

## **Pakistan Association of Automotive Parts & Accessories Manufacturers**

Minutes of 4<sup>TH</sup> Managing Committee (Central) meeting held on 5<sup>T</sup>h April 2016 at PAAPAM Head Office Lahore and Zonal Office Karachi via video link.

The 4<sup>th</sup> Managing Committee (Central) meeting was held under the Chairmanship of Mr. Mumshad Ali, Chairman and Mr. Mehmood Alam Sherani, Vice Chairman. The list of participants at respective locations attached.

The proceedings of the meeting commenced with recitation from The Holy Quran by Mirza Shafqat Suhail.

At the outset Mr. Mumshad Ali welcomed the participants and praised their interest in the affairs of the Association. Thereafter the agenda items were taken up as under:

### **Item # 1: Automotive Development Policy 2016-21**

Mr. Mumshad Ali, Chairman briefed the house on Auto Development Policy 2016-21, announced recently, which predicts to develop a modern, competitive and viable automobile and auto parts industry capable of meeting national and regional demands through new investment measures, tariff nationalization and ensure consumer welfare. The main policy directives are as under:

1. Lower the entry threshold for new investment.
2. Create enabling tariff structure for development of the automotive sector.
3. Rationalize automobile import policy.
4. Provide regulatory and enforcement mechanism for quality, safety and environmental standards.
5. Establishment of Pakistan Automotive Institute.

He further informed that initially, the Government wanted to provide a flat duty rate of 10% ~ 15% on all imports of CKD parts (whether localized or not) to the New Entrant. However, after strong protest of PAAPAM, the Government changed this incentive to the following:

Duty on non-localized parts: 10%  
Duty on localized parts: 25%

In the initial ADP drafts, the Government proposed to allow Category A and B incentives to new entrants without setting up Greenfield plants in Pakistan. This meant that any global OEM could bring CKD kits at reduced tariffs and have the vehicle assembled at any existing 3rd party plant in Pakistan.

OEMs and PAAPAM resisted this proposal strongly as it would have led to influx to several Chinese, Korean and European vehicles that could be launched in Pakistan

without much investment.

Finally, this proposal was dropped by the Government in the final approved policy. This means that every New Entrant must invest around US \$ 300~400 million in a Greenfield plant in Pakistan to enjoy ADP incentives. This is a big barrier for existing players.

Until the latest ADP draft, the Government wanted to allow concessions on MKD (Medium Knocked Down) assembly to New Entrants. This meant that such new entrant would not need to invest in engine assembly, transmission assembly, painting line and complete welding line. Hence, new entrant could launch at very low investment level.

Due to the resistance from the industry, the Government dropped this incentive from the final policy. Compulsory discontinuation of 10-year old models (Mehran, Ravi, Bolan). This proposal would have seriously damaged our vendors depending on Mehran, Ravi & Bolan. Alhamdulillah, this proposal was also dropped in the ADP after strong protest by PAAPAM team.

## **Item # 2: Levy of additional 15% R.D. on Steel products.**

Mr. Mumshad Ali, Chairman PAAPAM informed the house that the issue of 15% additional regulatory duty imposed on steel products is being perused with concerned authorities vigorously. A number of meetings has been held with Custom Authorities, Ministry of Industries and Engineering Development Board in this regards,

## **Item # 3: Approval of new membership companies.**

The House approved following new membership applications:

### **North:**

1. Precision Mates.
2. Umar Usman & Sons
3. Alfa Tech Engineering
4. S.M. Engineering Works
5. Mumtaz Metal Care (Pvt) Limited.

### **South:**

1. Fatima Industries (Pvt) Ltd.

There being no other item on the agenda, the meeting ended with vote of thanks to and from the Chair.

  
Muhammad Arshad  
Secretary General