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انڈسٹری کی مسابقت کیلئے معقول ٹیکس و ڈیوٹی پر استعمال شدہ گاڑیاں درآمد کرنے دی جائیں، شکست و ریخت الاؤنس میں حالیہ کمی پر نظر ثانی کی بھی تجویز

انڈسٹری کا انتظامی تحفظ اور نئے میٹو پیچرز کیلئے ٹیرف رکاوٹیں ختم، گاڑیوں کی فروخت پر ادون منی وصولی کے خلاف سخت قانون بنایا جائے، رپورٹ جاری

گاڑیوں کی رجسٹریشن کے لیے گاڑیوں کے اینجین اور روڈ قابلیت ٹیسٹ کولازی قرار دیا جائے۔ رپورٹ کے مطابق ملک میں کام کرنے والے گاڑیوں کے ڈیٹلرٹھل آٹوموٹو پیچرز کے اینجٹ کے طور پر کام کر رہے ہیں اور اس سے کوئی مسابقت کو فروغ نہیں مل رہا، لوگوں سے پریمیم اور ادون منی کی مد میں ہماری رقم وصول کی جارہی ہیں اس کے لیے سخت قانون سازی کی ضرورت ہے تاکہ آٹوموٹو پیچرز اور ڈیلرز کو حوام سے ہماری پریمیم کی مد میں رقم وصولی کو روکا جاسکے۔

ٹیکسوں پر درآمد کرنے کی اجازت دی جائے، ملک میں نئے آٹوموٹو پیچرز کو لانے کی ضرورت ہے اور اس کے لیے پینٹل ٹیرف کمیشن آف پاکستان کی باہمی مشاورت کے ساتھ ٹیرف اسٹریجی تیار کرنے کی ضرورت ہے تاکہ نئے لوگ بھی آٹوموٹو میں آسکیں۔ رپورٹ میں تجویز دی گئی ہے کہ استعمال شدہ گاڑوں کے لیے ٹکسٹ و ریخت الاؤنس میں کمی کی جانے والی پر بھی نظر ثانی کی ضرورت ہے کیونکہ اس سے درآمدی گاڑی کی قیمت میں اضافہ ہوا ہے۔ رپورٹ میں یہ تجویز بھی دی گئی ہے کہ ملک میں

تحفظ دیا گیا ہے اور پاکستان میں صرف ٹکسٹ، پرنٹ اور بیجنگ ٹیکس کے تحت استعمال شدہ گاڑیاں درآمد کرنے کی اجازت حاصل ہے جس سے آٹوموٹو پائل ٹیکس میں مسابقت کا رجحان متاثر ہوا ہے اور حال ہی میں مذکورہ ٹیکسوں کے تحت استعمال شدہ گاڑی کی درآمد کے لیے پرانی گاڑی کی عمر 5 سال سے کم کر کے 3 سال کرنے کے کلکتی فیصلے سے آٹوموٹو پیچرز کو تحفظ دیا گیا ہے۔ رپورٹ کے مطابق اس شعبے میں مسابقت کے فروغ کے لیے ضروری ہے کہ استعمال شدہ گاڑیاں معقول ڈیوٹی اور

اسلام آباد (خصوصی رپورٹر) مسابقتی کمیشن آف پاکستان (سی سی پی) نے آٹوموٹو پائل ٹیکس میں مسابقت کو فروغ دینے کے لیے حکومت کو معقول ڈیوٹی اور ٹیکسوں پر استعمال شدہ گاڑیاں درآمد کرنے کی اجازت، آٹوموٹو پیچرز کو دینے والے انتظامی تحفظ کو ختم اور نئے آٹوموٹو پیچرز کے لیے عام کردہ ٹیرف بیریز ختم کرنے کی تجویز دی ہے۔ مسابقتی کمیشن سے آٹوموٹو پائل ٹیکس کے حوالے سے منگل کو جاری رپورٹ کے مطابق پاکستان میں آٹوموٹو پائل ٹیکس کو مختلف انتظامی ٹیریز کے ذریعے

CCP releases updated draft study on automobiles sector

OUR STAFF REPORTER

ISLAMABAD - The Competition Commission of Pakistan (CCP), as part of its on-going programme of sectoral research, has released the updated draft study on automobiles sector and has uploaded it on the website for soliciting public comments and suggestions.

