



DRAFT
ENGINEERING DEVELOPMENT BOARD

28th Meeting of the Auto Industry Development Committee
Held on, June 19, 2019

MINUTES OF THE MEETING

28th Meeting of the Auto Industry Development Committee was held on June 19, 2019 in the Committee Room of Board of Investment under the chairmanship of Chief Executive Officer (CEO), EDB. List of participants is at *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 27th Meeting of AIDC held on November 13, 2018.
Item No. 02	Presentation on achievements of ADP 2016-21.
Item No. 03	Initiation of discussion of Auto Industry development and export plan 2025.
Item No. 04	Re-composition of AIDC.
Item No. 05	Installation of ED paint shop facilities by <u>M/s Master Motor</u> and <u>M/s Afzal Motors</u> . Sub-contracting of Greenfield ED paint facility keeping in view sanctity of ADP 2016-21.
Item No. 06	Discussion on investment proposal by M/s Pak Suzuki Motor Company under ADP 2016-21.
Item No. 07	Policy for Electric Vehicles being prepared by Ministry of Climate Change and input by EDB/Stakeholders.
Item No. 08	Determination of value addition under SRO 655. Addition deletion in SRO 693 maintaining sanctity of ADP 2016-21.
Additional Item (If any)	Any other agenda item with the permission of the chair.

AGENDA ITEM NO. 01**CONFIRMATION OF THE MINUTES OF 27TH MEETINGS OF AIDC HELD ON NOVEMBER 29, 2017.**

The Committee was informed that Minutes of 27th Meeting of AIDC were circulated to members of AIDC. Since no objection/ observations were received on the minutes of 27th Meeting, therefore, the minutes may be approved/ confirmed. Representative of FBR informed that they have not received the same, a copy may therefore be provided. Accordingly, viewpoint of FBR, if any, will be conveyed.

Decision

"AIDC confirmed / approved the Minutes of the 27th AIDC held on November 13, 2018". Comments, if any, received from FBR will be incorporated in the minutes of 27th AIDC meeting.

AGENDA ITEM NO. 02**PRESENTATION ON ACHIEVEMENTS OF ADP 2016-21.**

DGM-Incharge (Policy) EDB gave a presentation on achievements under Auto Development Policy (ADP) 2016-21. He informed that ADP 2016-21 has attracted enormous interest and investment to the tune of USD 1341.6 mil. has been committed so far from foreign investors who are at various stages of setting up their projects. Sixteen new investors have been granted Greenfield status and under Brownfield, category two closed down units have been revived as well. M/s Regal Automobile Industries Ltd, M/s United Motors (Pvt) Ltd, M/s Foton JW Park, Ltd and M/s Master Motor Limited have already started production whereas M/s KIA Lucky Motors will start production by July/ August, 2019. Import of used cars are on decline due to policy interventions made by the Government as envisaged in ADP 2016-21. Furthermore in consonance to policy measures summary along-with accession document for adoption of WP.29 regulations is under process of submission to Cabinet. The figures of payments made by three OEMs as KIBOR +2% as a result of late delivery of vehicles beyond 60 days were shown to AIDC members.

Mr. Faisal, CFO, M/s KIA informed that as a result of this policy the total capacity of industry will reach 600,000 by 2021. The house appreciated EDB/MoIP on success of Auto Development Policy (ADP) 2016-21 and wished success to the new entrants especially in view of the current economic conditions of the country.

AGENDA ITEM NO. 03**INITIATION OF DISCUSSION OF AUTO INDUSTRY DEVELOPMENT AND EXPORT PLAN 2025.**

The house was informed by CEO, EDB that MoIP has constituted Auto Industry Development and Export Committee to formulate Export Plan for 2025. Mr. Nabeel Hashmi, Member EDB's BoM further added that AIDC is appropriate forum for development of Export Plan 2025. The Auto Industry Development and Export Committee consists of industry representatives. However, AIDC is the forum approved by ECC of the cabinet and its TORs are mentioned in AIDC. He proposed that an export committee may be formulated as a sub-committee of AIDC.

Malik Tahir, Director (Finance), MGA Industries Pvt Ltd informed that their firm is exporting 3,000 components out of which 87 components are exported to Germany. He added that EDB's efforts and exhibitions abroad helped his firm to export and reach potential markets. However, the exports are not growing at the desired rate. If manufacturers can make for Pakistani

market then they can make for international market as well. He suggested that practice of handholding the engineering industry to international exhibitions should continue. Furthermore, he proposed that vendors and OEMs should work together and make a mechanism to enhance export.

