Auto Industry Development Programme (AIDP)

Ministry Of Industries, Production & Special Initiatives
Government of Pakistan
VISION

To make auto industry a global player, achieving competitiveness through a critical mass of production, contributing to the GDP by 5.6% by 2012, attracting large investments, development of technologies and human resource through a well structured policy framework formulated in consultation with stakeholders.
Message From the Minister for Industries, Production and Special Initiatives

The Pakistan Auto Industry has become a leading industrial sector to steer the growth in large scale manufacturing sector. The high economic and job multiplier of this industry and its deep forward and backward linkages in global context and with special reference to Pakistan, make the auto industry a key player in the national economy.

After successfully completing the preparation phase which led to setting up of large number of vending companies and assemblers of vehicles and achieving significant level of localization, the next phase which is the development phase would spread over next five years which offer many challenges, important being the continuation of high growth, development of technologies, achieving competitiveness, human resource development, investment and compliance to safety, quality and environment standards.

The goals set by the Government and Industry together can only be achieved through a comprehensive development policy which could address all the cross-sectional issues. Auto Industry Development Programme therefore aims to address the core issues including the predictable and stable tariff environment for the next five years besides other non-tariff initiatives.

The able leadership of my predecessor Mr. Jahangir Khan Tareen is gratefully acknowledged on steering the AIDP initiative and getting it approved from the Government. While acknowledging the dedication and hard work of EDB and the stakeholders in preparing AIDP, I wish all the success to the auto industry to face future challenges and achieving the goals of sustainable development and becoming a global player.

Salmaan Taseer
Islamabad
January, 2008
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### Abbreviations

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<th>Abbreviation</th>
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<tr>
<td>AIDC</td>
<td>Auto Industry Development Committee</td>
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<td>AIDP</td>
<td>Auto Industry Development Programme</td>
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<td>AIIP</td>
<td>Auto Industry Investment Policy</td>
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<td>AISDC</td>
<td>Auto Industry Skill Development Company</td>
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<tr>
<td>AT&amp;TC</td>
<td>Automotive Testing &amp; Training Centre Ltd</td>
</tr>
<tr>
<td>CBU</td>
<td>Complete Built Up</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CNC</td>
<td>Computerized Numerically Controlled</td>
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<tr>
<td>CKD</td>
<td>Complete Knocked Down</td>
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<tr>
<td>CTL</td>
<td>Central Testing Laboratories</td>
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<td>EDB</td>
<td>Engineering Development Board</td>
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<td>FBR</td>
<td>Federal Board of Revenue</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HCV</td>
<td>Heavy Commercial Vehicles</td>
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<tr>
<td>HEC</td>
<td>Higher Education Commission</td>
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<td>HRD</td>
<td>Human Resource Development</td>
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<tr>
<td>I.C</td>
<td>Indigenization Committee</td>
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<td>ISDP</td>
<td>Industry Specific Deletion Programme</td>
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<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>LC</td>
<td>Letter of Credit</td>
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<tr>
<td>LCV</td>
<td>Light Commercial Vehicles</td>
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<tr>
<td>M / o IP&amp;SI</td>
<td>Ministry of Industries, Production and Special Initiatives</td>
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<tr>
<td>MVR</td>
<td>Motor Vehicle Registration</td>
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<td>MIRDC</td>
<td>Metal Industry Research Development Centre</td>
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<td>MW</td>
<td>Mega Watt</td>
</tr>
<tr>
<td>NAVTEC</td>
<td>National Vocational &amp; Technical Education Commission</td>
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<td>NTCIP</td>
<td>National Trade Corridor Improvement Programme</td>
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<td>N.W.F.P</td>
<td>North West Frontier Province</td>
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### Abbreviations

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<th>Abbreviation</th>
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<tr>
<td>O.E</td>
<td>Original Equipment</td>
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<td>OEM</td>
<td>Original Equipment Manufacturers</td>
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<td>PAII</td>
<td>Productive Asset Investment incentive</td>
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<td>PAMA</td>
<td>Pakistan Automotive Manufacturers Association</td>
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<td>PAAPAM</td>
<td>Pakistan Association of Automotive Parts Accessories Manufacturers</td>
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<td>PIDC</td>
<td>Pakistan Industrial Development Corporation</td>
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<tr>
<td>PSQCA</td>
<td>Pakistan Standard &amp; Quality Control Authority</td>
</tr>
<tr>
<td>PSDP</td>
<td>Product Specific Deletion Programme</td>
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<tr>
<td>PSI</td>
<td>Pakistan Standards Institute</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Agreement</td>
</tr>
<tr>
<td>SAFTA</td>
<td>South Asian Free Trade Area</td>
</tr>
<tr>
<td>SEDC</td>
<td>State Enterprise Display Center</td>
</tr>
<tr>
<td>S.T</td>
<td>Sales Tax</td>
</tr>
<tr>
<td>STP</td>
<td>Software Technology Park</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small &amp; Medium Enterprises</td>
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<tr>
<td>TAA</td>
<td>Technology Acquisition Agreement</td>
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<tr>
<td>TBS</td>
<td>Tariff Based System</td>
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<tr>
<td>TASS</td>
<td>Technology Acquisition Support Scheme</td>
</tr>
<tr>
<td>TRIMs</td>
<td>Trade Related Investment Measures</td>
</tr>
<tr>
<td>TEVTA</td>
<td>Technical Education and Vocational Training Authority</td>
</tr>
<tr>
<td>TUSDEC</td>
<td>Technology Upgradation and Skill Development Company</td>
</tr>
<tr>
<td>VTCs</td>
<td>Vocational Training Centers</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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Foreword
The rapid growth in the economy during the last few years has stimulated the manufacturing growth, and more so the auto industry which has out performed the other sectors in production and sales. Increasing disposable income, availability of financial options besides the government’s economic reform policy and the professional approach of the assemblers and vendors have helped the industry to reach to a highly satisfying stage in the last 6 – 7 years. Auto Industry’s smooth transition during the last year from the Deletion Programmes to a competitive Tariff Based System (TBS) has been highly encouraging which expresses the capacity of industry to cope with the challenges.

Sustainable economic growth projected for future would take the auto sector to a critical mass where many things will start happening. Importantly being the development of technologies and components, mainly the high value added and critical components, improving the quality of products, attaining high standards of safety, quality and environment thereby satisfying the consumers’ expectations. The issues of low cost production to compete internationally and adopting global trends in producing fuel efficient and environment friendly vehicles, coming out of trade deficit to a foreign exchange neutral regime in the next five years, and going into surplus will remain dominant in the policy environment. AIDP is geared to provide necessary support to achieve all these objectives. The role of international companies and partners and their increasing interest in Pakistan market due to its potential, government policies and growth opportunities speaks of limitless scope for production and exports.

The Auto Industry Development Programme covering the next five year road map of tariffs and non-tariff initiatives along with the collaborative implementation and assessment of policy through the stakeholders, express government’s keenness and urgency to take this industry global.

I gratefully acknowledge the passion and commitment of EDB, relevant government departments and the industry stakeholders in finalizing the AIDP. I want to thank Mr. Jahangir Khan Tareen former Minister also for his guidance and leadership to successfully steer the process of approval of AIDP.

Shahab Khawaja
Secretary
Ministry of Industries, Production & Special Initiatives

Islamabad
January, 2008
Preface
Pakistan Auto Industry has been a star performer of industrial sector during the last 6 to 7 years, and has registered impressive annual compound growth, surpassing other sectors of the economy. The industry adopted the Tariff Based System (TBS), after elimination of Deletion Programmes, without any major hiccup, during the year 2006. This reflects the strength and resilience of the industry. It can cope with the challenges of competitive environment. The continuation of high growth, improving the quality and achieving the cost competitiveness while satisfying the consumer expectations and environment standards will remain a task in the future too.

Becoming a part of global supply chain and exporting 2/3 wheelers, cars and tractors in particular, will remain a goal both for the government and the industry. The industry is moving towards attaining a critical mass of production, is acquiring latest technologies, improving human resource, and is attaining supply chain and global connectivity.

Pakistan Auto Industry has potential to become a global choice for outsourcing, off shoring and becoming part of the global supply chain.

To provide a vision and a stable environment, government decided to give a five years pre-announced tariff along with an environment to encourage the investments, technology development, production of high value added components, dedicated centers of excellence for HRD and the standards for quality, safety and environment.

The need of a comprehensive development plan was realized during the process of switching over from the Deletion Programmes to TBS. The objectives were to provide pre-announced tariffs and to focus on the policy and administrative issues which could lead to sustainable development and growth.

An intense consultation process remained the hallmark of AIDP which included two country level workshops and number of meetings in EDB and Ministry of Industries and Production with all the stakeholders. Committees were formed to finalize tariffs and to deliberate on the issues of human resource development, technology, investment and cluster and infrastructure development.

The government’s guiding principle to involve stakeholders, not only in the policy formulation process but during implementation as well, is apparent from the notification of Auto Industry Development Committee, which has a majority of private sector stakeholders.

All the cross sectional issues faced by the industry on development, growth and competitiveness to make it a global player, will be deliberated and addressed by the AIDC.
The efforts of relevant officers of the Ministry of Industries and Production, The Engineering Development Board, especially the policy department, and the stakeholders, for resolving cross sectional issues, identifying challenges and possible solutions through Auto Industry Development Programme are appreciated. The efforts of the previous CEO Mr. Imtiaz Rastgar are acknowledged and appreciated for starting the dialog and completing this Program while keeping all stakeholders on board. The passion and hard work of Dr. Akram Sheikh, ex Chairman for developing the vending industry through the Deletion programs is also acknowledged and appreciated.

The real challenge will now be the implementation of AIDP, its assessment and monitoring, and to make efforts to keep it on the path so determined jointly by the government and the industry. The government will continue to give high focus and attention to this sector to achieve the objectives and targets jointly determined in the policy framework.

Almas Hyder
Chief Executive Officer
Engineering Development Board

Islamabad
January, 2008
Executive Summary
1. Pakistan is amongst a few countries of the world which manufacture all kinds of vehicles i.e. 2/3 wheelers, motorcycles, LCVs, tractors, prime-movers & trucks and buses. The total country requirements are generally met from the local production except the import of certain categories of trucks & prime-movers. Import of used cars is allowed to the bonafide ex-patriate Pakistani’s and travelers only under the baggage scheme. The presence of few of world acclaimed brands and multinationals in the manufacturing of vehicles for the last 2 to 3 decades and their regular expansion plans speak of their confidence on the market, government policies and economic potential of the country. Pakistan auto industry turnover during the year 2005-06 crossed US $ 3.6 billion which comes to 2.8% of GDP (2005-06), thus saving substantial foreign exchange on imports. The job contribution by auto industry comes to nearly 1.392 million which includes direct jobs of nearly 192,000. The auto industry remains second largest tax payer in terms of its contribution to customs duty, sales tax and withholding tax. The export contribution however, is marginal and growing slowly, which otherwise has high potential to grow in the coming years.

2. Pakistan auto industry produced over 1 million vehicles including 2/3 wheelers during the year 2006-07, mainly due to government’s economic reforms and availability of financial options and leasing facilities on purchase of vehicles. The industry has now positioned itself well to cope with increasing demand. The production figures are growing much faster than international automobile production. The yearly growth in the recent years has surpassed the auto industry growth in the competing countries. Pakistan's total share of car and commercial vehicles remains 0.37% of the world production during the year 2006-07. Auto industry integration in the global market in terms of export remains marginal. Global trade of automobiles is over US $ 1 trillion.

3. The auto industry contribution to other sectors of the economy both tangible and intangible is highly significant. The auto industry economic and job multiplier in Pakistan context would be around Rs.1 : 3 and 1 : 8 respectively. While the auto industry’s deeper forward and backward linkages have created dissemination of systems, technology, skill development and providing base to the rest of engineering sector. Its deeper backward integration due to consumption of local and imported materials and toolings such as steel, aluminum, copper, plastics & chemicals, rubber & glass and its forward linkages in the form of retail & wholesale, dealerships & logistics, workshops & maintenance, filling
Executive Summary

stations, finance & insurance, marketing, advertising and consultancy services and trade, speak of its contribution and future role for the industrial development of the country. The auto industry in recent years has been the star performer and it remained a leading sector in the large scale manufacturing which helped in increasing the share of manufacturing in the country’s GDP.

4. The recent rapid growth phase of auto industry witnessed many new vending companies establishing throughout the country. High growth in production in recent years is leading to a critical mass of vehicles which would be achieved in a few years. High growth production also exposed the issues of quality, competitiveness, supply chain and human resource management which are being dealt by the industry.

5. The auto industry expressed resilience during the last 1 ½ year when it switched over from compulsory local content conditions to a TRIMs compliant tariff based system (TBS) which came into effect on 1st July, 2006. The changeover was relatively hassle free for the assemblers but has posed many challenges to the vendors who remained comfortable in the previous system and are now pushed to improve the quality, supply systems, shop floor efficiencies and better marketing. The industry nevertheless faces a challenge of relatively poor human resource skills and productivity despite it being cheap and abundantly available. The issues of re-location, mergers and lean and mean production technologies are now more frequently discussed in the stakeholders meetings. Investment in modern production infrastructure, testing equipment and automation remains high priority.

6. The vendors are mostly SMEs which are developing their approach and are looking for professional support to re-integrate and re-design their work flow processes and improve quality through better technologies, testing equipment and adoption of best manufacturing practices.

7. The government role as a regulator in the new environment has minimized as now it is out of micro management. Government’s focus rather remains on areas which could lead to sustainable development of auto industry, taking its due share in the international market. With this objective in view, government initiated deliberations on AIDP.

8. The consultations on the development of AIDP kicked off from the 8th March, 2006 Workshop at Islamabad by clearly defining the objectives at a time when the industry was switching over from the deletion programmes to a competitive tariff based system. There was realization that the transitionary phase may affect the rapid growth and sustainable development of auto industry. A comprehensive development programme with pre-announced tariffs to provide predictable and stable environment was therefore much needed. Until the finalization and approval of AIDP by the government on 13th November, 2007 a great deal of fair consultation process was undertaken with the government and industry stakeholders. Most of the committees
involved in deliberating various components of AIDP were steered by the experts from the auto industry due to which this programme has the rightful ownership of the entire automotive industry.

9. Government has recently approved a 5 year tariff plan for the auto sector to ensure a stable and predictable environment and to facilitate investment. Government is now focused on facilitating the industry through development of infrastructure, human resource development, technology acquisitions, investment in productive assets, cluster development and development of standards on safety, quality and environment through a well structured and deliberate approach. The cornerstone of approach remains close consultation and ensuring stakeholders participation in implementation and assessment of policy.

10. AIDP envisage to achieve a critical mass of production, double the contribution of auto industry to GDP from the existing 2.8%, by the year 2011-12 with high focus on investment, technology upgradation, increasing its exports to US$ 650 million, enhancement in jobs alongside the development of critical components to further increase the competitiveness of domestically produced vehicles.

