

PAK Government unlikely to allow import of used cars

ISLAMABAD (June 11 2010): The government is unlikely to allow commercial import of used cars after massive pressure from the Japanese government and a key car manufacturer who personally summoned Pakistani diplomats to his office in Tokyo expressed serious reservations over the proposed import plan, sources close to the Joint Secretary (Policy) Ministry of Industries and Production (Mol&P) told Business Recorder on Thursday.

"We are under pressure not only from the Japanese embassy in Islamabad but also from the car manufacturers' Tokyo based head offices for withdrawal of used cars import on commercial basis," the sources added.

On May 3, 2010, Prime Minister Syed Yousuf Raza Gilani while chairing meeting of the Economic Co-ordination Committee (ECC) of the Cabinet, had directed the Minister for Industries and Production, Mir Hazar Khan Bijarani to again hold talks with automobiles manufacturers and give them a clear message to lower prices of their units failing which the government would allow import of second hand cars to facilitate the common man.

Insiders in the auto industry are of the view that some bigwigs are using their influence to open commercial import of used cars. The ECC had also directed that a decision in this case should be taken before the announcement of the forthcoming budget. The Prime Minister's directive has not been implemented so far by the ministry, sources added.

According to sources, the Ministry of Foreign Affairs has sought clarification from the Industries Ministry over the proposal, so as to enable it to reply to the Japanese concerns conveyed by Pakistani embassy in Japan. On June 2, 2010, Japanese ambassador in Islamabad called on the Industries Ministry and conveyed a very strong message to him against the import of used cars. However, the minister reportedly responded that the government intended to protect both the car manufactures and the public.

On June 9, 2010, Japanese ambassador also raised this issue with the Commerce Minister, Makhdoom Amin Fahim who attended a function at the embassy. "Yes, the ambassador queried regarding used cars import policy and conveyed his reservations about the proposed summary," said an official of the Commerce Ministry.

Unconfirmed reports suggest that the Japanese ambassador was of the view that car manufacturers would shut down their plants if the government allows import of used cars. On June 8, 2010, the MoI&P's summary titled "rationalising the prices of locally manufactured cars" was tabled at the meeting of the ECC but it was deferred because the ECC Chairman Dr Abdul Hafeez Sheikh had to rush to another important meeting.

The sources said Federal Board of Revenue has refused to support the proposal; however, it is ready to extend full co-operation to approve the proposal regarding increase in age limit of cars being imported under personal baggage, transfer of residence and gift scheme. According to the existing new entrants' policy, the eligibility criterion for potential of new entrants in local auto manufacturing is that it should have an annual production of 500,000 units in countries other than Pakistan. However, in the summary yet to be approved or rejected, it has been proposed by the ministry that this requirement may be revised down to 100,000 units for local manufacturers or JVs from the date of operation subject to prescribed international standards. The FBR has supported the proposal as it will encourage new entrants in local auto manufacturing sector.

The proposed reduction of tariff on import of CBU to liberalise imports are as follows: (i) up to 800 CC from existing 50 to 40 per cent; (ii) 801 CC to 1000 CC from existing 55 to 45 per cent; (iii) above 1000 CC and up to 1500 CC from existing 75 to 65 per cent; and (iv) removal of 50 per cent on cars above 1800 CC.

The FBR in its comments said considering the prevailing unstable condition of the country's foreign exchange reserves, it does not support reduction of duty on new CBU cars during 2010-11. Removal of RD on luxury vehicles above 1800 CC would give an impression that the government is reducing duties for higher strata of society who can afford to pay these duties. Besides removal of RD from one luxury item will also prompt demands for removal of regulatory duty from other luxury/non-essential items which was imposed to curtail import of these items.

However, the Finance Ministry has supported the commercial import of used cars and increase in age limit of cars being imported under personal baggage scheme, transfer of residence scheme and gift scheme but did not support reduction in tariff on import of CBU and exemption of RD on cars on account of losses to exchequer.