



**ENGINEERING DEVELOPMENT BOARD**

**1<sup>st</sup> Meeting of the Auto Industry Development and Export Committee**

**Held on, 08<sup>th</sup> March, 2022**

**Minutes of the Meeting**

1<sup>st</sup> Meeting of the Auto Industry Development and Export Committee was held on 08<sup>th</sup> March, 2022 in the conference room of EDB under the chairmanship of Mr. Raza Abbas Shah, Chief Executive Officer (CEO), EDB. The list of the participants is attached as *Annex-I*.

The Chair welcomed all the participants and briefed the participants about the objectives of meeting. He observed that Chairman PAMA and Chairman PAAPAM are important stakeholders and their participation in AIDEC meetings is imperative. After introduction of participants, Secretary AIDEC was invited to present the agenda of the meeting for discussion.

S.#	Agenda Item
Item No. 01	Overview of Auto Industry Development and Export Policy (AIDEP).
Item No. 02	Discussion on complaints regarding late delivery, price increase, quality issues and reimbursement of Kibor +3% etc.
Item No. 03	Devising procedure for reporting date to EDB.
Item No. 04	Submission of Budget Proposals for FY 2022-23.
Item No. 05	Discussion on updation of SRO 693.
Item No. 06	Implementation of United Nations WP29 Regulations.
Item No. 07	Any other agenda with the permission of Chair



**AGENDA ITEM NO. 1:**

**OVERVIEW OF AUTO INDUSTRY DEVELOPMENT AND EXPORT POLICY (AIDEP)**

The Committee was informed that Auto Industry Development and Export Policy (AIDEP) was approved by ECC of the Cabinet vide decision in Case No ECC-442/43/2021 dated 16-12-2021 which was ratified by the Cabinet on 21-12-2021 and conveyed to EDB vide MoIP's letter dated December 27, 2021 and letter dated February 01, 2022.

It was informed that AIDEP 2021-26 is the successor to the Automotive Development Policy 2016-21. Accordingly, AIDEP 2021-26 encompasses localization, incentivizing small cars, implementation of safety regulations, promotion of new technologies including EVs, promotion of indigenous car, exports, and consumer welfare.

The participants appreciated the efforts of EDB for finalization of AIDEP. CEO EDB thanked all stakeholders, especially the then Chairman PAMA, Chairman PAAPAM, and office bearers of these associations for their time and efforts in finalization of the Policy.

**AGENDA ITEM NO. 2**

**DISCUSSION ON COMPLAINTS REGARDING LATE DELIVERY, PRICE INCREASE, QUALITY ISSUES AND REIMBURSEMENT OF KIBOR +3% ETC.**

Secretary AIDEC briefed the committee that as per AIDEP interventions, EDB is nominated as secretariat to ensure resolution of consumer complaints received in EDB through different channels including Prime Minister Portal, Ombudsman Secretariat, Ministry of Industries & Production and EDB directly regarding late delivery beyond 60 days, price increase issues and reimbursement of Kibor+3%. Concerning to Kibor the Secretary informed the committee that New Entrants under ADP 2016-21 are reimbursing @ Kibor+2% as per their investment agreement clause, however, M/s IMC, M/s Honda and M/s Pak Suzuki are paying @ Kibor+3% against deliveries beyond 60 days to the customers. Further he highlighted that the OEMs are required to submit bi-annual data regarding these reimbursements to EDB by the end of October and April each year. It was further informed that under SRO 656(I)/2006 EDB reserves the rights to recommend stoppage of incentives against non-complaint OEMs to the Auto Industry Monitoring Committee chaired by Secretary MoIP. CEO EDB observed that it is desirable that these issues are debated and resolved at this forum rather than government having to resort to penal action.