************
Global Scenario: Auto Industry
The automotive industry is considered as an economic heavyweight due to which it has acquired the status of a key sector of the economy for every major country in the world. The annual global turn over of auto industry during the year 2005 remained $2.8 trillion while the size of trade has grown to a massive level of $1,016 billion, which represents 9% of the world merchandise trade. In 2006, over 69 million motor vehicles including cars, vans, trucks, buses and coaches were produced worldwide. In 2006 Japan (11.484 million units), US (11.264 million units), China (7.189 million units), Germany (5.820 million units) and South Korea (3.840 million units) were the top five motor vehicle producing countries in the world. Auto industry employed directly over 5% of the world’s total manufacturing labour force and contributed over $634 billion in tax revenues of twenty countries only. The auto industry is one of the largest investor in Research and Development, which help to increase the technology level in other industries as well.

**World Motor Vehicle Production**

<table>
<thead>
<tr>
<th>Years</th>
<th>Cars</th>
<th>Commercial Vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>39,759,847</td>
<td>16,499,045</td>
<td>56,258,892</td>
</tr>
<tr>
<td>2000</td>
<td>41,215,653</td>
<td>17,158,509</td>
<td>58,374,162</td>
</tr>
<tr>
<td>2001</td>
<td>39,825,888</td>
<td>16,479,037</td>
<td>56,304,925</td>
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<tr>
<td>2002</td>
<td>41,358,394</td>
<td>17,635,924</td>
<td>58,994,318</td>
</tr>
<tr>
<td>2003</td>
<td>41,968,666</td>
<td>18,694,559</td>
<td>60,663,225</td>
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<tr>
<td>2004</td>
<td>44,554,268</td>
<td>19,941,952</td>
<td>64,496,220</td>
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<tr>
<td>2005</td>
<td>46,862,978</td>
<td>19,619,461</td>
<td>66,482,439</td>
</tr>
<tr>
<td>2006</td>
<td>49,886,549</td>
<td>19,240,607</td>
<td>69,127,156</td>
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*Source: OICA*
The world motorcycle production has increased 24% during 2003 to 2006 (from 30 million units in 2003 to 40 million units in 2006). Asia (including Japan) holds 90% share in world motorcycle production. In Asia, China (21.44 million Units), India (8.38 million units) and Indonesia are the major producers. The competition in the global market is getting fiercer; the global players are eying their presence in the new developing markets. The markets in Canada, USA, Western Europe and Japan are stagnating, while those in South America (especially Brazil), Eastern Europe (especially Russia), and Asia are growing. China has become the second largest car market in the world outrunning Germany last year and getting closer to Japan this year. The global industry is slowly and gradually shifting towards Asian countries, mainly because of saturation of automobile industry in the Western world. The world's largest automobile manufacturers are planning to invest into production facilities in emerging Asian markets in order to reduce production costs. Low cost vehicles (scooters, motorcycles, small passenger cars etc) are driving the growth of automotive industry in China and other developing economies. It offers immense opportunities for global players in these economies. These emerging markets include Latin America, China, India, Malaysia and other markets in Southeast Asia. From long-term perspective, cheap financing and price discounts, rising income levels, and infrastructure developments will drive the growth in majority of the Asian automotive market. Pakistan also have the opportunity to become a part of the global supply chain by increasing capacities, achieving certain level of economies of scale, technology upgradation and skilled human resource. To save the time in designing and improving the quality of automobiles, the world automobile companies are adopting computer aided manufacturing tools due to rising pressure of cost and quality. The changing models, fuel efficiency, cutting costs and enhancing user comfort without compromising quality are the most important challenges for the auto industry in a fast globalizing world. Global auto industry is faced with two following challenges which need to be addressed in order to remain competitive;

- The carbon and climate protection
- Make availability of vehicles at low cost with new climate friendly energies.
Perspective of Pakistan Auto Industry
2.1 O.E. Sector

Pakistan Automobile Industry produced its first vehicle in 1953, at the National Motors Limited, established in Karachi to assemble Bedford Trucks. Subsequently buses, light trucks and cars were assembled in the same plant. The industry was highly regulated until the early 1990’s. After deregulation major Japanese manufacturers entered in the market thereby creating some competition in this sector. Assemblers of HINO Trucks, Suzuki Cars (1984), Mazda Trucks, Toyota (1993) and Honda (1994) in particular, entered once deregulation was introduced. Assembly of Daihatsu and Hyundai cars (1999) and various brands of LCVs and range of mini-trucks commenced recently.

Pakistan auto industry observed a “Preparation Phase – 1985-05” which was based on the formulation and implementation of compulsory local content conditions, commonly referred as deletion programmes. Deletion programmes worked on the basis of Industry Specific Deletion Programmes (ISDPs) and Product Specific Deletion Programmes (PSDP). Under these programmes annual deletion targets for each model of vehicle would be set by giving choice to assembler to choose components from a basket carrying fixed indices based on their individual values. The EDB would conduct the technical audits annually to determine the achievement or shortfall of deletion targets. In case of shortfall, assemblers would be penalized by charging the CBU rate of duty on the value of components which were not indigenized in that period.

Coupled with government's macro economic reforms and rapid economic growth from the year 2001 onwards, and through effective monitoring and implementation of deletion programmes, local content increased substantially. The localization nevertheless was less in those components which were high value added or critical in design and operation. The “Preparation Phase – 1985-05” observed couple of car assemblers and dozens of 2/3-wheelers coming into operation. The economic objectives of that time i.e. import substitution, job creation and investments in OE and vending sectors were achieved to a large extent.

The auto industry has recently entered into a “Development Phase – 2005-12” where the consolidation of initial achievements has started taking place alongside the development of strategy to
shape the industry in the new competitive environment. The doing away of deletion programmes and its replacement with the TRIMs compliant TBS from 1st July, 2006 was indeed a paradigm shift in the business environment as the tariff rates would determine the choice of an assembler rather than the government's micro management and day to day negotiation and monitoring. Under the TBS, assemblers have got the choice of buying the components at most competitive price, quality and improved supply chain.

In the development phase government is focused on facilitating an environment to achieve a critical mass of production of vehicles which is a pre-requisite to development of high value added and critical components. The issues of technology acquisition, HRD, competitiveness, research and development, innovation and investment have gained more importance over the tariff management, which nevertheless remains one of the important tools in policy management. During the preparation phase, assemblers played a significant role in transferring technologies, helping vendor development, building the management capacities to fulfill market and consumer expectations. Development of vendor’s cluster by Pak Suzuki Motors Company Ltd. around its plant recently and gradual optimization of number of vendors, supply chain improvement and training speaks of the crucial role which an OEM will play in future.

During preparation phase, import tariffs on CBU’s of cars and HCV’s remained very high and started phasing down rather quickly in the later part. The import of used cars due to high import duties remained minimum and was allowed only to the overseas Pakistanis under the transfer of residence, baggage and gift schemes. High import of used cars in the last 2 to 3 years was however, to bridge temporary demand – supply gap.

Table: Import Tariff on Cars

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<tr>
<td>Up to 1500cc</td>
<td>75-100%</td>
<td>75-100%</td>
<td>50-70%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>From 1500cc to 1800cc</td>
<td>125%</td>
<td>125%</td>
<td>80%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>Exceeding 1800cc</td>
<td>200%</td>
<td>150%</td>
<td>100%</td>
<td>75%</td>
<td>75%</td>
</tr>
</tbody>
</table>
The envisaged third phase starting from 2012 onwards will be the “Global Era” for Pakistan auto industry in which the industry will re-position itself to become a global player through enhancing high value added production. The industry will have sufficient number of Tier-1 / Tier-2 vendors which are generally recognized as vendors having the capacity to develop design and toolings of the components manufactured in-house or through other vendors. These vendors are considered as part of global supply chain and many overseas assemblers outsource manufacturing of components to them.

By the start of “Global Era Phase” the industry is expected to achieve the scales due to high production level duly supported by the size of GDP of $210 Billions by 2012 and per capita income reaching to $1,300.

Global flattening and information dissemination of development of pool of highly skilled people, acquisition and development of technologies, improvement of infrastructure and living conditions will drive the auto industry to produce high standard, fuel efficient and environment friendly vehicles in a better price range, satisfying the consumer expectations. Auto industry due to continued attention of the government will remain a star performer and lead the large scale manufacturing growth. It will be one of the largest foreign exchange earner through export of components and CBU’s in the future.

In this backdrop, the overseas principals of local companies are expected to take Pakistan market as a regional hub to manufacture and export. The consumers concerns on quality, safety and after sale service along with relatively less sophisticated engine technologies and features are still the growing challenges for the local industry.

2.2 Vending Sector

The local vending industry comprises of around 200 recognized vendors supplying directly to the assemblers and nearly the same number of un-organized vendors mainly catering to the requirements of major vendors. Most of the vending companies were established during the preparation phase (1985 to 2005) when the government unfolded economic reforms and started effective implementation of deletion programmes.

The import of auto parts even for the after market remained highly protected. In the rapid economic growth phase, vendors optimally used their capacities which were relatively small and continued reinvesting in the productive assets to manufacture new products and to improve quality. Most of the vendors remained internally focused as the premiums were high due to government support on compulsory local content. Due to lack of a critical mass of production for the cars and motorcycles, the scales
could not be achieved by most of the vendors. A majority of the vendors were unable to develop designs, tooling and evaluation facilities and therefore could not reach to a tier – 1 level.

The government has been facilitating the vendors on import of inputs at reduced duties while the raw-materials are free of customs duty through a notification. During the preparation phase, few of the assemblers started developing their own subsidiaries as vendors. They develop sheet metal and skin parts in-house, recognizing that key to competitiveness was in high localization levels.

Pakistan auto industry is still not a direct vendor of principal assemblers. However, some technical cooperation agreements, with the known Japanese companies do exist. Some of the assemblers nevertheless played important role in transfer of technologies and development of vendors.

The production value of auto components both for the O.E and after market would be around US$ 1 billion during 2005-06. The export of auto parts is low however, the recent years showcasing of auto components in major international exhibitions arranged by EDB and the new competitive environment has stimulated some of the vendors to look for overseas customers. Low export volumes are also due to almost nil export of CBU’s.

The parts manufactured by the industry are mostly sheet metal parts, wire-harnessing, interior trims, seats, rubber and plastic parts, batteries, wheel rims, tyres, lighting accessories etc.

The vending industry has been faced with challenges of availability of local raw-materials, production assets, sophisticated toolings including dies & moulds, machining facilities and trained & productive workers, supervisory staff and the management and absence of a culture of research and development. The technologies for sophisticated components due to high cost, royalties and license fee etc., remained a barrier in their acquisition.

In the competitive development phase (2005 – 12), the vendors besides the above challenges are now faced with issues of prices, quality and timely supplies. The vendors under the deletion programmes could not excel in marketing skills due to inherent ease provided by the old system. In the development phase, the number of vehicles will increase and so the competition which will squeeze the margins but certainly lead to high volume of components for which they will need capacity expansion, efficient and highly productive human resource, latest technologies of parts and processes and mutual support and complementation. Increasing competition is expected to lead to few consolidations and mergers in the sector as mean and lean production processes, just in time supplies and high technology production may also lead the assemblers to decrease the number
of vendors. The new environment provides due tariff protection against components coming from more efficient economies. Government’s approval of 5 years pre-announced tariff will at least help them focus on areas other than the import tariffs which in the preparation phase remained the dominant policy tool.

2.3 Growth Drivers

Pakistan auto industry produced 1 million vehicles with a gross value of around US$ 3.6 billion during the year 2005-06. Pakistan is now world’s 7th largest market of 2-wheelers however, in value terms the car production occupies over 50% of total market. The production of vehicles expressed compounded growth rate of 50% for the period 2001-02 to 2005-06. The cars, motorcycles, LCVs, trucks, tractors and buses registered compound growth rate of 41%, 58%, 37%, 41%, 20% and (-7%) respectively in the relevant period. Among the leading factors to high growth remained a regular increase in purchasing power, easy availability of auto financing, favorable and consistent government policies and increase in the middle income population.

During the preparation phase, used car imports also registered high growth due to relaxation of import regime. Government’s intervention was owing to growing demand-supply gaps which resulted in delayed deliveries and high premiums. A total of 64,764 used and 14,363 new cars were imported during the last 3 years. During the same period 10,054 used trucks were imported.

### Installed Capacities and Production of Vehicles

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>Motorcycles</td>
<td>1,700,000</td>
<td>120,627</td>
<td>175,169</td>
<td>371,007</td>
<td>570,706</td>
<td>751,667</td>
<td>839,224</td>
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<td>Cars</td>
<td>275,000</td>
<td>40,088</td>
<td>62,073</td>
<td>98,461</td>
<td>126,403</td>
<td>160,642</td>
<td>160,496</td>
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<td>LCVs</td>
<td>40,000</td>
<td>9,055</td>
<td>12,548</td>
<td>14,896</td>
<td>25,177</td>
<td>32,053</td>
<td>38,490</td>
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<tr>
<td>Buses</td>
<td>5,000</td>
<td>1,086</td>
<td>1,296</td>
<td>1,380</td>
<td>1,762</td>
<td>825</td>
<td>1,053</td>
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<tr>
<td>Trucks</td>
<td>28,500</td>
<td>1,134</td>
<td>1,929</td>
<td>2,022</td>
<td>3,204</td>
<td>4,518</td>
<td>4,410</td>
</tr>
<tr>
<td>Tractors</td>
<td>65,000</td>
<td>23,801</td>
<td>26,240</td>
<td>35,770</td>
<td>43,200</td>
<td>48,887</td>
<td>54,098</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,113,500</strong></td>
<td><strong>195,791</strong></td>
<td><strong>279,225</strong></td>
<td><strong>523,536</strong></td>
<td><strong>770,452</strong></td>
<td><strong>998,592</strong></td>
<td><strong>1,097,771</strong></td>
</tr>
</tbody>
</table>

*Source: PAMA*
Consistent growth in economic activity has put more pressure on logistics and more so within the larger cities. The production of trucks & prime-movers despite a large scale import of used dump trucks, truck chasses and articulated trucks speaks of growth potential in this category. Pakistan road freight caters nearly 96% of overland trade traffic and with a growth in industrial output, increasing land trade with Afghanistan and China and high activity in construction sectors has actually lead to shortages, particularly in the multi-axle trucks and the prime-movers & trailers.

This is anticipated that government’s National Trade Corridor Improvement Programme (NTCIP) which has high priority on the modernization of trucking sector besides other infrastructure projects will create more demand for better quality trucks and prime-movers. The government has recently approved the Trucking Policy prepared by the M/o IP&SI which provides sustainable measures for the Modernization of Trucking Sector. Few of the known brands such as HINO, DAEWOO, ISUZU and KAMAS are already being assembled. The NTCIP initiatives emphasize on putting controls on used and obsolete 2/3 axle trucks and encouraging the multi-axle trucks due to which the local industry in the coming years will have better utilization of manufacturing capacity and achieving the scales of production to increase competitiveness.

