

# Efficient transport vital for growth

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**P**akistan automobile industry has the potential to steer the economy out of financial mess provided it is given proper chance to play its due role in the development of the country. For its active role the government must announce long-term policy so that this sector can make progress without uncertainty.

An efficient transport and communication network is a prerequisite for socio-economic growth of a country. While Pakistan has made considerable progress in recent years in the field of communication, the transport system remained under strain from the growing needs of the expanding economy: presently there are over 3.24 million motor vehicles on road in the country, of which motorcycles, scooters are 1.58 million, motor-cars 0.60 million, jeeps 0.05 million, station wagon 0.12 million, tractor 0.44 million, buses 0.07 million, motor cabs taxis rickshaws 0.12 million.

The problem of transport and communication will remain in Pakistan, an under developed country, due to economic resources, national priorities and population pressure. The population of Pakistan has increased four times, i.e., from 32.5 million in 1947. The current growth rate of 2.77 per cent is considered the highest in the region.

**Importance of Motorcycle Industry:** The importance of motorcycle industry in Pakistan can't be ignored because it has its own significance due to buying power of the population, road condition, specially in the interior, and as a major means of transportation, specially in rural areas, as 60% population lives in villages. The percentage of distribution of the population, from 15 to 64 years of age, is approximately 50.4%.

Pakistan has a vast market for two-wheeler, but high prices have compelled the middle class buyers to stay away from the market and turn to second-hand motorcycle markets. There are about 10 models in Pakistani markets as compared to the Indian market wherein more than 55 models are available at 50 per cent less prices than those in Pakistan. The two and three-wheeler make up the largest segment (in number) of Indian automobile industry.

One interesting fact is that 80% market share of Pakistani motorcycle sales is enjoyed by 70 CC motorcycle. The prices of 70 CC motorcycle in Pakistan are more than 1100 USD whereas same motorcycles are available in China at USD 300 to 350. The motorcycle industry has achieved 85 per cent deletion localization target in Pakistan. The reason is monopolistic situation created by some old players through manipulation of government policies. The arrival of Chinese models in local market at comparatively low prices have also exerted impact on the market, but so far it is negligible.

**Government policies:** Unfortunately every sector in Pakistan is gripped with confusion, inconsistent government policies and traditional bureaucratic approach etc etc and bike industry is not an exception. If one reads government investment and industrial policy, he finds the following striking things:

"No government sanction is required for setting up an industry in any field, place and size, except for the following four industries:

- \* Arms and ammunitions.
- \* High explosives.
- \* Radio-active substances.
- \* Security printing, currency and mint (establishment of new units for the manufacture of alcohol, except industrial alcohol, is banned).

There is no requirement for obtaining No Objection Certificate (NOC) from the provincial government for Location the project anywhere in the country except the areas which are notified as "negative areas."

But the situation on the ground is totally in contrast to what is stated in the policy and one has to go more than 20 to 30 government departments for obtaining different kinds of NOC's and permissions. In the case

of motorcycle industry the situation is worse and new entrants in this sector have to compulsorily obtain a quality certificate from Pakistan Standard and Quality Control Authority (PSQCA). It is surprising that only motorcycle industry is required to have this certificate.

Transport facilities are becoming very costly and out of reach for a common citizen. Moreover, roads infrastructure is not coping with the required transport capacity due to over-population, thus travelling has become hazardous, time consuming and expensive, the increased number and old vintage condition of four wheelers have polluted the environment. The only solution to above problems is concrete, practical, favourable and consistent policies by government for the private sector to meet future transport requirement.

There is no need to give any incentive to two-wheeler industry but there is need to reduce its suffering by avoiding unnecessary hurdles that are being created through different

government departments and Engineering development Board every now and then on various pretexts.

There is no denying the fact that the Deletion Policy was formed after having gone through a prolonged procedure, deliberations and hard work by government. During the last three to four years, government, in collaboration with the Engineering Development Board, has worked hard and introduced a specific deletion Programme separately for each automobile product like car and motorcycle etc. The policy is part of government's indigenisation programme aimed at prospering the local industry. But such programmes do not play an effective role in promotion of bike industry. This could be gauged from the fact that production and sales graph of locally made bikes has been continuously descending for the last five years. "There are

a number of factors responsible for this falling graph, the foremost being deletion program' which has provided over protection to local industry.

Next comes the illogical customs duty structure for CKD and CBU. The existing custom duty rates for CBU are quite illogical. Present CBU rates have resulted in over protection to local industry, making it dull, un competitive and totally dependent on ready made ways.

**Solution:**

First of all the prices should be brought down to the buying range of the people. The more the prices are reasonable, the more the demand for locally manufactured bikes will grow hence a boost for local manufacturers.

The basis deletion programme may remain universal in spirit but implementation if the deletion policy should not be uniform for the entire automobile industry. It should be implemented on case to case basis, the best way to get out of current confusion with regard to deletion policy.

The authority to fix the selling rates of bikes should reside with the government. If government can form a separate authority to monitor the market prices of bikes, the prices should be brought down, "In our two neighbouring countries, India and China, the selling rate of bikes are much lower as compared to ours. The problem here is that everybody likes to enjoy monopolistic favours and does not believe in healthy competition. They manipulate things to their own advantage, without keeping in view the purchasing power of the 'real consumers' or overall long-term benefits to the industry.

We would suggest to government that CBU rates be decreased from 105 per cent to 50 per cent with a view to creating a sense of competition among the local bike manufacturers. Besides, there should also be zero duty on CKD, which will benefit the local industrialists. For controlling under-invoicing and other illegal means, the duty slab be inscribed above Power/cc of motorcycle. There should be a cut in duty rates of CBU and CKD at least for those Powers CC bikes which are not being locally manufactured and hence do not pose a threat to local bike manufacturers. Government should establish a separate committee to inquire into the cause of high prices of bikes. The committee will surely grasp the importance of real factors involved.

If these suggestions are taken into account, the new owners will find a way into this sector, monopolizers and manipulators will be controlled through competition and as a result the bike industry will get a boost.