Regarding late delivery and price increase of vehicles CEO, Master Motor Corporation highlighted that the majority of OEMs are unable to deliver vehicles in time primarily because of COVID-19 shock to the global supply chain, especially due to the shortage of semiconductor chips. Resultantly production of automobiles has taken a massive hit which is not in control of anyone. Moreover, he highlighted that increase in shipping cost and increase in prices of raw material, both being global phenomenon, coupled with continuous depreciation of Pak Rs against the US Dollar have forced the OEMs to increase their vehicle price. Mr. Mian Shoab Ahmed



representative from Consumer Society opined that if OEMs are not able to deliver the vehicles to customer they should not book vehicles and increased price should not be transferred to customers. CEO, Indus Motor Company Ltd advised that stopping booking would be counterproductive and result in increase of premium in the market. He was of the opinion that the government should wait and let the market mechanism work and things should stabilize soon. Chairman PAAPAM highlighted that localization must be targeted to attain maximum possible value addition within Pakistan which will reduce risk of external shocks. Mr. Abdul Rehman Aizaz, from Techno Pack Industries Private Limited was of the view that Government decision regarding maximum upfront payment on car booking not to exceed 20% of the invoice value has brought more investors in the market and genuine customer is suffering. COO Hyundai Nishat Motors highlighted that delay in deliveries is due to international factors and hence out of control the local industry. He also commented that new entrants are legally bound to make reimbursement in late deliveries @ KIBOR+2%.

After detailed deliberations, following decisions were taken.

**Decision:**

- *The Committee recommended that investors under ADP 2016-21 who are paying Kibor +2% instead of Kibor +3% shall submit justification/legal opinion to EDB.*
- *OEMs to submit updated data on reimbursements made till Feb 2022 to EDB.*
- *The committee recommended that to curb ON money culture the amount of advance payment threshold may be revised upwards to 50% of the total price.*
- *The committee recommends to the State Bank of Pakistan to direct conventional banks to book vehicles on partial payment instead of full payment, as is provisioned in the Auto Policy*

**AGENDA ITEM NO. 3:**

**DEVISING PROCEDURE FOR REPORTING DATA TO EDB.**

The Committee was informed that AIDEP has envisaged introduction of online booking system in order to bring more transparency to the customer. All car manufacturing companies will display booking status and tentative delivery period online on respective websites, as has already been done by some leading OEMs. This will increase visibility, and status of booking, to the customer. Presently EDB has been receiving the status of deliveries of vehicles from respective companies on need basis, however since the number of complaints regarding bookings and delivery of vehicles are increasing, therefore an online real time reporting mechanism needs to be devised for consolidated reporting of data to customers.

**Decision:**

*A separate meeting with OEMs may be conducted by EDB to devise modalities for implementing an online reporting mechanism at EDB.*



**AGENDA ITEM NO. 4:**

**SUBMISSION OF BUDGET PROPOSALS FOR FY 2022-23.**

The Committee was informed that subsequent to approval of AIDEP, the various incentives offered to the existing and new automobile assemblers have been diluted due to fiscal constraints of the government, and duties and taxes on automobiles were increased in the mini-budget.

The committee was of the view that the matter may be taken up again with FBR in the upcoming bill, which will include enhancement in cutoff date and incentive period for new product policy, reduction in CD from 10 to 5 % in case of rigid trucks (new entrants) etc.

**Decision:**

*The Committee recommended that a sub-committee comprising EDB and two members each from PAMA, PAAPAM and PASPIDA to deliberate upon and prepare consolidated proposals for the automobile sector for Budget 2022-23 before 31<sup>st</sup> March 2022.*

**AGENDA ITEM NO. 5:**

**DISCUSSION ON UPDATION OF SRO 693.**

The Committee was briefed that AIDEP targets promotion of indigenous manufacturing of parts and assemblies / subassemblies to ensure import substitution. In this regard bi-annual updation of SRO 693(I)2006 will be carried out to ensure speedy localization. In first phase inclusion of list of parts to be added in SRO 693(I)/2006 in consultation with industry has already been forwarded to FBR through MoIP as per SRO. However, FBR has advised to submit a summary for approval of ECC of the cabinet for the same. It was proposed that as the amendments are to be carried out in Finance Bill, and the SRO requires bi-annual updation of SRO 693, a consolidated list may be submitted for approval of ECC of the Cabinet.

Secretary AIDEC emphasized that as EDB has to forward the input to MoIP for updation of SRO 693(I)2006 latest by March 31, 2022, the committee members may forward their nominations to EDB for formulation of a committee to finalize the list of parts to be included in SRO 693. EDB will convene a meeting of stakeholders to discuss the list of parts proposed for addition in SRO 693 and invite relevant stakeholders for the meeting.