Mr. Zubair Aamir, GM (Projects), Sazgar Engineering Works informed that their company is exporting three wheelers to Japan. However, demand for standardization is increasing. He said that due to lack of standardization exports of Pakistan are very weak as compared to other countries especially India, Nigeria, Bangladesh and other neighboring countries who are now following standards of India. That is one of the reason that 2/3 wheeler export to Bangladesh from Pakistan is on a decline. He added that following international trends specially standards have a huge advantage and improve competitiveness. He cannot export to despite being cheaper than India due to local standards being not at par with international requirements.

Chairman, PAMA said that Cost of Doing Business (CoDB) is very high in Pakistan. Exports cannot grow if we will not reduce CODB due to loss of competitiveness. He proposed the a representative of PAMA may be represented in the Sub- Committee for exports. Chairman PAAPAM followed with the same request. Mr. Niaz Muhammad JS (LED) MoIP, said standards are domain of PSQCA. However representative of Ministry of Science and Technology informed that standards of 4 wheelers are not on mandatory list of PSQCA. As the representative from PSQCA could not attend the meeting, MoST will contact them for their viewpoint.

Mr. Shariq Sohail, Managing Director, Rubatech Manufacturing Company (Pvt) Ltd. said that companies are exporting on their own initiatives. He said that certifications are very important for exports. He further added that there are great prospects for exports in niche markets and aftermarket. A SWOT analysis needs to be carried out and strategies for weaknesses and threats may be formulated.

Mr. Nabeel Hashmi, Member BoM added that the Export Plan 2025 will be prepared by sub-committee of AIDC on Exports. Following decisions were taken.

Decision

- i. *Sub-committee on exports will be constituted under recomposed AIDC.*
- ii. *It was decided that MoIP/EDB will forward recommendation of AIDC to PSQCA to bring standards of 2/3 wheelers at par with international and regional standards for enhancement of exports.*

AGENDA ITEM NO. 04

RE-COMPOSITION OF AIDC.

CEO, EDB informed that current Auto Industry Development Committee (AIDC) was notified in 2016. It is mentioned in Auto Development Policy 2016-21 that "composition of AIDC will change after every two years". In view of the changing dynamics of industry, investments by new entrants, expected introduction of EV technologies etc, re composition of AIDC is due however, designated members have already been approved by the government under the framework given in the ADP-2016-21, nomination may be revised as per previous practice.

Vice Chairman, PAMA said AIDC is notified by ECC of the Cabinet and changes in composition should be done by same forum.

Mr. Nabeel Hashmi, Member BoM, EDB said that AIDC will be recomposed as required under ADP 2016-21. The re composition is domain of EDB and as per criteria will be suitably

recomposed by Chairman BoM EDB and informed accordingly. Mr. Faisal, CFO, M/s KIA requested that new entrants may be given place in the recomposed AIDC in this regard new entrants can forward request to EDB. CEO, M/s Al-Haj Faw said that non-PAMA members may be made part of re-composed AIDC.

Chairman PAAPAM informed that he has already submitted his recommendation while Chairman PAMA also requested to include their representative on the reconstituted committee. Mr. Nabeel Hashmi, Member BoM, EDB requested the house to forward their names to EDB for consideration.

Decision:

Re composition of AIDC was agreed by the participants. PAMA, PAAPAM/Non-PAMA members and new entrants were advised to forward their nominations to EDB for consideration.

AGENDA ITEM NO. 05

INSTALLATION OF ED PAINT SHOP FACILITIES BY M/S MASTER MOTOR AND M/S AFZAL MOTORS. SUB-CONTRACTING OF GREENFIELD ED PAINT FACILITY KEEPING IN VIEW SANCTITY OF ADP 2016-21.

It was informed that M/s Master Motors Limited (MML) and M/s Afzal Motors Karachi were given extension by AIDC in its 27th Meeting held on November 13, 2018 to install ED paint facility till 31st January 2019 and June 30, 2019 respectively. As per decisions of AIDC, M/s Master Motors Limited (MML) was visited by EDB Team and the manufacturing facilities including ED Paint Shop were found satisfactory. It was also informed that EDB has already issued manufacturing certificate to M/s Master Motors for production of Changan Vehicles at their Greenfield plant where the ED facility is installed. M/s MML are interested to carry out ED Paint and assembly of their models which were previously being manufactured at Master Motors Corporation. As per ADP 2016-21 M/s MML has installed new ED paint facility as part of new plant installed as required under the policy. M/s MML have requested that the New facility under ADP may be allowed to be used for assembly of vehicles at the old facility under contract between both companies.

