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Automobile Industry Needs Direction and Focus

Anwar Iqbal (President AMPAM)

It is for the first time in the history of automobile industry that the industry is moving towards economy of the scale which is reflected in the volume of production of all segments of the industry. This is of course an encouraging situation, yet we are still lagging in technology transfer and with the exception of one auto manufacturer i.e. Suzuki rest of the manufacturing units have not complied with the deletion targets.

Either lethargy, lack of monitoring or other vested interest, that fact remains that our auto industry has not contributed to the development of engineering sector to the desired level. There were times when the industry could go into technology transfer but we have almost missed the bus in the face of implementation of WTO.

These were some of the glimpses of the ideas expressed by Anwar Iqbal, President of Association of Manufacturers of Parts for automobiles and Motorcycles (AMPAM) in an interview to Pakistan Observer.

Giving an overview of the auto industry, Anwar observed that unfortunately, no technology transfer has taken place in the auto sector of Pakistan. Recalling the early days of the industry, he said that from 1960 to 1972 when the first PPP government took over the charge of the affairs in Pakistan, the auto industry had already achieved almost 60 percent localization of the parts in Pakistan even without any deletion policy. In those days, the local auto industry was producing Bedford trucks and vans, Vauxhall cars. Lahore had a strong engineering base where famous Batala Engineering was contributing significantly. The policy of nationalization introduced in 1974 gave a serious jolt to the industry putting everything upside down. The auto factories were closed, national motors Nayadaur vanished from the industry scene and of course that was a serious dent to industrial growth of the country.

After that a new era began when the government formed Engineering Development Board (EDB) with the assignment to implement deletion program and promote the local industry. However, despite all said and done, unfortunately except one auto manufacturing unit i.e. Suzuki, all other auto entities failed to comply with the deletion target. Consequently, the auto sector has to heavily rely on imported engine and transmission for every car and truck being assembled in Pakistan.

Our vendor industry engaged in body parts making of cosmetic importance, while pressed and punched doors and roofs of the cars and vans are being imported by almost every producer with the exception of Suzuki Mehran and Hi-roof pick ups.

Out of the locally produced parts, most of them involve no technology and these were being manufactured even in 1960s. The situation in India is altogether different from what it is being prevailed here. Indians have become viable in exports because of massive production indigenization over 70 percent of parts. We are lagging and with the ensuing WTO rules no time are left for carving an identity in production of a certain model portraying our identity with technology transfer; we cannot catch up in the face of fast changing world with international brands flooding the local market. As far as economy of the scale is concerned, for the last two three years, the volume of production is coming up on economy of the scale. Look at the volume of various segments of the auto sector you will find that the production of motor cycles touching the level of 6 lakh, trucks 70,000 while cars are about to reach 2 lakh units in the current financial year.

Anwar said that the government had formed EDB with the emphasis on monitoring over deletion program in Pakistan and what was the level of achievement is quite obvious, now that dele-

of auto parts manufacturers. Moreover, the automotive industry of Pakistan encompasses a range of vehicles, whose brand names are internationally recognized. The government is encouraging foreign investment especially in the field of automotive industry. The recent past the government further reduced duties for import of CKD kits and CBU conditions of two wheelers and duties on importing of foreign cars have also been reduced, which enabled people to bring in the latest model cars. The import of CKD kits are subject to 30 percent customs duty 15 percent adjustable sales tax and no withholding tax if imported by licensed producers. The import of motor cycles in CBU condition is subject to 90 percent customs duty, 15 percent adjustable sales tax and 6 percent withholding tax. The local vendor industry is estimated to have invested Rs52 billion, providing livelihood to one million including 350,000 skilled persons. It contributes Rs30 billion annually to the national

But they had to draw a solution for engineering development by setting up research and development center to make a brand identity now time has gone we have to move with international brands.

WTO regime asked to scrap deletion program by replacing tariff based system (TBS) which will probably help for local engineering industry, however that change should come out without any delay.

Auto industry potential to contribute significantly to economic program of the country in exports and at domestic front?

He agreed and said AMPAM is formed with a purpose to promote smaller vendors and to resolve their problems. We are bigger in terms of strength of members. Bike, earlier break were not being manufactured in Pakistan. We manufactured breaks in Pakistan. CDI, Capacitor Discharge Ignition. We transferred technology. Earlier it was used to sell at Rs600 now we have cut down price drastically to the level of Rs60. quality is at par and even better than the imported one. PMTF, engine of motor cycle will be completely built by the vendors in Pakistan.

Motor cycle is now local product, over 40 manufacturing are working in this segment, currently, and we are producing 6 lakh units. But unfortunately, big association is not encouraging Chinese manufacturer, so their contribution is not reflected in their figures. You know out of 40 manufacturers over 37 are Chinese.

Human resource development especially in auto sector was not taken care of, training and education is very important. We are still relying on Lawrence road for die casting. Polytechnics can play a major role in producing skilled man power for the auto sector. We are moving without any direction and planning. This government can do, President Musharraf can do and give a direction to our auto sector. Our market size is one million so the possibility of glut has not reached we are still short of 4 lakh demand.

As far as export of two wheelers is concerned we have brought down price from Rs70,000 to Rs35000 to an average price, however, taste and demand wise our market is specific on the back illiteracy. Once we selected 70cc we are stick to that but in rest of the world there is demand for 70cc, they need more powered motor cycles based on 40 years old technology. Worldwide powered increased engine efficiency increased which is cost effective, road conditions is much better than Pakistan. If roads are better fuel consumption average improved in ideal conditions.

Employment, 150 new vendors arrived that generating a lot of new jobs in vendor industry; we cannot go into export because models being produced here are 40 years back.

tion program is being scrapped on the advice of WTO which would be replaced by Tariff Based System (TBS). Hopefully, the new system would pave the way to strengthen the local vendor industry with the introduction of tariff barriers in certain areas which needed protection.

The Association of Manufacturers of Parts of automotive and Motorcycles (AMPAM) was formed in 2003 to represent and to provide technical and management know how to its members. AMPAM is a newly born organization; its prime objective is to achieve 100 percent indigenization in two and three wheelers production. So far the member firms have already attained the level of 87 percent indigenization in only two years time. On the other hand AMPAM is guiding its members for adopting ways, means and techniques to cut down cost of production without effecting quality. As a result the prices of motorcycles and three wheelers significantly reduced in Pakistan market.

The automotive industry has seen a dramatic improvement in both product and consumer demand in Pakistan. The overall positive economic indicators in 2004-05 can be attributed to the robust performance of the entire auto sector. Besides production of cotton, wheat rice and sugar also remained high in the outgoing fiscal year, thus playing a major role in pushing up sales of vehicles. The latest economic survey reveals that there are about 32 automobile manufacturing units involved in assembly and manufacturing of cars, buses, trucks, tractors and motorcycles with the support of down stream industry, which comprises of 860 units