The other star performer in the auto industry besides cars & LCVs remained the 2-wheelers. With the increase in per capita income, urbanization and availability of cheaper 2-wheelers due to 45 to 50 assemblers establishing the manufacturing during the last 4 to 5 years has made the 2-wheelers affordable for the lower income groups. The industry however, has yet to innovate the features and designs to enter into export markets. The 2-wheelers nevertheless have the highest local content i.e. 85% to 90%.

The tractor assemblers have shown the real competitiveness in prices and quality which is reflected from marginal imports, despite being free of import duty and sales tax. The tractor competitiveness lies in the indigenization of major components and achieving the localization level of nearly 90% in the tractors of upto 55 horsepower. The increasing trend of mechanized farming, growth in construction activity, financial options on tractor purchasing from financial institutions, use of tractors as prime-movers and export to Afghanistan and few of the African countries has led to continuous expansion in the assembly and vending facilities. The tractor production crossed 50,000 units mark during last year.

The total population of vehicles including 2/3 wheelers reached to 7 million in the year 2005-06. The auto sector employ’s 192,000 people directly and around 1.2 million indirectly and has Rs 98 billion of investments and contributes Rs 63 billion as indirect tax in the national
tax revenues. Auto Sector remains the second largest payer of indirect taxes after the Petroleum Sector.

### 2.4 Growth Opportunities

In Pakistan context there are 10 cars in 1,000 persons which is one of the lowest in the emerging economies which itself speaks of high potential of growth in the auto sector and more so in the car production. Rising per capita income with changing demographic distribution and an anticipated influx of 30 to 40 million young people in the economically active workforce in the next few years provides a stimulus to the industry to expand and grow.

- Auto sector contributes 16% to the manufacturing sector which is 19% of the total GDP. It is expected that to increase to around 25% in the next 5 to 7 years. Auto industry’s present contribution to GDP stands at 2.8% which is expected to reach 5.6%. The GDP is expected to grow from $145 billion to $210 billion by the year 2012.

- The government’s strong commitment on investment in the infrastructure projects particularly the roads and highways, ports and shipping and Pakistan’s unique geographical location, providing an easy ground access to Central Asian Republics, China, Afghanistan, Iran and India is expected to push the auto industry growth in the cars, LCVs and HCV sectors.

- The growth of auto component industry is directly linked to the growth in assembly sector. As Pakistan auto industry is expected to reach a critical mass of production of cars and LCVs within next 4 to 5 years, the components production will become more competitive, technologically advanced and taking its due share in the global supply chain.

- Above factors in view and the governments’ commitment to create stable and predictable policy environment, involving the stakeholders in consultation process, implementation and assessment of policies will lead to more investment, high production, innovation and competitiveness besides maintaining the high growth of recent years.

### 2.5 Safety, Quality & Standards and Emission Control Policy

There are different laws and motor vehicle acts to ensure the roadworthiness of vehicles plying on the roads. Section 39 of the Motor Vehicles Ordinance 1965, and Section 35 of The Motor Vehicle Rules 1969, deals with the issue and renewal of certificate of fitness. Section 8 and Section 39 of MVR 1969; deal with issue of driving license and issue of duplicate certificate of registration and certificate of fitness respectively. Chapter 6 of MVR 1969 deals with details of body construction, essential equipment and
requirements of maintenance of a motor vehicle.

The emphasis of these laws is clearly on the management aspects and the safe operation of the vehicles. However, some sections deal with the environmental aspects or the emissions from the vehicles in a rather general way. Sections 154, 158 deal with the horns and noise, whereas section 163 deals with emission of smoke vapor of grease. The prohibition in these sections is of a general nature and no standards and testing procedures have been specified.

On realizing the importance and development of Metallurgy, Standards, Testing and Quality infrastructure, the government has established Pakistan Standards and Quality Control Authority by merging the three organizations namely Pakistan Standards Institution (PSI), Central Testing Laboratories (CTL) and Metal Industry Research Development Centre (MIRDC) by enactment through Act No. VI of 1996.

Presently facilities and resources available with PSQCA are inadequate in relation to the duties and responsibilities assigned to them. PSQCA need to build up their core competencies and to establish links with the international counterpart agencies to get accreditation of its labs and standards. There is also a need to increase the skill level and capacity of auditors and inspectors through training and the capacity of inspection and testing system by enhancing the level of equipment and professional education in the present testing laboratories.

Auto Industry cannot make any headway without the establishment of strong standards and accreditation within the country. PSQCA has developed standards only for the 2 wheelers so far. There is need to develop standards for rest of the vehicles produced locally and for imports. PSQCA need to invest heavily in establishing infrastructure throughout the country.

This is believed that old vehicles are the gross polluters and can contribute up to 80% of the pollution load in the major cities. The new vehicles with efficient technologies even deteriorate rapidly if not maintained properly. In order to protect our environment from this major source of pollution, federal and provincial Governments are needed to introduce, a system of periodic fitness tests.

The Government has been contemplating on Emission Control Policy for the locally produced or imported vehicles to become EURO-2 compliant for the petrol and diesel vehicles by the 1st July, 2008 and 1st July, 2009 respectively. Industry fears that the diesel fuel available in the country is not environment friendly because of high Sulfur and Benzene contents. In order to achieve the goals, Government may announce clear time lines for its implementation along with encouraging the use of catalytic converters. Establishing the
requisite number of labs for emissions testing and their operations would be a challenging task for relevant department.

2.6 Auto Sector Exports

Pakistan auto industry because of the country location and a diversified range of products and particularly in the 2-wheelers, low engine capacity and fuel efficient cars & LCVs and tractors along with auto components has the export potential. The industry has been barely meeting the local demand while the increasing growth has convinced the principals to expand. The 2-wheelers have entered into export market followed by tractors though indirectly, and few models of Suzuki Motor Car and components are in the process of confirming the export orders.

In the next phase, Pakistan auto industry is expected to position itself in the auto services and an attractive out-sourcing hub for the manufacturing of forgings, castings, wire- harnessing and machining of components. The AIDP has laid a target of export of US$ 650 million by the close of the year 2011-12. Pakistan imported auto products including CKD kits of a value of $ 1.3 Billion during 2005-06. Earlier while working on Vision 2012 for the engineering sector, stakeholders had vowed to make the Auto Industry foreign exchange neutral by the year 2012. Government will continue facilitating the industry to develop market and product know how, industry participation in major trade fairs, enabling fiscal policy, capacity building and due recognition to the exporters.

2.7 Challenges

The auto industry face the challenges of developing products at lower cost and achieving economies of scale, development of technical and human resource, stimulating domestic demand, research and development and exploiting the international business opportunities. Achieving these goals will rest on reaching a critical mass of production, high quality of products and improved production techniques through acquisition of appropriate technologies, development of safety and standards and environment friendly vehicles. The government role through a stable and predictable policy environment and ensuring maximum participation of auto industry in formulation, implementation, assessment and review of the policies however, will remain a critical factor in the sustainable development of auto industry. The role of OEM’s in acquiring technologies, developing and improving the quality of products for local fitment and export will remain a crucial factor.

The development of infrastructure, like roads, highways & bridges, parking bays, ensuring the strict implementation of traffic rules, drivers training & licensing, effective motor vehicle registration and examination systems, necessary amendment in Motor Vehicle Act and compulsory insurance will determine the efficient road map for...
sustainable development of auto industry. The adoption of national standards for quality, safety and environment and their implementation and enforcement in the era of globalization and meeting consumer’s expectations will remain important obligations of government and industry.

2.8 Auto Industry in Context to Manufacturing Sector

The share of manufacturing sector in GDP remains 19% which is low as compared to competing countries and the goals of job creation, exports, research and development, bringing innovations and technologies will remain unattainable unless the manufacturing culture is promoted. The share of manufacturing to GDP has been targeted as 30% by the year 2030. While in manufacturing, shop floor efficiencies count more in the organic growth and sustainability of industry. This comes from the imaginative and skillful management and highly trained and productive workforce.

The investment in productive assets and regular upgradation of the existing facilities and reengineering of manufacturing processes at the shop floor to cut cost and minimize wastages will remain a growing issue for the industry. In the world ranking Pakistan ranks 91 in global competitiveness, 84 in quality competitiveness, 67 in business competitiveness and 99 in public institution ranking. While the technology index remains at 89. The burden of government regulations has however, come down to 55% from 94% of an year ago.

Besides achieving competitiveness, the major challenge faced by industry is to go to export of medium and high-tech products which at present are not more than 14%. Hence it is imperative to identify factors which are making manufacturing in Pakistan less competitive and to improve the productivity at level and scale.

AIDP has been framed to address the aforementioned challenges and provide a stimulus to the manufacturing sector in line with the government’s vision. The following issues nevertheless will remain important for a competitive and sustainable development of auto industry;

i) The auto industry is generally faced by multiplicity of taxes, the presumptive tax regime has led to increase in prices of imported inputs and the finished goods. Component manufacturers are struggling to compete with under-invoicing, misdeclaration and smuggling. Import of used parts is still continuing at a large scale.

ii) Imposition of Federal Excise Duty on the royalty and technical fee remitted to the suppliers of technology remains a potential barrier to innovation.

iii) High cost of capital and relatively difficult access for the small and medium enterprises and lack of any incentive in the financial policy for the auto
industry. Need of a dedicated fund for technology and Human Resource Development.

iv) Manufacturing of modern machine tools and dies & moulds and access to multi-axis CNC machines from developed world prevents high value addition and development of critical components.

v) Unpredictable demand and absence of coherent supply side measures to create sustainable demand for auto products in the backdrop of recent hike in interest rates.

vi) Increasing cost of energy and its unreliable and inconsistent supply adds up the cost of manufacturing and wastage of resources. It is estimated that by the year 2012, auto industry consumption of electricity will cross 500 – 600 MW from around 250 - 300 MW, as of now.

vii) To improve competitiveness, government and industry’s high focus is needed on investment in HRD, technology and productive assets and supply chain management.

viii) Benchmarking the performance of industry against the world practices, adopting best manufacturing practices and production techniques and producing globally acceptable quality products.

ix) Government to provide incentives for the international companies to bring their design houses in Pakistan. Fiscal support to establish testing laboratories and evaluation facilities and encouraging the local manufacturers of 2 / 3 wheelers to design the vehicles in the country is highly essential.

x) An all embracing and consultative policy making with elements of stability and predictability through effective participation of industry in the policy formulation, implementation and review process.
Auto Industry Development Programme (AIDP)
3.1 Need and Urgency of AIDP

Given its immense potential and with a fairly large vendor base and significant number of Original Equipment Manufacturers (OEMs), Pakistan’s auto sector needs to be anchored with a firm & sustainable policy regime determining its future direction, prioritizing interventions, delineating respective roles of stakeholders and putting in place an effective institutional mechanism for a regular assessment and review.

Pakistan auto industry needs to grow parallel with world industry through concerted efforts to take auto manufacturing to a self-sustaining level where they shall have volumes, generate requisite technology and meet evolving emission requirements. Moreover, volume is important for automobile sector, both for the manufacture of vehicles as well as local development of key components. Lack of volume not only inhibits efficient manufacture but also technology and cost competitiveness. The investment and fiscal policies should create an environment for volume production and indigenous capability for innovation for small cars and auto components.

Challenges posed by globalization, liberalization and increasing competition, demand an imminent need to review the strategic direction and policy framework for sustainable growth of the domestic automotive sector. This is crucial to maintain the competitiveness of participants in the automotive sector, for them to be viable in the long term.

The need for a development programme for the auto industry was realized at the time of elimination of local content conditions when the tariff policy has been a major instrument to push for the development of parts and components locally alongside encouraging the assembly of vehicles. The industry while embracing the TBS and entering in the development phase was faced with the issues of competitiveness, productivity of level and scale, low technology level, research and development, supply chain and human resource management. This was coupled with the challenge of continuing rapid growth phase of last 5 to 6 years. The expectations of the government on taking the industry global and achieving the scales in production and meeting the objectives of job creation, skill
development, investment and stimulating the innovation without any cogent plan, would have been difficult to realize. Developing the quality and safety standards and producing environment friendly vehicles, meeting the consumers’ expectations remains the cornerstone of policy framework which would be facilitated through government intervention.

While formulating the AIDP following objectives were agreed;

- Long term investment
- Encourage growth
- Promote domestic competition
- Enhance competitiveness
- Stimulate innovation
- Facilitate auto industry’s integration into the global supply chain

- The used vehicles import policy will be regulated so as not to impede the growth of the local industry while protecting consumer interest.

In developing the AIDP few benchmarks were agreed with the stakeholders, which would lead the government to extend necessary facilitation and the industry to accept challenges of modernization and competitiveness.

The non-tariff part of AIDP comprises of the following schemes;
- Human Resource Development (HRD)
- Productive Asset Investment Incentive (PAII)
- Technology Acquisition Support Scheme (TASS)
- Auto Cluster Development
- Auto Industry Investment Policy (AIIP)
- Auto Industry Development Committee (AIDC)

The necessary framework for the above schemes has been developed and will be implemented through the AIDC which will conduct necessary verifications, certifications and would determine the eligibility of an entity for its entitlement to incentives.

AIDP encourages the companies to corporatize its affairs and to make their accounts transparent as certain incentives would be allowed only if the investment or technology acquisition has been duly capitalized in their financial statements. In the modern world, open companies attract more investment, strategic partners and global customers for its products. This intervention is expected to promote a culture and create an urge on the part of companies to become big and go global.
3 – Auto Industry Development Programme

### Projections

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<tr>
<th>Category</th>
<th>2005-06</th>
<th>2011-12</th>
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<tbody>
<tr>
<td>Cars (Nos)</td>
<td>161,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Motorcycles (Nos)</td>
<td>751,667</td>
<td>1.7 Million</td>
</tr>
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<td>Investment (Rs. Billion)</td>
<td>98</td>
<td>225</td>
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<td>Contribution to GDP (%)</td>
<td>2.8</td>
<td>5.6</td>
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<tr>
<td>Contribution to Manufacturing Sector (%)</td>
<td>16</td>
<td>25</td>
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<td>Contribution to indirect taxes (Rs. Billion)</td>
<td>63</td>
<td>190</td>
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<tr>
<td>Gross Sales Turnover (Rs. Billion)</td>
<td>214</td>
<td>600</td>
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<tr>
<td>Direct employment (Nos)</td>
<td>192,000</td>
<td>250,000</td>
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<tr>
<td>Exports (US$ Million)</td>
<td>35</td>
<td>650 (350 for components and 300 CBU)</td>
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***************
Five Year Tariff Plan
To achieve the laid down objectives of AIDP, government appreciated the need of predictable and stable tariff environment owing to a long gestation period for the investment to start giving returns and that vendors capacity development is time taking and investments can only take place once there is an element of certainty, predictability and consistency in the policies. A predictable environment is also essential for the development of critical components, technology transfer and to achieve the goals of exports. With these objectives in view, government undertook a lengthy consultation process with the industry and kept the ground realities in view, predominantly the bare minimum protection, competition and the global environment of the automotive sector. Finally a five year tariff plan covering the import duties for the entire automotive sector and including the components, CKD kits and CBU’s were approved by the government at the time of budget 2007-08.

