Relaxing used car import on ECC agenda

By Aamir Shafaat Khan

KARACHI, Nov 3: The issues of rising car prices and relaxation in rules of used car imports will be on the agenda of the Economic Coordination Committee meeting being held on Thursday.

These issues had been deferred in the last four meetings of the ECC but now the government feels agitated over the lukewarm response from the car makers in taking measures to cut prices.

The federal industries ministry had already proposed to the government for relaxing conditions on various schemes for importing used cars or allowing relaxation in the age limit of used cars from three years to five years. Despite repeated efforts by the ministry the car makers had not reduced the prices and instead they have been pushing up the prices on the pretext of rupee depreciation against the yen.

The maker of Honda cars on Wednesday pushed up Honda City price by Rs30,000 after the maker of Toyota Corolla had raised the price by Rs29,000 on Tuesday.

Car vendors fear that they may become a victim of the ongoing tussle between the car assemblers and the government. The vendors said the relaxation in rules of used car imports or increasing the age limit would lead to massive unemployment and drain of valuable foreign exchange on import of second-hand cars and their spare parts.

They said that the only viable solution for bringing down car prices was aggressive localisation strategy same as implemented in the tractors and motorcycles sector.

They said that achievement of 90 per cent localisation in tractors and motorcycles had led to stability in prices despite rupee devaluation and increase in cost of production.

They said that the same model needed to be applied to passenger car segment by proper implementation of the tariff under Auto Industry Development Plan (AIDP).

The car vendors had informed the industry ministry that the tariff and additional duties on the import of localised parts by any car makers were an integral part of the five year policy document under the AIDP. This cascading custom tariff determined under AIDP for 2007-2011 was agreed by all stakeholders including car assemblers and vendors. They said the recession and cut in volume in the auto industry was caused not by the AIDP tariff structure but is directly related to the SBP interest rate policy and other economic reasons.

In fact, the five year predictable tariff policy was a great effort to enable all stakeholders to plan their investments in advance and was a key ingredient in the stabilisation and growth of auto industry till 2008. Vendors said the request by some car makers not to impose duty on hi-tech parts was not sustainable as the AIDP had programmed these duty impositions during 2007. As such sufficient time was made available to the car makers to parts with effect from June 2010.