M/s Yawar from M/s MML informed that their facility is complete. Mr. Abid Saeed, CEO, Foton JW said that M/s Master Motor Limited is subcontracting its ED paint facility to old facility and requested clarification. CEO, Al-Haj FAW also asked for clarification. DGM-Incharge (Policy), explained that as per ADP 2016-21 Greenfield Investor has to ensure the installation of new and independent automotive assembly and manufacturing facilities. New entrant status cannot be granted if the company does not have complete independent manufacturing facilities.

Mr. Ali Asghar Jamali, CEO, M/s Indus Motor Company Pvt Ltd endorsed DGM-Incharge (Policy) opinion and said MMC is a sister concern of MML and MML has installed new facility there is no restriction that under contract an old facility uses ED paint facility of new plant. New ED paint facility is not feasible for every plant unless a specific volume is not achieved.

DGM-Incharge (Policy) informed that EDB's Team also visited the manufacturing facilities of M/s Afzal Motors Karachi in April 2019 and the installation of ED Paint Facility was under process. The representative of M/s Afzal Motors explained the house that installation

of Facility is almost complete and will be operational by 30-6-2019. He invited EDB's Technical Team to visit the facility at the time suitable to EDB. CEO, EDB said no further extension will be given beyond June 30, 2019 to M/s Afzal Motors and their manufacturing certificate will be revalidated subject to installation of ED Paint facility.

GM (Projects), M/s Sazgar Engineering Works Pvt Ltd, informed that ED paint can have 5 or may be 11 processes. So installation of which ED paint facility is required under ADP 2016-21. CEO, EDB replied that under SRO 656 minimum in house facilities are required. There was however a general concern on quality of ED paint facility and absence of standards in this regard. The house was of the opinion that PSQCA may not be able to firm up standards therefore a committee of Vice-Chairman PAPAAM and GM (Projects) Sazgar may provide the same for assisting PSQCA.

Decision

- *"It was decided that no extension will be given M/s Afzal Motors after June 30, 2019 and EDB Team will visit their premises at a mutually convenient date and time for final inspection.*
- *AIDC recommended allowing subcontracting of ED paint facility only by a New Entrant under contract with prior approval of AIDC. M/s MML may subcontract its ED paint facility only however, shall not carry out any assembly/ manufacturing of their existing makes at their Greenfield facility.*
- *A two person committee consisting of Vice-Chairman PAPAAM and GM (Projects) M/s Sazgar Engineering shall provide ED paint standards in the next meeting of AIDC for assisting PSQCA.*

AGENDA ITEM NO. 06

DISCUSSION ON INVESTMENT PROPOSAL BY M/S PAK SUZUKI MOTOR COMPANY UNDER ADP 2016-21.

It was informed to the house that M/s Pak Suzuki Motor Company Pvt Ltd has investment plan of approximately US\$ 460 mil. under ADP 2016-21, both new make and new investment/plant are prerequisites to be declared as Greenfield Investment. Currently, investment proposal by Pak Suzuki Co. is not eligible as the make "Suzuki" is being manufactured in Pakistan. Moreover, the existing auto assemblers already have CD benefits 2.5% (non-Localized) and 5% (localized) parts under existing ADP for five years i.e from 2016-21. It was also informed to the house that the matter was previously discussed in BoI, Ministry of Finance, Revenue and Economic Affairs, MoIP and EDB and Pak Suzuki's Proposal was not considered for grant of Greenfield Investment Status under existing ADP 2016-21. In view of latest correspondence with various Government bodies, Ministry of Industries and Production has advised EDB to place the matter before AIDC, which has been dealing with such policy issues in the past and has mandate to recommend on such matters under ADP 2016-21. As per Auto Development Policy (Page 61), it is mentioned that Auto Industry Development Committee (AIDC) shall review results of the new investor policy once every two years and shall recommend modifications, if any. It was proposed that in view of expected litigation, any consideration for grant of incentives should be across the board and beyond policy period i.e. June 2021.