Five Year Tariff Plan

<table>
<thead>
<tr>
<th>S#</th>
<th>DESCRIPTION</th>
<th>Rate of Duty 2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
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<tbody>
<tr>
<td></td>
<td>(A) Prime Movers falling under HS Code 8701</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Completely built up (below 280 HP)</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
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<td>2</td>
<td>Components for assembly of prime movers (below 280HP) other than those at Sr. No 3 below</td>
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<td>10%</td>
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<tr>
<td>3</td>
<td>Components for assembly of prime movers (below 280 HP) as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
<td>35%</td>
<td>35%</td>
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<tr>
<td>4</td>
<td>Completely built up (above 280 HP)</td>
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<tr>
<td>5</td>
<td>Components for assembly of prime movers (above 280HP) other than those at Sr. No 6 below</td>
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<td>6</td>
<td>Components for assembly of prime</td>
<td>35%</td>
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## 4 – Five Year Tariff Plan

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<td></td>
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</tr>
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<td>(1)</td>
<td>movers (above 280 HP) as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
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<td>(B) Agriculture Tractors falling under HS Code 8701</td>
<td>Completely built up</td>
<td>0%</td>
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<td>Components for assembly of agriculture tractors other than those at Sr. No 9 below</td>
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<td>35%</td>
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<td>(C) Buses falling under HS Code 8702</td>
<td>Completely built up (Non-CNG)</td>
<td>20%</td>
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<td>Components for assembly of buses (Non – CNG) other than those at Sr. No 12 below</td>
<td>5%</td>
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<td>Components for assembly of buses (Non-CNG) as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
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<tr>
<td></td>
<td>Completely built up (CNG / LPG dedicated)</td>
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<td>Components for assembly of buses (CNG / LPG dedicated) other than those at Sr. No 15 below</td>
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<td>(D) Cars /Jeeps falling under HS Code 8703</td>
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<td>Completely built up of cylinder capacity exceeding 800 cc but not exceeding 1000 cc</td>
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<td></td>
<td>Completely built up of cylinder capacity exceeding 1000 cc but not exceeding 1500 cc</td>
<td>60%</td>
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<tr>
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<td>Completely built up of cylinder capacity exceeding 1500 cc but not exceeding 1800 cc</td>
<td>75%</td>
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<tr>
<td></td>
<td>Completely built up of cylinder capacity exceeding 1800 cc</td>
<td>90%</td>
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<tr>
<td></td>
<td>(E) Assemblies for the Manufacture of Cars 8703 / LCVs 8704</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Alternator, Starter Motor, Water Pump, Fuel Pump, Fuel Filter, Seat Recliner, Air Cleaner Assembly</td>
<td>35%</td>
</tr>
<tr>
<td>24</td>
<td>Power Steering, Engines, Transmissions</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>(F) LCVs (up to 5 Tons) falling under HS Code 8704</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Completely built up (up to 5 tons)</td>
<td>60%</td>
</tr>
<tr>
<td>26</td>
<td>Components for assembly of LCVs (up to 5 tons) other than those at Sr. No 27 below</td>
<td>20%</td>
</tr>
<tr>
<td>27</td>
<td>Components for assembly of LCVs (up to 5 tons) as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>(G) Rigid Trucks falling under HS Code 8704</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Completely built up</td>
<td>30%</td>
</tr>
<tr>
<td>29</td>
<td>Components for assembly of rigid trucks other than those at Sr. No 30 below</td>
<td>10%</td>
</tr>
<tr>
<td>30</td>
<td>Components for assembly of rigid trucks as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>(H) Motorcycles falling under HS Code 8711</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Completely built up</td>
<td>80%</td>
</tr>
<tr>
<td>32</td>
<td>Components for assembly of Motorcycles other than those at Sr. No 33 below</td>
<td>25%</td>
</tr>
<tr>
<td>33</td>
<td>Components for assembly of Motorcycles as are listed in SRO 693(I)/2006 dated 01-07-2006</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>(I) Components and Assemblies for the Manufacture of Motorcycles 8711</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Regulator Rectifier, Ignition Coil</td>
<td>25%</td>
</tr>
<tr>
<td>35</td>
<td>Piston, Fuel Cock, Clutch Assembly, Sprocket Cam</td>
<td>25%</td>
</tr>
<tr>
<td>36</td>
<td>Drum Gear Shift, Magneto, Oil Pump</td>
<td>25%</td>
</tr>
</tbody>
</table>
## 4 – Five Year Tariff Plan

<table>
<thead>
<tr>
<th>S#</th>
<th>DESCRIPTION</th>
<th>Rate of Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2007-08</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>37.</td>
<td>Completely built up</td>
<td>15%</td>
</tr>
<tr>
<td>38.</td>
<td>Components for assembly of trailers</td>
<td>5%</td>
</tr>
</tbody>
</table>

Earlier, while switching over to TBS around 416 new tariff lines were created for the parts and components which were subjected to the duties agreed with the stakeholders after negotiations of over 2 to 3 years. The total tariff lines covering the entire auto sector therefore comes to around 480 and which constitute nearly 7% of total tariff lines.

Pakistan is currently negotiating FTAs and PTAs with several countries and regions and few of the FTAs are already in place such as SAFTA and FTA’s with Sri Lanka, China and Mauritius. The recently negotiated FTAs with Malaysia and on going negotiations with Singapore and Thailand exclude these tariff lines from duty cut. As such all these tariff lines are on the sensitive list. The government strongly feels that auto industry which is in the development phase and which otherwise is contributing a lot in job creation, investment and development of critical mass of technologies, and providing a base for other industries cannot compete, as the grounds are not even in the regional context.

In view of Government’s strong expectations that industry will position itself as a developed industry by at least 2012, may lead to a comprehensive review of its tariff policy. The industry by then would need a fair competition with at least the regional players.

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28 Auto Industry Development Programme
Human Resource Development (HRD)
The rapid growth in Auto Sector is difficult to sustain without efficient human resource. Presently the industry is faced with the acute shortage of trained engineers, supervisors and workers at the level of assembly operations as well as parts manufacturing. The deficiency of skilled personnel is more on account of rapid growth of the Auto Sector during the last 6 to 7 years. High defect rate, low innovations, delayed supplies and quality issues are more on account of weaker human resource than to any other factor. Where the top management in the small to medium entities lacks the overall business management skills, the engineers produced by the universities seriously lack analytical skills and a thinking mind. While the workers with generally low educational background and a fixed mind set leads to low productivity and poor quality. There has generally been low focus on human resource development mainly due to poor skill level at the higher level within the entities and more so in the parts manufacturing sector. The available training programmes/courses have not been able to bring significant change in the mind-set and attitude of workforce at any level within the entities.

The industry rather needs a focused and specialized effort through dedicated institutions which may be called the “Centres of Excellence” purely for the training of manpower and management for the Auto Sector. This however, would need the training programmes of reasonable duration besides the short courses/programmes. Such dedicated institutions through close collaboration with the established institutions in the country such as HEC, NAVTEC, VTCs, Polytechnics, TUSDEC, and management schools looks the only viable solution to steer the Auto Industry on the rapid growth path. There is an urgent need to develop competitive and multi-skilled people through cultural change by imparting extensive training through the centres of excellence.

5.1 Mission Statement

“To set-up a system to develop on a sustainable bases, competent and multi-skilled personnel to meet the growing needs of Auto Industry”.
5.2 Situation Analysis

5.3 Identification of Required Skills

5.3.1 Component Manufacturing Skills
- Metal
  - Die-casting (Aluminum & Iron)
  - Sand Casting
  - Non-Ferrous Gravity Casting
  - Forging
  - Machining
  - Sheet Metal
- Plastic Products Production
- Rubber Products Production
- Electrical Parts Production
- Die, mould, jigs and fixtures designing & manufacturing
- Plating of Surfaces
- Die and Equipment Maintenance
- Process / Quality Control
- Supervision

5.3.2 Assembly Shop Floor Skills
- Mig Welding
- Spot Welding
- Painting & Surface Treatment
- Assembly Tool Usage
- Vehicle/ Inspection & Testing Supervision
- Process / Quality Control
- Supervision.

5.3.3 Vehicle Maintenance Skills
- Diagnostic
- Repair
- Maintenance
- Supervision

5.4 Subjects

5.4.1 Production Shop Floor
- Work values
- English
- Applied mathematics
- Applied Physics
- I.C. Engine (Level-I)
- Engineering Drawing
- Electronic Controls of Machine
- Heat Treatment
- Welding
- Painting
- Hand & Assy Tools Usage
• Process / Quality Control Techniques
• Supervision Techniques
• Kaizen
• Machining incl CNC.
• Die-Casting (Al & Fe)
• Sand Casting
• Non-Ferrous Gravity Casting
• Forging

5.4.2 Vehicle Diagnostic Maintenance & Repair
• Work Values
• English
• Applied Mathematics
• Applied Physics
• I.C. Engine (Level I & II).
• Automotive Electrics & Electronics.
• Engineering Drawing
• Workshop Practices including Welding
• Heat Treatment
• CAD
• Instruments
• Transmission (Manual & Automatic)
• Fuel Injection & Carburetion.
• Motor Vehicle Inspection
• Body Building
• Breaks & Suspension
• Safety in Vehicle maintenance
• Car Air-conditioning
• Painting, surface treatment & beautification
• Kaizen
• Management & logistics of maintenance in Automotive vehicles

It is realized that the human resource constraints faced by Auto Industry for its sustainable and innovative development has been due to rigid attitudes and mind-set for the supervisory and workers. To bring a change in mind-set and work ethics in the existing workforce would not be impossible, albeit slow. However, putting the new entries to comprehensive programmes would be more productive and sustainable. The duration of such academic programmes including the attachment of trainees to the parts manufacturers and assemblers for a fixed duration would undoubtedly be a potential success. The concept will work on the basis of medical schools training with compulsory house job.

The duration of such training programmes have been envisaged as under:-

i) 12 months (Certificate Programme)
ii) 24 months (Diploma)
iii) Short Courses (various duration)

The concept remains that most of the trainers would be boarders so that they could live and breathe in an atmosphere which could bring a cultural change which is essential for achieving quality levels commensurating the industry needs.

5.5 Faculty
• Both foreign and local experts with extensive working experience and academic qualifications.
• To attract the foreign experts to fulfill the local training needs and particularly for their long duration stay in the country, this is envisaged to give them a status of a privileged
5 - Human Resource Development

person with certain immunities from income tax.

5.6 Auto Industry Skill Development Company (AISDC)

To steer the initiative on HRD on sustainable basis, setting up of AISDC is envisaged. The company will be established under The Companies Ordinance and will be managed by a Board with representatives from industry, HEC, NAVTEC, and management schools. The company will collaborate with the envisaged AIDC to identify the needs and synergies for an effective HRD.

5.7 Automotive Centres of Excellence

Two centres of excellence for the development of human resource of the auto industry are envisaged one each at Karachi and Lahore. The overall management of these centres of excellence will come under the AISDC.

i) Automotive Testing & Training Centre Ltd (AT&TC), Karachi

ii) Pak German Auto Training & Testing Institute, Lahore

(Spinning Machinery Corporation)

The trainees of Balochistan, N.W.F.P, interior Sindh and Southern Punjab will get scholarships for various courses. The project proposals for the upgradation of the centres of excellence will be submitted to the government by the AISDC subsequently. The seed money to establish the AISDC will be provided by PIDC.

************
Productive Asset
Investment Incentive
(PAII)
Productive Asset Investment Incentive (PAII) is expected to stimulate the investments in the production capacities of auto parts manufacturing and to optimally utilize such capacities through supply of output to the vehicle assemblers in the country. PAII is to essentially bring competitiveness in the vehicle manufacturing without disturbing the pre-announced tariffs which provide due protection to the locally manufactured auto parts. Offsetting the duty on import of CKD kits, which has been kept high based on the popular demand of industry to keep potential of further localization alive, will work through acquiring credits by the parts manufacturers on their investments in the productive assets. PAII is also expected to lure the foreign component manufacturers to start production in Pakistan and further creating the interdependence between the assemblers and the parts manufacturers which is a prerequisite for competitiveness, innovation and quality improvement. The competitiveness thus acquired will help taking the locally produced parts and vehicles to the global markets.

In addition to the components which have already been developed locally, high value added components and assemblies which have been planned by the industry for local development would need investments. Such components and assemblies include Alternator, Starter Motor, Water Pump, Fuel Pump, Fuel Filter, Seat Reclining, Power Steering, Engines, Transmissions for car and LCVs and Regulator Rectifiers, Ignition Coils, Piston, Fuel Cock, Clutch Assembly, Sprocket Cam, Drum Gear Shift, Magneto and Oil Pump etc for 2 / 3 wheelers.

6.1 Objectives

The benefits of this scheme would be allowed to the auto parts manufacturers with the following objectives:-

i) To expand and modernize capacities in auto parts manufacturing.

ii) To encourage localization of auto parts for the local production of vehicles and for export.

iii) To encourage development of critical components and achieve competitiveness.

iv) To promote interdependence between assemblers and auto parts manufacturers.
6.2 Incentives

i) PAII will be in the form of customs duty credit equal to a certain percentage of the value of productive assets installed by the eligible auto parts manufacturers. The duty credit so acquired will be spread equally over a period of 5 years to offset duty on eligible imports.

ii) The duty credit will be transferable to vehicle assemblers and will remain non-trade-able in the open market.

iii) Duty credits so earned would be allowed to offset import of inputs and further productive assets by a parts manufacturer or by assemblers against import of CKD kits and toolings.

6.3 Eligible Entities

The entities fulfilling the following criterion will be considered eligible to avail the incentive under PAII:

i) The auto parts manufacturers must be supplying or contracted to supply to the recognized vehicle assemblers or export market.

ii) The assemblers of vehicles will be allowed the benefit to the extent of in-house parts manufacturing only.

iii) Must be registered with the sales tax department.

iv) Must be a limited liability company.

v) Having suitable in-house facilities to manufacture auto parts.

vi) The company offering itself for full disclosure and detailed scrutiny at any time during the currency of scheme.

6.4 Qualifying Productive Assets

Qualifying assets under PAII includes jigs, dies & moulds, production testing equipment, heat treatment facility, etc, and other productive assets as determined by the AIDC (excluding land, buildings, transport assets, software, office equipment etc.). Only the new productive assets would be eligible for the incentive under PAII.

6.5 Qualifying Value of Assets

The qualifying value of productive assets means the value of the productive assets capitalized in the balance sheet of the claimant according to the accepted accounting practices. The installed assets will have a recognized marking which will be duly entered in the asset register kept in the premises of the auto part manufacturer. For the purpose of eligibility under PAII, the minimum value of productive assets in one financial year will not be less than Rs. 5 million in the case of existing parts manufactures and Rs. 10 million in the case of new set ups.

