ADDITIONAL AGENDA ITEMS

Import of Euro-V Diesel

Secretary AIDC informed that matter was discussed earlier in the AIDC also. Sr. Manager, Indus Motor Company said that it is provincial issue and appropriate time should be given to industry to convert to Euro-IV and V technology. He also pointed out that time period is required to upgrade the engine technology, warranty claims, engine testing etc. He said this issue needs deliberation.

Vice President, M/s Honda Atlas Cars (Pakistan) Ltd. supported conversion to Euro-V. He said that it should have come earlier. PARCO is importing 75% of its fuel as Euro-V. It is environment friendly. CEO, Al-Haj Automotive said that China has converted to Euro IV and V and Euro-II is not available locally. Other AIDC members also supported conversion of engine technology to Euro-IV and V. Secretary AIDC said that earlier the industry agitated non-availability fuel and as fuel is available now the industry should upgrade to higher standards.

CFO, Hyundai Motor Company supported Euro-V fuel availability and said conversion should be in a logical order, first local refineries should convert than vehicles should shift to Euro-V.

Secretary AIDC informed that NLC has highlighted that commercial vehicles plying in the country are of Euro-II or of less standards with some population of Euro-III. Furthermore some refineries do not meet Euro-II standards as yet. NLC has requested developments in following areas:

- a) Impact of Euro-V fuel in the diesel fuel market. Will it be packaged separately or a mix of local and imported fuel will be sold to consumers?
- b) Will Euro-V fuel be sold with additives to maintain lubricity?

- c) Contour of any policy under consideration for import of Euro-V commercial vehicles or application of emission control standards.
- d) Impact of Euro-V fuel on engine performance and reliability of Euro-II & Euro-III compliant engines.

AIDC members were of the unanimous view that NLC concerns relate to M/o Energy/Petroleum and NLC may direct their queries there.

Decision

- a) Industry should prepare for conversion to Euro-V and all OEMs should convert to Euro-V engines by the time all refineries convert to Euro-V fuel.
- b) It was decided that NLC clarifications may be forwarded to Petroleum Ministry.

Import of Used Cars

Sr. Manager, Indus Motor Company highlighted that month by month imports of used cars are increasing. However, Secretary AIDC highlighted that year on year imports have reduced from almost 46,000 in 2015-16 to 10,432 in 2019-20. CEO, EDB emphasized that Industry should improve situation availability of cars, reduce prices and consumer rights should be protected. CEO, United Motor gave a suggestion about analysis of back order plan of industry. MoIP and EDB asked the firm representative to submit their proposal in writing.

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

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