Mr. Shafiq Ahmed Sheikh Head Public Relations, M/s Pak Suzuki mentioned that when Auto Development Policy 2016-21 was under deliberation it was being considered for existing players too but it was changed in the final draft i.e. when the policy was approved, existing players were denied the incentives under ADPP 2016-21. CEO, Pak Suzuki Company Limited

welcomed the new players and mentioned that those already in the country have served for a long time must be given incentives rather than only new comers. Mr. Shaifq Ahmed Sheikh added that Pak Suzuki Company Pvt Ltd understands that current policy cannot accommodate their proposal but a policy may be formulated beyond 2021 to provide incentives across the board but it should be announced earlier so that future investment decisions can be made by companies. CEO, Pak Suzuki Motor Company Pvt Ltd added that their firm wants an overall growth of automotive sector and they want Pakistan automobile industry to reach 01 million sales. Incentives for new entrants helped them but resulted in discouragement of existing players. Incentives if given to Pak Suzuki Company Pvt Ltd will help their firm compete globally. M/s Pak Suzuki Pvt Ltd wants vendor industry to grow. In this regard Suzuki has to make JV with international players.

CEO, Ghandhara Nissan Ltd said that all players should be asked for new business plans. Chairman, PAMA recalled that Pak Suzuki vociferously objected to presentation of their agenda in the previous AIDC as additional item. He further added that all stakeholders should be called for policy formulation. Merits and demerits for entire industry should be kept in mind instead of discussing the proposal by M/s Pak Suzuki Pvt Ltd only.

Mr. Ali Asghar Jamali, CEO, Indus Motor Company Pvt Ltd said that policy should be made across the board and personalized cases should not be discussed. He further added that vendor industry needs a policy and SRO 655(I)/2006 needs to be amended to favour the part makers.

Mr. Shafiq Ahmed said that their firm is here in Pakistan for the last three decades because of technology transfer, localization and weak players could not survive in local market at the time of recession. He further added growth of today's vendor industry is also due to existing players.

Mr. Shariq Sohail, Managing Director, Rubatech Manufacturing Company (Pvt) Ltd said that new policy may be made for New Entrants, Existing Players and vendor industry. Timing of 3 years was appropriate for existing players. The new policy may be linked with export, progressive indigenization, technology and employment generation. Quantifiable Foreign Direct Investment should also be made part of the policy.

Mr. Faisal, CFO, KIA said that their best facility is ready in 1.5 years. Auto Development Policy 2016-21 is a great success as under ADP 2016-21 16 new entrants have been granted Greenfield status and 02 units have been revived under Brownfield category. The new entrants will add 250,000 to the current capacity of Automobile industry. Policy is clear that makes being manufactured in Pakistan are not allowed. He requested that no change should be made in the existing policy. He said that in another 2 years the Government will see capacity of the industry will double and will reach 600,000. The increased volumes will help benefit PAAPAM members as well. Such approvals proposal will hurt the new entrants as well and will send a bad signal to international organizations i.e. World Bank who are investing in looking at consistency of the policy. He further added that rupee devaluation against dollar has severely hurt new entrants. Such approvals if given will add to the problems being faced by new entrants, will shake confidence of new entrants and should be avoided. CEO, Honda Atlas said that everyone was a new entrant at one time. All players will be existing soon. M/s KIA should keep this in mind.

CEO, AL Haj Faw said that ADP 2016-21 has its own targets and policy was successful to bring new entrants. He added that new policy should be based on technology, exports, vendor development. Three OEMs have been here long enough and have considerable advantage over

new players. M/s Al-Haj open heartedly accepted the new policy and supports the incentives across the board for all auto industry in larger interest of Pakistan. CEO, EDB added that there will be no policy change till 2021. Suggestions to improve the post policy era may help to the advantage of all stake holders on sustainable basis. The policy presently only allows review of its progress which is very encouraging.

Mr. Ashraf Sheikh, Ex-Chairman PAAPAM said that a committee should be formed to discuss policy formulation. Ali Asghar Jamali and CEO, Pak Suzuki Motor Company also recommended a working group may be made to discuss policy beyond 2021.

CEO, Ghandhara Nissan said that the current policy should complete its tenure. New entrants should now be part of any committee form to discuss way forward. The representative from Ministry of Planning said that overall benefit of the country should be foremost.

Decision

The Auto policy 2016-21 shall not be modified and proposal of Pak Suzuki may be considered amongst other recommendations made in the discussions subsequent to outcome of the policy and with further due consultation of all stake holders.

AGENDA ITEM NO. 07

Policy for Electric Vehicles being prepared by Ministry of Climate Change and input by EDB/Stakeholders.