6.6 Documentation

The auto parts manufacturers while making claims under the PAII will
submit a business plan to the EDB as to whether and to what extent;
i) Total production will increase substantially over a period of two years from the commencement of production.
ii) A contract has been / will be awarded or a letter of intent has been received for the manufacture of auto parts for supply to assemblers.
iii) International competitiveness will be improved.
iv) The investment will contribute to employment and technology enhancement.
v) Value of local content will increase.
vi) Consumer interest will be supported.
vii) Net foreign currency usage will be reduced.
viii) The investment will provide for high standard production facilities to produce auto parts to the quality standards required for the export.
ix) Each page as well as separate pages of application must be initialed. Applicant will also submit the financial statements including income statement, balance sheet of recent year and of the last two years. Declaration on the last page of application must be signed by an authorized director of company.
x) A detailed marketing and sales plan, a production plan, budget and financial statements for the project for a period of three years, as well as the most recent company statement will be submitted as part of the business plan.

6.7 Claims for PAII
i) The claims for the PAII must be lodged by an entity through an Accredited Accounting Firm which should be amongst the top 30 companies in the ranking list of State Bank of Pakistan.
ii) A detailed factory layout, clearly showing the productive assets installed must be included in the claim, for technical assessment by the EDB, including the site inspection.
iii) Each asset must be provided with a unique asset number that must be affixed or engraved on the asset installed wherever possible.
iv) A claimant may submit one claim within six months from the closure of its financial year, for all qualifying assets that were taken up in its asset register during that financial year. Unless written authorization from AIDC is obtained, late claims will not be entertained.
v) A comparison between the actual achievement and the information in the approved application and business plan, and previous years’ claims on the project as applicable, must be submitted with the claims.
vi) The claim must be signed by the authorized person of the board of directors of the company.
vii) All claims must be audited by external auditors before submission to EDB.
viii) The claims also include a schedule of previously authorized productive assets which were taken into the asset register with their asset
numbers, capitalization values, date of acquisition, date of production of each asset, or expected date of production, along with the report from qualified independent auditors.

ix) EDB reserves the right to have an independent audit done in respect of the financial statements that substantiate the claim for PAII.

x) Claims must be submitted to:
Chief Executive Officer,
Engineering Development Board (EDB),
Ministry of Industries,
Production and Special Initiatives, SEDC (STP) Building, 5-A, Constitution Avenue, Islamabad.

6.8 Ceding of PAII Credit Certificates to OEMs

Auto parts manufacturers will be allowed to transfer or cede their PAII credit certificates thereof, only to the assemblers with the approval of AIDC. Assemblers will be eligible to use duty credits so obtained to offset duty on import of CKD kits and toolings.

6.9 Procedure of Transfer of PAII Credit Certificates

An auto parts manufacturer will submit an application to the EDB to get the permission to transfer PAII credit certificate to an assembler. The application will indicate the following:

i) The amount in Rupees of total duty credit intended to cede.
ii) Copy of agreement for sale of auto parts produced by him for certain period of time in lieu of transfer of duty credit to the assemblers.

iii) The assembler receiving such duty credits will provide information on the competitiveness and price benefits for the vehicles as a result of such credits.

6.10 Processing of Claims

An assessment committee of the AIDC after scrutiny and verification of such claims placed before it will recommend the case on the basis of merits to EDB for crediting of duty credit in the balance of claimant. EDB, based on the recommendations of AIDC will then forward the case to FBR for the benefit under this scheme.

6.11 Claims for Subsequent Year’s PAII Credit Certificate

For the release of ongoing PAII credit certificates (i.e. the balance of certificates after the first year’s 5% of claimed and capitalized investment) subsequent claims must be submitted. The subsequent claims must have the following detailed information.

i) The claimants must provide an updated business plan with any change in the ownership or legal status of the company.

ii) The claimant must confirm that the qualifying assets contained in the asset list on which the duty certificates for the PAII were based are still reflected in the asset register and balance sheet of the claimant.
iii) The claimant must provide information on any change in the manner of use or purpose of use of qualifying assets, as well as the resulting financial implications.

iv) Material deviations from the approved business plan are to be pointed out and motivated.

v) The claimant must provide copies of its most recent financial statements.

vi) Each page of the application as well as all separate pages attached to the application must be initialed by the authorized person of board of directors of the company. In addition, the authorized person must sign a declaration to be included on the last page of the claim. A certificate of authorization signed by the directors of the company is also submitted with the claim.

vii) Claims have to be submitted by 30th June of each calendar year in order to qualify for issuing of that year’s certificates. Claims submitted later may not be considered except the prior approval of AIDC.

viii) Claims must be submitted to:
The Chief Executive Officer, Engineering Development Board (EDB), Ministry of Industries, Production and Special Initiatives SEDC (STP) Building, 5-A, Constitution Avenue, Islamabad

EDB after the approval of AIDC will submit these claims to FBR for the benefit.

6.12 Assessment and Review of PAII

EDB will provide to AIDC, a summary of productive assets invested, by different auto parts manufacturers, duty credits earned and such credits utilized by the beneficiaries, on annual basis.

Assessment and review will take place by the end of each year, up to year 5 to assess the effectiveness of PAII as an industry development instrument. Comprehensive review will be conducted at the conclusion of 5th year. AIDC based on the performance may recommend the continuation of PAII scheme beyond five years.

6.13 Withdrawal of PAII Credit Certificates

EDB reserves the right to withdraw the PAII with retrospective effect for non-performance. EDB also has the right to withdraw the benefits of PAII, if any irregularities have been observed or incorrect information was furnished with regard to the obtaining or utilization of the certificate pending the outcome of any civil, legal or criminal proceedings against the beneficiary. In such an event, if beneficiary is being deregistered or if the unutilized portion of a certificate is withdrawn in terms of this paragraph, any benefit obtained as a result of such certificate shall become repayable on demand to the government. The clauses of the general clauses Act shall be applied in such cases.
Technology Acquisition Support Scheme (TASS)
Technology Acquisition Support Scheme (TASS)

Technology levels remain low to medium in the auto parts manufacturing primarily due to high cost of technology acquisition. Automotive industry has seen a considerable growth but most of the parts manufacturers are still using old manufacturing methods. With such low technology levels, competitive production at high volumes and entering into export markets is a difficult task. Development of critical parts involving high technology level appears a distant possibility. Without a comprehensive spectrum of technology being available, the industry will be on slippery grounds. TASS is envisaged to overcome these shortcomings and facilitate the acquisition of critical technologies.

To further improve the quality of components which have already been developed and to go for high value added components and assemblies which have been planned by the industry for local development would need high technologies. Such components and assemblies include Alternator, Starter Motor, Water Pump, Fuel Pump, Fuel Filter, Seat Reclining, Power Steering, Engines, Transmissions for car and LCVs and Regulator Rectifiers, Ignition Coils, Piston, Fuel Cock, Clutch Assembly, Sprocket Cam, Drum Gear Shift, Magneto and Oil Pump etc for 2/3 wheelers.

Technology is acquired in various forms from the global suppliers, most commonly being through licensing, patents, registered designs, manufacturing rights, quality improvement agreements, technical support and training etc. The objectives are to either develop new products, improve the quality of present products, manufacturing processes or performance enhancement. In the emerging scenario, there is a priority to produce fuel efficient vehicles made of lighter materials and which are environment friendly at the lowest possible cost. Pakistan auto industry is not equipped to undertake research and development due to relatively weak technical base, low volume production and risk aversiveness of producers and therefore relying on acquisition of latest technologies directly or as produced by the principals. Technology leads to innovations and competitiveness. Technology acquisition costs vary with type and extent of sophistication. Cutting edge technology transfers are difficult and cost may be the main factor.
Existing products need technology upgradation to improve performance, efficiency and quality. Technology development has been slow in Pakistan especially in the auto parts sector as local companies (mostly SMEs) are unable to afford it. An impressive growth in automobile production and a strategic thrust towards local value addition to achieve competitiveness necessitate support by the government through matching grants.

TASS will support the efforts of auto parts manufacturers through matching grants to enhance their technology levels and encourage localisation. This scheme is an integral part of the AIDP being implemented by the Government of Pakistan.

TASS will not be admissible to the import of physical productive assets as these are being dealt under a separate scheme.

7.1 Eligible Entities

The entities which fulfill the following criterion will be considered eligible to avail the support under this scheme:

i) The auto part manufacturers must be supplying or contracted to supply to the vehicle assemblers or export market.

ii) Must be registered with the sales tax department.

iii) Having suitable in-house facilities to manufacture auto parts.

iv) Must be a limited liability company.

v) The company offering itself for full disclosure and detailed scrutiny at any time during the currency of the scheme.

7.2 Eligibility Criterion

Following are the eligible criterion under this scheme:

i) Procurement of technologies through licensing.

ii) Technology to be acquired includes design, manufacturing know how, technical support, quality improvement and training.

iii) Procurement of patents or manufacturing rights and registered design.

iv) In the case of a joint venture (JV), if the technology is not the equity for the purpose of technology acquisition support.

7.3 Assessment Criterion

Each project will be ranked by the Assessment Committee of the AIDC on the following merit criterion.

i) The application for claim of technology expenditure will be accompanied with a detailed business plan covering details of Technology Acquisition, technical merits of project, environment benefit, benefit to the entity and the community.

ii) Business Plan will also include a commitment to the sustainability of internationally competitive Auto Industry in Pakistan.
through Technology Acquisition.

iii) This will also include a commitment to increase the value of local content and production of CBU’s and components of quality standards required for export.

iv) Priority will be given to projects bringing in new technologies to develop parts traditionally on category C of the defunct deletion programs.

v) Any other criteria that the committee will decide after the approval of EDB board.

7.4 Administration of the TASS

AIDC will undertake detailed assessment of the application, documentation, business plan and the performance of participating auto parts manufacturers. AIDC will also provide advice on project performance and may make recommendations to the EDB for matching grants or otherwise.

7.5 Documentation

All the auto parts manufacturers who wish to apply for technology acquisition matching grants under this scheme will be required to complete and lodge an application on the prescribed format along with the detailed business plan. Following documents have been prescribed for submission of application to the EDB, under the scheme.

i) Detailed business plan as to what and to which extent technology acquisition will lead to improvement of localization and/or competitive and innovative production of CBU’s or components. The business plan will also provide the estimates on product development, local content, consumer interest, standards, production information, marketing strategy, exports, employment & training, and financial projections on technology enhancement.

ii) A copy of agreement containing details of technology provider / seller and type and kind of technology and payment made to the seller of technology, details of terms and conditions, payment procedure, mode of payment and copy of invoice. Details, if any of this being propriety technology be included.

iii) Each page as well as separate pages of application must be initialed. Claimant will also submit the financial statements including income statement, balance sheet of recent year and of the last two years. Declaration on the last page of application must be signed by an authorized director of company. The application should contain details of expenditure on technology acquisition.

iv) A detailed marketing and sales plan, a production plan, budget and financial statements for the project for a period of three years, as well as the most recent company statement will be
submitted as part of the business plan.

7.6 Claims for TASS

i) The claims for matching grant must be lodged by an accredited Accounting Firm, on behalf of the beneficiary, who will take responsibility of information so provided. Accounting firm should be amongst the top 30 companies in the ranking list of State Bank of Pakistan. The applicant will also submit an undertaking that technology acquisition expenditure incurred will be capitalized in his balance sheet, as a capital expenditure for that year.

ii) A detailed factory layout, clearly showing the in house machinery and equipment must be included in the claim for technical assessment including the site inspection.

iii) A claimant may submit the claim within six months from closure of its financial year, for all technology acquisition expenditures that were taken up in that financial year. Unless written authorization from AIDC, late claims will not be entertained.

iv) All claims must be audited by recognized external auditors. And claims must be signed by the authorized person of the board of directors of the company.

v) EDB reserves the right to have an independent audit/inspection done in respect of the financial statements that substantiate the claim for TASS.

vi) Claims must be submitted to:
Chief Executive Officer,
Engineering Development Board,
Ministry of Industries,
Production and Special Initiatives, Islamabad

Assessment Committee of the AIDC may recommend or reject these claims and may approve the claims provisionally. The provisional approval however, will be finalized once documents and physical assessment wherever necessary is completed.

EDB, based on fulfilling all the qualifying criterion and the merit criterion of the assessment panel of AIDC will consider the case for further action.

7.7 Assessment and Review of TASS

EDB will provide to AIDC, a summary of technology acquisition, matching grants recommended/availed by different auto parts manufacturers, on annual basis.

Assessment and review will continue annually and up to 5 years to assess the effectiveness of scheme under AIDP. Comprehensive review will be conducted at the conclusion of 5th year. AIDC based on the performance of the scheme may recommend the continuation of scheme beyond five years.
7.8 Withdrawal of Technology Acquisition Matchmaking Grants

EDB reserves the right to withdraw the technology acquisition matching grants so availed with retrospective effect, if the information and evidence provided by claimant found untrue. If any irregularities have been observed or incorrect information was furnished with regards to the obtaining or utilization of the matching grants pending the outcome of any civil, legal or criminal proceedings against the claimant, in such an event, if claimant or beneficiary is being deregistered or if the unutilized portion of a grant / tax concessions is withdrawn in terms of this paragraph, any benefit obtained as a result of such scheme shall become repayable on demand to the government. The clauses of the general clauses Act shall be applied in such cases.

***********
Auto Cluster Development
The assemblers of vehicles are mostly located in and around Karachi and Lahore. The car and HCV assembly is mostly based in Karachi while the 2-Wheelers/3-Wheelers and agricultural tractors are located in Lahore. The same is the case with the vendors of such vehicles except that many vendors of car/LCV are based in Lahore as well. The vehicle assemblers play a pivotal role in development of vendors through knowledge transfer, supply chain management, products and processes development. The way the Auto Industry is becoming highly competitive world over and in Pakistan, focus has been shifted to not carry the cost of inventory and to supply on “Just in Time” concept.

Fragmented location of vendors and a general lack of mutual support and learning and sharing certain common but otherwise under utilized capacities remain the issues which could be addressed through Cluster Development.

The high growth in Auto Sector in recent years and the projections thereof involves increase in parts manufacturing capacities, potential JVs with the foreign vendors and exports through supply chain management, efficient communication and mutual support of the vendors.

While an increasing interest of foreign companies to start assembly in Pakistan and the major constraint being the availability of suitable land. Some area within the land acquired for Auto Clusters needs to be earmarked for such potential investors, at the uniform prices.

In view of above two Auto Clusters are envisaged:-

• Near Steel Mills, Port Qasim, Karachi.
• Near Motorway or on Sheikhupura Road, Lahore.

Area:

Karachi 200 Acres
Lahore (initially) 200 Acres.