**Decision:**

*EDB to convene a meeting and finalize list of parts and components to be added in SRO 693(I) 2006 latest by March 25, 2022.*



**AGENDA ITEM NO. 6:**

**IMPLEMENTATION OF UNITED NATIONS WP29 REGULATIONS.**

The Committee was briefed that Accession to WP 29 Regulations was envisaged in ADP 2016-21 and its role has been maintained in AIDEP 2022. 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". Pakistan has opted for 17 Regulations comprising brakes, steering, tires, lighting, safety belts, seats, airbags, collision, safety glazing, mirrors and cameras, antitheft devices etc. for cars and heavy commercial vehicles.

CEO Indus Motors and VP Honda Atlas Cars asked for clarification on collision test and air bags as their principals have informed that these if adopted will require installation of 8 air bags which may not be required at this stage. The implementation criteria was referred by Secretary AIDEC which allows EDB to choose appropriate direction in case of practical difficulty. The OEMs were of the view that the foreign principals require a comfort level in such cases and EDB may issue a clarification in this regard.

The committee showed concerns about absence of lab infrastructure with Pakistan Standards and Quality Control Authority (PSQCA) and their efforts for enforcement of standards. Both PAMA and PAAPAM updated that they are not participating in the meetings of PSQCA due to various concerns not being listened properly. The committee members were confident that EDB's approach for introduction of regulations at initial or model launch stage will ensure provision of international quality vehicles to the customers.

**Decision:**

*The Committee decided to deliberate the matter in detail before implementation of WP 29 Regulations to achieve consensus as envisaged in the policy. Meanwhile EDB to issue a clarification of installation of 2 x air bags in the cars/vehicles.*



**ADDITIONAL AGENDA ITEMS**

The chair allowed to consider following additional agenda items in AIDEC.

**ADDITIONAL AGENDA ITEM NO. 1:**

**Localization, a request by a vendor industry for procurement of parts by local OEM**

The Committee was informed that M/s Baluchistan Wheels Limited has approached EDB regarding challenges being faced by local auto vending industry. They have highlighted that some assemblers (OEMs) have a discouraging attitude towards localization, manifested through cumbersome procedures and monopoly of their foreign partners resulting in non procurement of auto-parts from local vendor industries for some of their newly launched models despite the local vendors having experience and capability to manufacture these parts. Members of AIDEC recommended that EDB may sort out the matter at their end by inviting senior management of both the companies. However, members of the committee reiterated that localization of parts and components must be pursued in letter and spirit.

**Decision:**

*EDB to schedule joint meeting of M/s Baluchistan and M/s Pak Suzuki to resolve the matter.*

**ADDITIONAL AGENDA ITEM NO. 2:**

**Permission to allow input item being manufactured locally**

It was informed that M/s GR Engineering claims that M/s People Steel does not have the capability to manufacture as per their required specification. i.e. Round Bar SCM 415 DIA 12MM With HS Tolerance Length Size 5250 MM (H-9 Grade), therefore it should be allowed under SRO 655(I)2006. It was highlighted by Secretary AIDEC that the matter was reported by the vendor and both the parties have different claims i.e. M/s Peoples Steel declared that they possess capabilities of manufacturing of same grade whereas the vendor claimed that despite giving orders, Peoples Steel could not honor their commitment. In this case, EDB requested former Chairman PAAPAM/Member AIDEC to sort out the issue. He briefed the committee that upon his query, Peoples Steel required 50% advance and delivery time of 6 months. The members were of the view that it is difficult for vendors to be either competitive or capable to supply in time in such cases. AIDEC unanimously agreed that the company must be facilitated provisionally and said raw material should be recommended for exclusion from CGO where delivery time exceeds one month.

**Decision:**

*The Committee recommended the vendor may be facilitated through provision of said raw material at concessionary rate of custom duty on provisional basis.*



**ADDITIONAL AGENDA ITEM NO. 3**

The progress of manufacturing plant of M/s Premier Motor i.e. Volkswagen was presented by Secretary AIDEC. However, members were of the view that AIDEC may discuss the matter on receipt of consolidated request backed by the letters of Credit for import of machinery etc.

**The meeting ended with a vote of thanks to and from the Chair.**

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