It was informed that Ministry of Climate Change has been tasked by Prime Minister of Pakistan for preparation of Policy for Electric Vehicles. In this regard, EDB was advised by Ministry of Climate Change to hold a stakeholders meeting for their viewpoint on 29th May 2019. Accordingly, a meeting to discuss Electric Vehicle Policy Formulation was held in Committee Room of Board of Investment under the Chairmanship of Mr. Nabeel Hashmi, Member, BoM EDB. A synopsis of general consensus developed on EV Policy by the stakeholders was shared with AIDC.

The house was unanimously of the view that EV policy is mandate of the MoIP. As per practice and mandate, the task of EV policy formulation and implementation should be done by MoIP/ EDB. The introduction of EVs in the country is principally agreed since however, considerable stake as well as deliberations regarding dynamics of EV industry are required, the process needs to be carried out in line with recommendations made in the previous agenda item.

Adding further to the discussion, Mr. Ali Asghar Jamali, said EV policy should focus on make in Pakistan. No import of CBUs may be allowed. Parts not being manufactured in Pakistan may be allowed at concessionary duty. President Atlas Honda said that all stakeholders should be consulted. Separate policy for 2/3 wheelers should not be made unless proper consultation is carried out. Since most of the members had also attended the exclusive session on EV policy, their point of views reiterative.

Representative of FBR said that FBR is working on EVs. They have responded to Ministry of Climate Change and their summary needs clarity. FBR also said they have already given incentives for EVs subject to localization plan and EDB has already submitted a detailed reply in this regard.

Mr. Zubair Aamir, GM (Projects), Sazgar Engineering Works said that the policy should not be misused. If someone brings in three wheelers under concessionary regime for EVs and fits engine in it at a later stage, it will hurt local manufactures.

Decision

It was unanimously agreed that MoIP/EDB may take over EV policy formulation and it should be deliberated in close coordination with the stakeholders.

AGENDA ITEM NO. 08

Determination of value addition under SRO 655. Addition deletion in SRO 693 maintaining sanctity of ADP 2016-21.

It was informed that in pursuance of AIDC's decision taken in its 26th 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. PAAPAM has recently submitted their proposal to EDB. PAMA and PAAPAM were requested to convey their position on review of SRO 693 as well. Meanwhile, EDB issued IORs on provisional basis in order to ensure continuation of routine manufacturing activities in the industry.

AIDC was again requested to advise a timeline for submission of proposal on review of SROs in the 28th AIDC meeting. CEO, EDB pointed out the delay in deliberating the matter. Mr. Ali Asghar Jamali, CEO, Indus Motor Company Pvt Ltd and Chairman PAMA said they are not ready and they need two months to give their proposal. Mr. Shariq Sohail, Managing Director, Rubatech Manufacturing Company (Pvt) Ltd said the matter of value addition relates to PAAPAM. In case of and particular case, where value addition is not substantial and it cannot be achieved within stipulated time period, EDB's analysis/recommendation should be considered as final. In case of parts assembly, control is needed as where there is assembly value addition is required. CEO, Indus Motor Company reiterated that 2 months' time may be given to PAMA and OEMs to give their proposal. However, EDB may decide the applications on case to case basis as per previous practice.

Decision

"It was decided that PAMA/OEMs will submit proposal by August 19, 2019 regarding value addition."

ADDITIONAL ITEM

One time waiver to non-custom paid vehicles in Malakand Division

DGM-Incharge (Policy) informed AIDC members that there is a proposal under consideration regarding one time waiver to non-custom paid vehicles in Malakand Division. AIDC members were of the view that such waiver would negatively affect the national exchequer besides being similar to import of used vehicles that will affect market share of vehicles produced in organized sector by local manufacturers. The amnesty/ one time waiver, if provided will create uncertainty in the market, as these vehicles will be sold in entire Pakistan and other agencies/ tribal areas are likely to demand similar waiver.



The AIDC unanimously opposed one time waiver to non-custom paid vehicles. New entrants who have invested USD 1341.6 million under Auto Development Policy 2016-21 showed reservations and strongly opposed the said proposal as well.

Decision

AIDC recommended that such amnesty, if considered, will be detrimental for industry like used car imports and previous amnesty scheme. It further recommended that amnesty will be against the spirit of AIDC, will hurt investments of new entrants and market share of the existing players as well. In view of foregoing, EDB/MoIP may oppose the amnesty scheme strongly.