A detailed working and requirements of envisaged automotive clusters to achieve the production target of 0.5 million cars by 2011-12 is given in table below:
### Identification of Processes and the Space Requirements in the Envisaged Auto Cluster

<table>
<thead>
<tr>
<th>Process</th>
<th>Total Annual Requirement by 2011/12</th>
<th>Plot Size for a unit (Acres)</th>
<th>Plots Required</th>
<th>Total Space Required (Acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>525,000 units</td>
<td>3</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Aluminum Castings</td>
<td>44,000 tons</td>
<td>2</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Audio Systems</td>
<td>525,000 units</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Ball Bearing</td>
<td>73.8 million nos</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Batteries</td>
<td>550,000 units</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Casting</td>
<td>71,500 tons</td>
<td>5</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>Door Hardware</td>
<td>505,000 sets</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Fasteners</td>
<td>1,907 million nos</td>
<td>4</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Forgings</td>
<td>16,500 tons</td>
<td>5</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Friction material</td>
<td>7,458 tons</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Glass</td>
<td>1,625 million m²</td>
<td>2</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Interiors / trims</td>
<td>525,000 sets</td>
<td>5</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Lights</td>
<td>525,000 sets</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Machining (Al. Parts)</td>
<td>57,200 tons</td>
<td>2</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Machining (Casted parts)</td>
<td>92,950 tons</td>
<td>2</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Machining (Forged Parts)</td>
<td>15,750 tons</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Plastic</td>
<td>72,000 tons</td>
<td>4</td>
<td>40</td>
<td>160</td>
</tr>
<tr>
<td>Radiators</td>
<td>525,000 units</td>
<td>2</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Rubber</td>
<td>38,400 tons</td>
<td>4</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Sheet metal</td>
<td>270,000 tons</td>
<td>3</td>
<td>38</td>
<td>114</td>
</tr>
<tr>
<td>Shock absorbers</td>
<td>2.1 million units</td>
<td>3</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Silencers</td>
<td>550,000 units</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Speedometers</td>
<td>510,000 units</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Tire</td>
<td>287,500 nos</td>
<td>25</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Wire Harness</td>
<td>525,000 sets</td>
<td>3</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Water Pump</td>
<td>505,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Pump</td>
<td>505,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel Filter</td>
<td>2,000,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternator</td>
<td>505,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Cleaner</td>
<td>2,000,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seat Recliner</td>
<td>505,000 units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heat treatment Plants (contract)</td>
<td>2</td>
<td>8</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Brake Assemblies</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Die &amp; Mold making</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Pattern shop</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Paint Shops (contract)</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Engine</td>
<td>510,000 units</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Gear Box / Transmission</td>
<td>510,000 units</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Axle</td>
<td>525,000 sets</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Suspension / Mcpherson struts</td>
<td>525,000 sets</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Steering / Power steering Assembly</td>
<td>510,000 units</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
</tbody>
</table>

**Total** | **150** | **282** | **916**
NIPs Company is already working on acquisition of land for auto clusters with enabling infrastructure to provide for establishment of auto units. This is anticipated that the most crucial issues of land acquisitions, exorbitantly high prices and other issues being the potential bottleneck for the new units to establish or for the existing ones to expand will be effectively taken care off.

************
Auto Industry Investment Policy (AIIP)
Seeing the considerable interest of important international auto manufacturers in Pakistan market and to meet the local demand supply gap of various products, Government has framed the rules and procedure for the foreign investors in the Auto Sector. The policy rest on production of high technology products with environment and consumer satisfying features.

Recognizing that the existing assemblers / manufacturers of vehicles have over the years developed many parts and components locally and the factor that the Auto Industry is yet heavily import dependent for various materials and components, with marginal exports, the salient features of policy would remain as under:-

9.1 Definition

New Entrant means a potential assembler / manufacturer of global significance who had no assembly / manufacturing of similar vehicles in Pakistan in the past and intends to assemble / manufacture a vehicle by himself or through an agreement with a Pakistani company.

9.2 Eligibility criterion

i) In case of cars, the potential new entrant will have 500,000 units annual production in countries other than Pakistan.

ii) The new entrant will have significant global presence by way of manufacturing at least 25,000 units of trucks and buses separately, 40,000 LCVs and at least 50,000 units in the case of Agriculture Tractors annually in countries other than Pakistan.

iii) New entrant will have the plan for the progressive manufacturing of vehicles.

iv) New entrant will have serious and demonstrable intention to develop parts locally either in-house or through the vendors to achieve competitiveness.

v) New entrant will clearly identify the destinations in his plan or in agreement with its partners for export of vehicles and parts manufactured in Pakistan under this policy.

vi) Registration to produce road worthy vehicles complying to environment standards, with the EDB, M/o IP&SI for the entitlement of benefits under the scheme.
vii) Proof of land acquisition in the case of green field project or an agreement with the owner, in the case of existing assembly facilities.

viii) A qualifying New Entrant will be required to submit a detailed business plan to EDB who will verify the complete in-house assembly/manufacturing facilities etc.

ix) AIDC will assess the business plan and other relevant documents to determine the eligibility criterion and to qualify the potential new entrant for the entitlement of benefits under AIIP or otherwise.

9.3 Benefits

New Entrants will be allowed to import 100% CKD kit, at the leviable customs duty, for a period of three years from the start of assembly/manufacturing.

9.4 Withdrawal of AIIP Incentive

Business plan duly submitted by the New Entrant to the EDB on a prescribed form will be evaluated before allowing any permission to start manufacturing. An annual assessment of business plan will be made to see any deviation and to determine as to whether the New Entrant has stayed on the course and has honoured its commitment under the policy or otherwise. In case of any material deviation, EDB will initiate a suitable action after necessary verification that may lead to the stoppage or withdrawal of benefits allowed under the AIIP, with retrospective effect.
Auto Industry Development Committee (AIDC)
With the elimination of deletion programmes from 1st July, 2006, the major objectives of Indigenization Committee (I.C) have also been met. I.C. was established during May, 1995 by an order of the Federal Cabinet to effectively oversee the indigenization of automotives and other goods in the country.

With the changing WTO scenario and our commitment to TRIM's agreement Pakistan had to eliminate the compulsory local content conditions in its industrial policies. With the elimination of over 23 deletion programmes in various engineering goods by the year 2003, the only remaining deletion programmes in auto sector were also done away with in the year 2005-2006.

AIDC is envisaged to replace the I.C. with the objective to provide focused and continued attention to the Auto Industry at a higher Government – Private level. AIDC aims to have a regular dialogue and effective communication with the industry. AIDC will encourage private – public partnership for the sustainable development of Auto Industry.

AIDC will have regular deliberations on the issues of quality, standards, environment and consumer satisfaction. AIDC will continuously analyze the emerging trends in global scenario and do out of box thinking to identify opportunities for auto industry and define its direction.

AIDC will recommend to the Government on the issues relating to the fiscal policy, WTO, investment, exports, trade policy, FTA’s and other regulatory and administrative matters which may affect directly or indirectly the growth and sustainable development of Auto Industry.

AIDC will have the mandate to provide its rulings to EDB after making necessary documentary verifications, reviewing sub-committee reports or through personal hearings or by any other means on the claims for the benefits under various incentives envisaged in the AIDP. Such incentives include productive asset investment allowance, technology acquisition support scheme, Human Resource Development and other incentives.

AIDC will have regular deliberations on safety, quality, standards, consumer protection and regulatory framework of the Government to encourage emission controls.
AIDC will provide a vision for the development of auto sector and will continue reviewing the progress, effectiveness of incentive regime and to recommend corrections and improvements in the AIDP wherever necessary. AIDC will promote industry – university linkages, and creating awareness amongst the academia about the industry needs.

**Composition of Members**

<table>
<thead>
<tr>
<th>No.</th>
<th>Name and Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chief Executive Officer, Engineering Development Board.</td>
</tr>
<tr>
<td>2.</td>
<td>General Manager (Policy Development), Engineering Development Board.</td>
</tr>
<tr>
<td>3.</td>
<td>Joint Secretary, M/o Industries, Production &amp; Special Initiatives.</td>
</tr>
<tr>
<td>4.</td>
<td>Joint Secretary, M/o Science &amp; Technology.</td>
</tr>
<tr>
<td>5.</td>
<td>Joint Secretary, M/o Commerce.</td>
</tr>
<tr>
<td>6.</td>
<td>Joint Secretary, M/o Environment.</td>
</tr>
<tr>
<td>7.</td>
<td>Representative from Planning Commission.</td>
</tr>
<tr>
<td>8.</td>
<td>Chief Customs (Tariff &amp; Trade), Central Board of Revenues.</td>
</tr>
<tr>
<td>10.</td>
<td>Managing Director, Pakistan Standards and Quality Control Authority (PSQCA) or his representative.</td>
</tr>
<tr>
<td>11.</td>
<td>Chairman, PAAPAM.</td>
</tr>
<tr>
<td>12.</td>
<td>Vice Chairman PAAPAM.</td>
</tr>
<tr>
<td>13.</td>
<td>Chairman, PAMA.</td>
</tr>
<tr>
<td>14.</td>
<td>A Representative of Car Assemblers on rotation basis for two years (out of four leading assemblers).</td>
</tr>
<tr>
<td>17.</td>
<td>A Representative of Tractor Assemblers on rotation basis for two years (out of two leading assemblers).</td>
</tr>
<tr>
<td>18.</td>
<td>A Representative from Truck/Bus Sector on rotation basis for two years (out of three leading assemblers).</td>
</tr>
<tr>
<td>19.</td>
<td>One vendor of Sheet Metal on rotation basis for two years.</td>
</tr>
<tr>
<td>20.</td>
<td>One vendor of Plastics and Rubber on rotation basis for two years.</td>
</tr>
<tr>
<td>21.</td>
<td>One vendor of Casting, Forging &amp; Machining on rotation basis for two years.</td>
</tr>
<tr>
<td>22.</td>
<td>One vendor of Electrical and Electronics on rotation basis for two years.</td>
</tr>
</tbody>
</table>

*************
ANNEXURES
Annex I
Productive Asset
Investment Incentive
Form I to Form VII
Productive Asset Investment Incentive (PAII)

PAII APPLICATION FOR APPROVAL
(For Auto Parts Manufacturers)

Note: Please use additional space / paper wherever necessary.

1) PARTICULARS OF APPLICANT:
   - Name and Address of CEO:
   - Name of the Company:
   - Sales Tax Registration No:
   - Physical Address of Factory:
   - Postal Address:
   - Contact Person:
   - Tel: No.
   - Fax: No.
   - Cell Ph: No.
   - E-mail:
   - Type of Company (At least a limited liability company):

2) PARTICULARS OF REGISTERED EXTERNAL AUDITOR:
   - Name and postal address of accredited audit firm:
     ........................................................................................................
     ........................................................................................................
   - Name and postal address of the authorized person of the audit firm:
     ........................................................................................................
     ........................................................................................................
   - Registered No. of Auditor
     ........................................................................................................
     ........................................................................................................
3) COMPANY STRUCTURE

<table>
<thead>
<tr>
<th>Shareholders/members/partners</th>
<th>Pakistan %</th>
<th>Foreign %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

4) DETAILS OF PRODUCTIVE ASSETS

Only the admissible productive assets which are capitalized will be eligible for incentive under the scheme.

<table>
<thead>
<tr>
<th>Description of Productive Assets</th>
<th>Value of Claims (Pak Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Productive Assets Installed</td>
<td>Asset number</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL VALUE

5) VALUE OF PRODUCTIVE ASSETS INSTALLED

To substantiate the value of imported assets provide the relevant import documents i.e. copy of:-

i) Goods Declaration
ii) Invoice
iii) Bill of Lading
iv) Copy of sales tax invoice (in case of locally manufactured)

6) PRODUCT AND PRODUCTION

Provide a detailed list of auto parts that were supplied to local vehicle assemblers.

Details of Auto Parts manufactured by productive assets installed under PAII:-

<table>
<thead>
<tr>
<th>Description of auto parts</th>
<th>Part No.</th>
<th>Name of Vehicle Assembler</th>
<th>Description of Vehicle using such parts</th>
<th>Period of Supply</th>
<th>Value of Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity of Supply</th>
<th>S.T Invoice No.</th>
<th>Purchase Order No.</th>
<th>Bank Statement as Proof of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Provide a cost breakdown per unit manufactured in the format below, for each of the above auto parts.

<table>
<thead>
<tr>
<th>AUTO PART A</th>
<th>AUTO PART B</th>
<th>AUTO PART C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>Volume</td>
<td>Volume</td>
</tr>
<tr>
<td>Cost of Locally Produced Components</td>
<td>Cost of Locally Produced Materials</td>
<td>Cost of Imported Components</td>
</tr>
<tr>
<td>Cost of Imported Materials</td>
<td>Cost of Imported Materials</td>
<td>Cost of Production</td>
</tr>
<tr>
<td>Profit/ Loss (Factory Margin)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ex-Factory Selling Price</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Provide a cost breakdown of those auto parts (highest volume and highest value) that are produced with the approved productive assets.

**DECLARATION:** I hereby declare that the information in this application is a fair and true reflection of my intended project. I am aware of the fact that the information which I have submitted above will have a material gearing on the adjudication of the application and if it, therefore, subsequently appears that any information in the application with addendum was not correct, or that certain information was omitted, the EDB/ FBR shall be entitled to withdraw or amend its approval and without prejudice to its rights, to recover any credits already claimed or to withhold further duty credit.

(Signature of directors in the employment of the entity In terms of partners, Board members Resolution attached hereby)

**SIGNED**

**NAME IN PRINT**
AUTHORISATION BY THE COMPANY OR PARTNERS

RESOLUTION OF THE BOARD OF DIRECTORS/PARTNERS:

The Board of Directors/Partners of ............................................................ (name of company)

Hereby authorizes .............................................................. (name of individual),

In his capacity as .............................................................. to sign all documents

Pertaining to this application to the Board or any documentation pertaining thereto.

Signed at ..............................on this .............................. day of .........................

SIGNATURE OF DIRECTORS: NAME OF DIRECTORS:

.......................................................... ..........................................................

.......................................................... ..........................................................

.......................................................... ..........................................................

.......................................................... ..........................................................
Productive Asset Investment Incentive (PAII)

FORMAT TO BE USED BY MANUFACTURERS OF VEHICLES

1) Particulars of Vehicle Manufacturers
   - Name and Address of CEO:
   - Name of the Company:
   - Sales Tax Registration No.
   - Physical Address of Factory:
   - Postal Address:
   - Contact Person:
   - Tel: No:
   - Fax: No:
   - Cell Ph: No:
   - E-mail:
   - Type of Company (At least a limited liability company):

2) COMPANY STRUCTURE

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Members Name</th>
<th>Pakistan %</th>
<th>Foreign %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3) PRODUCTION DETAILS
   Period: (From __________ To ________ )

<table>
<thead>
<tr>
<th>Name of the Model</th>
<th>Quantity Produced</th>
<th>Cost of Locally Produced Auto Parts</th>
<th>Cost of Imported Auto Parts</th>
<th>Cost of Production</th>
<th>Factory Margin</th>
<th>Ex-factory Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Dates on which the above models will be dis-continued/ terminated
- Percentage breakdown of turnover between the local market sales and exports
- Estimated local market percentage share per model.
4) EMPLOYMENT PROFILE

- Provide an organogram of the company.
- Details of supervisory level staff.
- Details of workers.

