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Imported used cars

Age limit needs to be reduced, plead assemblers

ISLAMABAD: The meeting between the auto assemblers and vendors with Ministry of Industries decided to continue the dialogue with more data after the Secretary Industries Shafqat Naghmi has apprised himself of the ground reality. The Federal Secretary is expected to visit Karachi on October 18, 2012, it is reliably learnt.

Last month, the Federal Secretary wanted to meet the automobile importers and the local car producers together. But the representatives of Pakistan Automobile Producers Association wanted to avoid an unpleasant confrontation and they preferred to meet the officialdom separately.

The five-year automobile investment plan has expired in 2012 and the new proposal of the Engineering Development Board with regard to duties and taxes is yet to be accepted by the revenue officials and ministry of finance.

Ministry of Industries is having a fresh look at the proposals before they are once again placed before the ECC.

The main dispute is on the age of used vehicles allowed to be imported. It used to be three years and now this limit is five years. The other is the formula of depreciation for imported used vehicles. Both these relaxations are hurting the local assemblers who have invested billions of rupees to produce half a million vehicles in the country.

Due to the age change and depreciation allowed for used cars local production has dropped a high point of 250,000 to less than 100,000 cars.

The Tuesday's meeting was attended by newly-elected Chairman PAMA, Pervaiz Ghayas, and newly-elected Chairman PAAPAM, Munir K. Bana accompanied by many other leaders of the auto industry, who included Ali Habib, Chairman Indus Motors.

The meeting focused mainly on the challenges faced by the industry due to import of used cars, trucks and buses. After an animated discussion in which Naghmi listed concerns of the government sector about the car prices being raised frequently and demands not being met by the industry leading to premium being charged on locally manufactured cars, the industry presented the facts as they saw them.

The reasons for increase in car prices were shared and support needed from the government to discourage premium on locally-manufactured cars were presented by the auto industry.

The auto industry shared data from international car markets, import and local production, tariffs and car prices in different countries and in comparable economies with the government representatives.

They requested the secretary to visit car and motorcycle plants and the vendor industry to have an insight into the business. The government side asked for some incisive information based on real data of the local industry to create a better understanding about the challenges being faced.

The assemblers' and vendors' representatives informed the government side, which included Agha Nadeem, Additional Secretary Industries and a Joint Secretary Ministry of Finance, about the critical phase from which it was passing through.

The presentation made during the meeting elaborated the reasons behind large scale layoffs in the industry that have already started both at the vendors as well as the OEMs' end.

It was discussed that if the import of five years old used cars continued unabated, the closure of automobile assembling plants labour layoffs will increase even further and could even lead to a permanent withdrawal of some of the major auto players in the world from the Pakistani market.

Wrapping up the meeting, it was decided that the industry will give another presentation to the Federal Secretary in Karachi on October 18, 2012.—MUSHTAQ GHUMMAN