5) AUTO PARTS SUPPLIER INFORMATION UNDER PAII

- Names and addresses of the local auto parts manufacturers who have qualified under the PAII and supplied the parts during the period.
- Names of the new auto part manufacturers (suppliers approved under the PAII).
- Names of the auto parts manufacturers whose supplies have been terminated and the reasons thereof.

Detail of auto parts purchased, which were specifically produced by the productive assets under PAII

- Name of the Supplier.
- Sales Tax Registration No. Period (From:________ To:________).
- Description of auto parts.
- Part No.
- Total Quantity.
- Purchase Order No. and date.
- Invoice No. and date.
- Total Value of parts.
- Competitiveness / price benefits to the assembler.

DECLARATION: I hereby declare that the information in this application is a fair and true reflection of my intended project. I am aware of the fact that the information which I have submitted above will have a material gearing on the adjudication of the application and if it, therefore, subsequently appears that any information in the application with addendum was not correct, or that certain information was omitted, the EDB/ FBR shall be entitled to withdraw or amend its approval and without prejudice to its rights, to recover any credits already claimed or to withhold further duty credit.

.................................................. ..................................................
SIGNED SIGNED
(Signature of directors in the employment of the entity In terms of Board members Resolution attached hereby)

.................................................. ..................................................
NAME IN PRINT NAME IN PRINT
Please tick the forms / documents submitted along with application

- Business plan
- Fixed Asset Ledger
- Procedure of transfer of duty credit to the assembler
- Copies of Financial Statements
BUSINESS PLAN FOR THE EXISTING OR NEW AUTO PARTS MANUFACTURERS

1.1 The investment under PAII will be in support of vehicle assemblers. Please indicate, as to which extent the competitiveness of the assemblers will increase through your investment in productive assets under the PAII.

1.2 Whether a contract has been awarded or a letter of intent has been received from the assembler for the manufacture and supply of parts which will be produced by the productive assets under the PAII. Please provide the following details:

i) Name of the auto part manufacturer (company)
ii) Name and address of CEO
iii) Sales tax Registration No
iv) Physical Address of Factory
v) Postal Address
vi) Tel: No
vii) Fax: No
viii) Cell Ph: No
ix) E-mail:
x) Type of company (At least a limited liability company)
xii) Name and address of the assembler
xii) Description of vehicle using auto parts
xiii) Description of auto parts intended to be produced through the productive asset installed under PAII.
xiv) The period of supply (From: --------------To:----------------)
xv) Are these auto parts being already supplied or would these be supplied for the first time.
xvi) What has been the previous quantity of supply (2005-2006 --------, 2006-2007 ----------------)
xvii) What would be the quantity of auto parts intended to be supplied after availing PAII (1st year ----------------, 2nd year-----------------, 3rd year ------
--------, 4th year ------------, 5th year ----------------)
xviii) Will such supply of auto parts increase the local content for the assembly of said vehicle and to which extent?

1.3 Will the investment contribute to enhancement of employment:

i) Number of total existing workers:
   a. Supervisory level:
   b. Workers level:
ii) Potential increase in employment 2007-08----------, 2008-09--------
    2008-09 -------- 2009-10 ------- 2010-11 ------- 2011-12 --------
1.4 Will investment lead to increase in the level of technology?
   i) The type of technology
   ii) The level of technology
   iii) The mode of acquisition i.e. TAA or JV, license agreement and royalty payable etc.

1.5 Will the net foreign exchange involvement reduce:

1.6 How the new investment, will enhance the local value addition.

1.7 How the consumer interest will be supported through investment:
   • Is it based on high technology, durability, performance, price or reliability of auto parts development?

1.8 Will the investment help in production meeting the international standards and how?

1.9 Will investments under PAII lead to more exports?
   i) Will the high standard products exported and to what extent
   ii) Volume of present export and markets.
   iii) The new products and markets along with the value of exports due to new investment.

1.10 Which national and international standards on environment and safety will be met and how.

2. **PRODUCT AND PRODUCTION INFORMATION**

2.1 **Auto Parts Manufacturers**
   i) Annual Production Capacity (No of units).
   ii) Total Capacity utilization during the year (%).
   iii) Capacity utilization per product (%).
   iv) Total volume of production through productive assets under PAII.
      a) Description of parts.
      b) Quantity produced.
      c) Period.
   v) Please provide the cost breakdown part-wise:

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Rs/Unit</th>
<th>% of Cost of Production</th>
<th>% of Ex-factory Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of raw material and components:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C&amp;F Value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e)</td>
<td></td>
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<tr>
<td>Total value of imported materials and</td>
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<tr>
<td>components etc:</td>
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<tr>
<td>Cost of other (local) raw-materials and components etc:</td>
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<tr>
<td>Total cost of raw-materials and components etc:</td>
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<tr>
<td>Direct Labour</td>
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<tr>
<td>Other manufacturing costs</td>
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<tr>
<td><strong>COST OF PRODUCTION</strong></td>
<td>..................</td>
<td>100.0</td>
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<tr>
<td>Selling and Administration Costs</td>
<td>..................</td>
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<tr>
<td>Net Profit</td>
<td>..................</td>
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<tr>
<td><strong>EX-FACTORY SELLING PRICE</strong></td>
<td>..................</td>
<td>..................</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Please provide the following details;

a) Total Annual Production.
b) Production process of the products.

Please motivate how the above structure will contribute to the business plan submitted by you.

Please supply the following documents to verify payments received from the vehicle assemblers:

i) Copy of commercial invoice.
ii) Copy of sales tax invoice.
iii) Bank statement indicating receipt of payment.

3. MARKETING STRATEGY

i) Indicate the size and potential growth of the market and firm’s estimated market share per product.

ii) State which assembler and vehicle type/model will benefit from the duty credit accrued through your productive investment.

iii) Provide the percentage breakdown of turnover in terms of local sales and exports.

iv) Provide the names of countries to which you intend exporting the products.

v) Please specify your international competitors.

vi) Indicate your competitive advantage in terms of products, distribution, promotion and price.

vii) How will your market share increase by availing PAII?

4. MANAGEMENT, EMPLOYMENT AND TRAINING

i) Provide an organogram of the company.
ii) Details of supervisors and workers.
iii) Specify training budget for the next 5 years.
5. PROTECTION OF ENVIRONMENT AND STANDARDS

i) Will the project comply with the requirements of local environment standards and details thereof?

ii) List the possible benefits to the environment such as emission reduction, fuel consumption and waste minimization.

iii) List any quality accreditation you have received or being received and from which agency.

6. FINANCIAL PROJECTIONS

Please provide the following:

i) Projected income statement, balance sheet and cash flow statement for the project from the year 1 to year 5.

ii) Please provide the most recent financial statement and the last 2 years statements.
# Fixed Asset Ledger

<table>
<thead>
<tr>
<th>Sr. #</th>
<th>Description of Productive Asset</th>
<th>Type of Asset*</th>
<th>Asset Number</th>
<th>Supplier Name</th>
<th>Reference at Ledger</th>
<th>Date of Purchase</th>
<th>Date of Commercial Production</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td>Building</td>
</tr>
</tbody>
</table>

*Eligible assets provided under PAII
### Productive Asset Investment Incentive (PAII)

1) **CHECKLIST FOR EDB TO VERIFY NEW ASSETS**

1. Copy of seller of asset

<table>
<thead>
<tr>
<th>Import of Assets (import documents)</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Copy of goods declaration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Copy of invoice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Copy of packing list</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Copy of LC if applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Copy of Sales Tax invoice (in case of local purchase of assets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Asset’s physical location with asset number mentioned in asset register – identifiable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Verification from accounts ledger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Verification from audited accounts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Checklist for EDB to verify existing/ installed assets acquired under Productive Asset Investment Incentive (PAII)**

1. Assets physical location with asset number mentioned in asset register (reference to previous documents - verification)

2. Verification from accounts ledger

3. Verification from audited accounts

4. Annual supply of auto parts to assembler
   
   4.1 Name of Assembler
   
   4.2 Quantity of parts supplied
   
   4.3 Total Sale (in Rs.)

5. Capacity utilization (in %)

6. Reason of unutilized capacity

---

Name of EDB Official

Designation

Dated
APPROVAL CERTIFICATE (For Auto Parts Manufacturers)

Certificate No: ________________________
Date: _________________

1) PARTICULARS OF APPLICANT:

- Name and Address of CEO:
- Name of the Company:
- Sales Tax Registration No:
- Physical Address of Factory:
- Postal Address:
- Contact Person:
- Tel: No.
- Fax: No.
- Cell Ph: No.
- E-mail:
- Type of Company (At least a limited liability company):

2) DETAILS OF PRODUCTIVE ASSETS

Only admissible productive assets which are capitalized will be eligible for incentive under the scheme

<table>
<thead>
<tr>
<th>Description of Productive Assets</th>
<th>Value of Claims (Pak Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Productive Assets Installed</td>
<td>Asset number</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL VALUE</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value of duty credit approved.</td>
<td>Fresh credit awarded</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Seal and stamp of Manager EDB

Seal embossed
Procedure of Transfer of Duty Credit Certificate to Assemblers

1) PARTICULARS OF SELLER: (Auto Part Manufacturer)
   - Name and Address of CEO:
   - Name of the Company:
   - Sales Tax Registration No:
   - Physical Address of Factory:
   - Postal Address:
   - Contact Person:
   - Tel: No.
   - Fax: No.
   - Cell Ph: No.
   - E-mail:
   - Type of Company (At least a limited liability company):
   - Asset Number
   - Value of Productive Asset Installed
   - Total duty credit received (Rs.)
   - No and date of credit certificate issued by EDB
   - The amount of duty credit intended to be transferred (Rs.)
   - Description of auto parts contracted for supply.
   - Quantity of auto parts to be supplied to the assembler
   - Duration of contract of supply

                               Signature and stamp

2) PARTICULARS OF BUYER: (Assembler)
   - Name and Address of CEO:
   - Name of the Company:
   - Sales Tax Registration No:
   - Physical Address of Factory:
   - Postal Address:
   - Contact Person:
   - Tel: No.
   - Fax: No.
   - Cell Ph: No.
   - E-mail:
   - Type of Company (At least a limited liability company):
   - Amount of duty credits received
   - No. and date of credit certificate issued by EDB

                               Signature and stamp

                               Seal embossed
Annex II
Technology Acquisition
Support Scheme
Form I to Form III
APPLICATION FORM FOR TASS
(For Auto Parts Manufacturers)

Note: Please use additional space / paper wherever necessary.

1) PARTICULARS OF APPLICANT:

- Name and Address of CEO:
- Name of the Company:
- Sales Tax Registration No:
- Physical Address of Factory:
- Postal Address:
- Contact Person:
- Tel: No.
- Fax: No.
- Cell Ph: No.
- E-mail:
- Type of Company (At least a limited liability company):

2) PARTICULARS OF REGISTERED EXTERNAL AUDITOR

- Name and postal address of accredited audit firm:
  .................................................................
  .................................................................
- Name and postal address of the authorized person of the audit firm:
  .................................................................
  .................................................................
- Registered No. of Auditor
  .................................................................
  .................................................................
3) COMPANY STRUCTURE

<table>
<thead>
<tr>
<th>Shareholders/members/partners</th>
<th>Pakistan %</th>
<th>Foreign %</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

4) DETAILS OF TECHNOLOGY ACQUIRED

Only the admissible technologies which are capitalized will be eligible for support under the scheme.

<table>
<thead>
<tr>
<th>Name and address of technology supplier:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Technologies:</td>
</tr>
<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>Value of Technology Acquired</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

5) VALUE OF TECHNOLOGY ACQUISITION

To substantiate the value of technology acquisition, provide the relevant documents:

i) Copy of technology agreement / license agreement (each page of agreement duly signed by the applicant).
 ii) Proof of payment to technology supplier.
 iii) Copy of remittance slip /approval of SBP in case royalty technical fee has been paid to supplier.

6) PRODUCT AND PRODUCTION

Provide a detailed list of auto parts that were supplied to local vehicle assemblers.

Details of Auto Parts to be manufactured through new technologies:

<table>
<thead>
<tr>
<th>Description of auto parts</th>
<th>Name of Vehicle Assembler</th>
<th>Description of Vehicle using such parts</th>
<th>Period of Supply</th>
<th>Quantity of Supply</th>
</tr>
</thead>
</table>
DECLARATION: I hereby declare that the information in this application is a fair and true reflection of my intended project. I am aware of the fact that the information which I have submitted above will have a material gearing on the adjudication of the application and if it, therefore, subsequently appears that any information in the application with addendum was not correct, or that certain information was omitted, the EDB shall be entitled to withdraw or amend its approval and without prejudice to its rights, to recover any amount already paid or to withhold further payment.

SIGNED

(Signature of directors in the employment of the entity In terms of partners, Board members Resolution attached hereby)

NAME IN PRINT
AUTHORISATION BY THE COMPANY OR PARTNERS

RESOLUTION OF THE BOARD OF DIRECTORS/PARTNERS:

The Board of Directors/Partners of ......................................................... (Name of company)

Hereby authorize ................................................................. (Name of individual),

In his capacity as ................................................................. to sign all documents

Pertaining to this application to the Board or any documentation pertaining thereto.

Signed at …………………..…on this ……….……….. day of ………………………)

SIGNATURE OF DIRECTORS:  NAME OF DIRECTORS:

................................................................. .................................................................

................................................................. .................................................................

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................................................................. .................................................................
Technology Acquisition Support Scheme (TASS)

VERIFICATION BY VEHICLE ASSEMBLERS

Detail of auto parts to be purchased, as being produced through acquisition of technologies under AIDP.

- Name of the Supplier.
- Sales Tax Registration No. Period (From:_______ To:_______).
- Description of auto parts.
- Total Quantity.
- Total Value of parts.
- Competitiveness / price benefit to the assembler.

DECLARATION: I hereby declare that the information in this application is a fair and true reflection of my intended project. I am aware of the fact that the information which I have submitted above will have a material bearing on the adjudication of the application and if it, therefore, subsequently appears that any information in the application with addendum was not correct, or that certain information was omitted, the EDB shall be entitled to withdraw or amend its approval and without prejudice to its rights, to recover any amount already paid or to withhold further payment.

…………………………………….  ……………………………………….
SIGNED  SIGNED

(Signature of directors in the employment of the entity In terms of Board members Resolution attached hereby)

…………………………………….  ……………………………………….
NAME IN PRINT  NAME IN PRINT

Please tick the forms / documents submitted along with application

- Business plan
- Copies of financial statements
- Other Documents
BUSINESS PLAN FOR THE EXISTING OR NEW AUTO PARTS MANUFACTURERS

1.1 Please indicate, to which extent the competitiveness of your products and processes will increase through acquisition of technologies.

1.2 Whether a contract has been awarded or a letter of intent have been received from the assembler for the manufacture and supply of parts which will be produced through technology acquisition and support from the fund. Please provide the following details:

i) Name of the auto parts manufacturer (company).
ii) Name and address of CEO
iii) Sales tax Registration No
iv) Physical Address of Factory
v) Postal Address
vi) Tel: No
vii) Fax: No
viii) Cell Ph: No
ix) E-mail:
x) Type of company (At least a limited liability company)
xii) Name and address of the assembler (buyer of auto parts).
xiii) Description of vehicles using auto parts
xiv) Description of auto parts intended to be produced through technology acquisition support scheme.
xv) The period of supply (From: ____________ To: ___________)
xvi) Are these auto parts being already supplied or would these be supplied for the first time.
xvii) What has been the previous quantity of supply (2005-2006 ______, 2006-2007 ________).
xviii) What would be the quantity of auto parts intended to be supplied after availing TAS scheme (1\textsuperscript{st} year -------------, 2\textsuperscript{nd} year-------------, 3\textsuperscript{rd} year -------------, 4\textsuperscript{th} year -------------, 5\textsuperscript{th} year --------------)
xix) Will such supply of auto parts increase the local content for the assembly of said vehicles and to which extent?

1.3 Will the investment contribute to enhancement of employment:

i) Number of total existing workers:
   a. Supervisory level: __________
   b. Workers level: __________
ii) Potential increase in employment 2007-08 ______, 2008-09 ______
    2008-09 ______  2009-10 ______  2010-11 ______  2011-12 ______
1.4 Will investment lead to increase in the level of technology?
   
   i) Description of technology
   ii) Will technology acquisition lead to production of new components or improve the present products.
   iii) Will technology acquisition improve the manufacturing processes and how?
   iv) The mode of acquisition i.e. TAA, JV, license agreement and royalty payable etc.
   v) Please provide a copy of an agreement entered with the technology provider.

1.5 Will the net foreign exchange involvement reduce?

1.6 How the new investment, will enhance the local value addition.

1.7 How the consumer interest will be supported through investment:

   • Is it based on high technology, durability, performance, price or reliability of auto parts development or vehicles assembled through such parts?

1.8 Will the investment help in production meeting the international standards and how?

1.9 Will investment in technology acquisition lead to more exports?

   i) Will the high standard products exported and to what extent
   ii) Volume of present export and markets.
   iii) The new products and markets along with the value of exports due to new investment.
   iv) Any buy back arrangement with JV, TA partner.

1.10 Which and how national and international standards on environment and safety will be met, through acquiring new technologies.

2. **PRODUCT AND PRODUCTION INFORMATION**

2.1 **Auto Parts Manufacturers**

   i) Annual Production Capacity (No of units).
   ii) Total Capacity utilization during the year (%).
   iii) Capacity utilization per product (%).
   iv) Total Volume of Production through Technology Acquisition Support.
       a) Description of parts.
       b) Quantity produced.
       c) Period.
   v) Please provide the cost breakdown part-wise:
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Rs/Unit</th>
<th>% of Cost of Production</th>
<th>% of Ex-factory Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of raw material and components etc:</td>
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<tr>
<td>C&amp;F Value</td>
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<td>e)</td>
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<tr>
<td>Total value of imported materials and components etc.</td>
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<tr>
<td>Cost of other (local) raw-materials and components etc:</td>
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<tr>
<td>Other manufacturing costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COST OF PRODUCTION</td>
<td></td>
<td>100.0</td>
<td></td>
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<tr>
<td>Selling and Administration Costs</td>
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<tr>
<td>Net Profit</td>
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<tr>
<td>EX-FACTORY SELLING PRICE</td>
<td></td>
<td></td>
<td>100.0</td>
</tr>
</tbody>
</table>

Please motivate how the above structure will contribute to the business plan submitted by you.

Please supply the following documents to verify the supplies made to the vehicle assemblers:

i) Copy of commercial invoice.
ii) Copy of sales tax invoice.
iii) Bank statement indicating receipt of payment.

3. MARKETING STRATEGY

i) Indicate the size and potential growth of the market and firm’s estimated market share per product
ii) State which assembler and vehicle type/model will benefit from your investment in technologies.
iii) Provide the percentage breakdown of turnover in terms of local sales and exports.
iv) Provide the names of countries to which you intend exporting the products.
v) Please specify your international competitors.
v) Indicate your competitive advantage in terms of products, distribution, promotion and price.
vii) How will your market share increase by availing technology support?

4. MANAGEMENT, EMPLOYMENT AND TRAINING
i. Provide an organogram of the company.
ii. Details of supervisors and workers.
iii. Specify training budget for the next 5 years.

5. PROTECTION OF ENVIRONMENT AND STANDARDS

i. Will the project comply with the requirements of local environment standards and details thereof?
ii. List the possible benefits to the environment such as emission reduction, fuel consumption and waste minimization.
iii. List any quality accreditation you have received or being received and from which agency.

6. FINANCIAL PROJECTIONS

Please provide the following:

i. Projected income statement, balance sheet and cash flow statement for the project from the year 1 to year 5.
ii. Please provide the most recent financial statement and the last 2 years statements.
TASS Form -III

Technology Acquisition Support Scheme (TASS)

APPROVAL CERTIFICATE
(For Auto Parts Manufacturers)

1) PARTICULARS OF APPLICANT:

- Name and Address of CEO:
- Name of the Company:
- Sales Tax Registration No:
- Physical Address of Factory:
- Postal Address:
- Contact Person:
- Tel: No.
- Fax: No.
- Cell Ph: No.
- E-mail:
- Type of Company (at least a limited liability company):

2) DETAILS OF TECHNOLOGY ACQUIRED

Only the admissible technologies which are capitalized will be eligible for support under the scheme

<table>
<thead>
<tr>
<th>Description of Technologies</th>
<th>Value of Technology Acquired</th>
<th>Date of acquisition</th>
<th>Date Capitalized</th>
<th>Value of Technology Acquisition (Pak Rs.)</th>
<th>Value of Claims (Pak Rs.) as Matching Grant approved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Seal and stamp of Manager EDB

.................................
Seal embossed

Auto Industry Development Programme
Annex III
Auto Industry Investment Policy – Form I
Auto Industry Investment Policy (AIIP)

1. Details of New Entrant
   
i) Name of the company
   ii) Name and address of CEO
   iii) Details (names & addresses) of Directors / Partners
   iv) Physical location and address of the corporate/head office
   v) Physical location and address of the plant/factory
   vi) Sales Tax Registration No
   vii) Tel No
   viii) Fax No
   ix) Cell Ph
   x) E-Mail
   xi) Description of models to be produced
   xii) The model wise production during next five years (1\textsuperscript{st} year --------, 2\textsuperscript{nd} year--------, 3\textsuperscript{rd} year----------, 4\textsuperscript{th} year----------------, 5\textsuperscript{th} year--------)

2. Present Production Information
   
i) Places of global production and addresses.
   ii) Details of the vehicles including makes
   iii) Total annual production year wise for the last three years
   iv) The relationship of the applicant

3. Please provide corporate profile of the parent company and nature of relationship with parent company. In case of JV partnership, please provide copy of agreement and details of JV partner.

4. The total investment involved on the project (Pak Rs.)

5. Source of funding (foreign or local)

6. Investment on assembly plant, paint shop, testing facilities etc

7. Investment on vendor development

8. Investment on sales activity

9. Type of project
   
i. Whether a green field project
   ii. or a contract assembly facility

10. Do the products possess latest technologies and how?
i) The type of technology
ii) The level of technology
iii) The mode of acquisition whether TAA or JV, license agreement and royalty payable etc.

11. Will the net foreign exchange involvement reduce during the next three years, how and to which extent?

12. How the international competitiveness will be achieved and the steps undertaken for the purpose

13. How the local value addition through the assembly / manufacturing of vehicles will increase.

14. How the consumer interest will be supported:
   
   - Is it based on high technology, durability, performance, price and after sale service?

15. Will the investment help in high standard production meeting the international standards?

16. What is your export plan?
   i) Provide details of export markets you have been authorized by the parent company / J.V partner
   ii) Will the high standard products exported and to what extent
   iii) Value of export in next five years.

17. Which national and international standards on environment and safety will be met and how.

MANAGEMENT, EMPLOYMENT AND TRAINING

1. Provide an organogramme of the company.
2. Details of supervisors and workers.
3. How and to which extent the employment will increase in next five years.
4. Specify training budget for the next 5 years.

PRODUCT AND PRODUCTION INFORMATION

1. Annual Production Capacity (No of Units).
2. Expected Capacity utilization during the next three years (%), (1st year-----, 2nd year -- 3rd year ------------------).
3. Capacity utilization per model (%), (1st ----------, 2nd --------, 3rd -------).
4. Total Volume of Production (model wise).
5. Description of models to be produced in next three years.
6. Please provide the estimated cost breakdown of vehicles produced in the first year:

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Rs/Unit</th>
<th>% of Cost of Production</th>
<th>% of Ex-factory Selling Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of raw material and components etc:</td>
<td></td>
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</tr>
<tr>
<td>Selling and Administration Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EX-FACTORY SELLING PRICE</td>
<td></td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

7. Plan to develop the auto parts locally;
   a. Description and value of auto parts (Pak Rs.) to be developed in-house or purchased locally.
      i. First year of production
      ii. Second year of production
      iii. Third year of production
   b. Details of parts manufacturers, will be duly submitted, year wise.
   c. Copies of memoranda of understanding duly signed with parts manufacturers will be duly submitted.

8. Provide details of auto parts which will be purchased from local auto parts manufacturers;

<table>
<thead>
<tr>
<th>Description of parts</th>
<th>Part No.</th>
<th>Name and address of auto parts manufacturers</th>
<th>Description of Vehicle/model using such parts</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Value of Supply</th>
<th>Quantity of Supply</th>
<th>Period of supply</th>
<th>S.T Invoice No.</th>
<th>Purchase Order No.</th>
</tr>
</thead>
</table>
9. To which extent use of local auto parts will increase the local content for the assembly of said vehicle?

10. Please motivate how the above structure will contribute to the business plan submitted by you.

**MARKETING STRATEGY**

1. Indicate the size and potential growth of the market and firm’s estimated market share per product.

2. Provide the percentage breakdown of turnover in terms of local sales and exports, for the next five years.

3. Provide the names of countries to which you intend exporting the products.

4. Please specify your international competitors.

5. Indicate your competitive advantage in terms of products, distribution, promotion and price.

6. How will your market share increase?

**PROTECTION OF ENVIRONMENT AND STANDARDS**

1. Will the project comply with the requirements of local environment standards and details thereof?

2. List the possible benefits to the environment such as emission reduction, fuel consumption and waste minimization.

3. List any quality accreditation you have received or being received and from which agency.
Annex IV
Working Groups
HRD Committee

1. Mr. Sohail P. Ahmed, Chief Executive, Thal Engineering Ltd.  
   Chairman
2. Mr. Zahid J. Yaqub, General Manager (Policy Dev.) Engineering Development Board  
   Secretary
3. Mirza Nasir Baig, Dy. General Manager/Incharge (Tariff), Engineering Development Board  
   Member
4. Mr. Shahid Zubair, General Manager, AT&TC  
   Member
5. Mr. Feroz Khan, Chief Executive Officer, Adam Motor Company Ltd.  
   Member
6. Chairman, PAAPAM  
   Member
7. Vice Chairman, PAAPAM  
   Member
8. Director General, PAMA  
   Member
9. One Representative from Car/LCV Sector  
   Member
10. One Representative from HCV Sector  
    Member
11. One Representative from Tractor Sector  
    Member
12. One Representative from 2/3-Wheeler  
    Member
13. Mr. Zaheeruddin Dar, Consultant, DART  
    Member

Technology Acquisition Support and R&D

1) Mr. Almas Hyder, Chairman, TUSDEC  
   Chairman
2) Mr. Zahid J. Yaqub, General Manager (Policy Dev.) Engineering Development Board  
   Secretary
3) Mirza Nasir Baig, Dy. General Manager/Incharge (Tariff), Engineering Development Board  
   Member
4) Dr. Shaukat Hameed Khan, Member (Science & Technology), Planning & Development Division  
   Member
5) Mr. Sohail P. Ahmed, Chief Executive, Thal Engineering Ltd.  
   Member
6) Mr. Feroz Khan, Chief Executive Officer, Adam Motor Company Ltd.  
   Member
7) Mr. Salman, Kor Tech Auto Industries (Pvt.) Ltd.  
   Member
8) Mr. Shehryar Khan, Joint Technological Adviser, M/o Science & Technology  
   Member
9) Chairman, PAAPAM  
   Member
10) Vice Chairman, PAAPAM  
    Member
11) Director General, PAMA  
    Member
12) Representative of Car/LCV Assemblers  
    Member
13) Representative of HCV Assemblers  
    Member
Auto Industry Development Programme

Working Group

14) Representative of Tractor Assemblers Member
15) Representative of 2/3 Wheeler Assemblers Member
16) Mr. Zaheeruddin Dar, Consultant, DART Member

Auto Cluster Development

1) Mr. Mohsin Syed, Managing Director, Hybrid Technics (Pvt.) Ltd, Pakistan Industrial Parks Development & Management Company (NIPs) Chairman
   Regional Director (North)
2) Mr. Zahid J. Yaqub, General Manager (Policy Dev.) Secretary
   Engineering Development Board
3) Mr. Shafeeq, Dy. Manager (Sector Development Group), Member
   Engineering Development Board
4) Chairman, PAAPAM Member
5) Vice Chairman, PAAPAM Member
6) Director General, PAMA Member
7) Syed Nabeel Hashmi, Chief Executive Officer, Member
   Thermosol Industries (Pvt.) Limited.
8) Mr. Abdul Razzaque Goheer, Chief Executive Officer, Member
   Infinity Engineering
9) Representative from Car/LCV Assemblers Member
10) Representative from HCV Assemblers Member
11) Representative from Tractor Assemblers Member
12) Representative from 2/3 Wheeler Assemblers Member

Productive Asset Investment Incentive

1) Syed Nabeel Hashmi, Chief Executive Officer, Chairman
   Thermosol Industries (Pvt.) Limited.
2) Mr. Zahid J. Yaqub, General Manager (Policy Dev.) Secretary
   Engineering Development Board
3) Mirza Nasir Baig, Dy. General Manager/Incharge (Tariff), Member
   Engineering Development Board
4) Syed Muhammad Shoaib, Secretary Customs (Tariff I&II), Member
   Federal Board of Revenue (FBR)
5) Mr. Feroz Khan, Chief Executive Officer, Member
   Adam Motor Company Ltd.,
6) Chairman, PAAPAM Member
7) Vice Chairman, PAAPAM Member
8) Director General, PAMA Member
9) Representative from Car/LCV Assemblers Member
10) Representative from HCV Assemblers Member
11) Representative from Tractor Assemblers Member
12) Representative from 2/3 Wheeler Assemblers Member
13) Mr. Zaheeruddin Dar, Consultant, DART Member