The primary purpose of CCP's research programme, titled, Competition Impact Assessment Studies, is to assess the competition vulnerabilities in various sectors. The draft study on auto sector assesses the relevant laws and their impact on the sector; market share of the players; concentration levels of the market; and the behaviour of the players affecting competition.

In the study, the competition assessment of the passenger cars in the automobile sector in Pakistan has been analysed, which shows that there are currently three major car manufacturers/assemblers in the car industry in Pakistan namely: Pak Suzuki Motor Company Limited, ii. Indus Motor Company Limited (Toyota) and iii. Honda Atlas Cars Limited. Between 2001 and 2011, car sales in Pakistan increased by 217pc and the sales of the above mentioned three players mainly contributed towards this growth. Indus Motors, Pak Suzuki Motors and Honda Atlas have increased their sales by almost 322pc, 241pc and 217pc respectively in this time period.

Currently, in the 800 cc and 1000 cc market segment, Pak Suzuki is the sole local manu-

facturer/assembler while in the 1,300-1,800 cc cars, the state of competition is slightly better with Honda, Suzuki and Toyota competing amongst each other for market share. Parallel increase and decrease in prices by manufacturers in the last 3 years from 2010-12 may be a cause of concern from a competition perspective. In all the three market-segments, the manufacturers/ assemblers have excess installed capacities and by not utilising their excess capacities, the incumbent firms signal their inward looking approach towards the domestic industry.

The study also states that Pakistan automobile industry is inward looking and it tries to protect itself through the use of regulatory instruments. Pakistan needs to develop the au-

tomobile industry instead of protecting it and in this regard, imports have a disciplinary impact on domestic firms. Currently, the import of cars is allowed only under the Gift, Personal and Baggage Schemes with restriction on allowable age limits.

The policy for import of cars with an allowable age limit of 5 years remained in practice from December 2010 to December, 2012. This policy was changed and the allowable age limit was again reduced to 3 years in December, 2012. Furthermore, on 31 August, 2012, the depreciation rules were also changed. If the cumulative effect of both these policy changes is taken into account, a further protection was landed to protect the domestic automobile industry at the expense of consumers.

Competition Commission comes out swinging against auto lobby's claims

Uses data to illustrate how restriction in car imports is hurting consumer interest

OUR CORRESPONDENT
 KARACHI

Contrary to what the auto-makers' lobby has been arguing for over the past year, the Competition Commission of Pakistan (CCP) - the country's top antitrust watchdog - has recommended that the government should open domestic markets to the import of new cars at reasonable tariffs.

In a study released on Tuesday, it has made a case for allowing foreign competition in the sector, which it says will actually benefit consumers, bring in new technology, and offer more choices to buyers.

Focused solely on the automobile sector, the latest report is part of the

CCP's ongoing sector-wise studies that seek to assess anti-competitive tendencies in various sectors. In the study, the watchdog has analysed market competition in the passenger cars segment in Pakistan's automobile sector.

The study has found that Pakistan's automobile industry is inward-looking and tries to protect itself through the use of regulatory instruments. The CCP recommends that Pakistan needs to develop the automobile industry - currently dominated by only three major players - instead of protecting it. It recommends easing the import regime, saying it will have a disciplinary effect in this regard.

At present, Pak Suzuki is the sole local manufacturer in the 800cc and 1,000cc market segment. In the 1,300-1,800cc cars segment, the state of competition is slightly better,

Study also proposes that strict laws be implemented to prohibit producers and dealers from charging any premiums from customers

as Honda, Suzuki and Toyota compete with each other to increase their market shares. However, parallel increases and decreases in prices by these manufacturers over the last three years signal a cause of concern from the perspective of competition, the CCP says.

In all three market-segments, manufacturers are sitting on excess installed capacities; and, by not utilising their excess capacities, the firms seem to signal their inward-looking approach towards the domestic industry, says the CCP.

The study also points out a significant cause of concern from the motor safety perspective. In the absence of regulations, domestic automobile manufacturers do not offer safety features such as anti-lock breaking system (ABS), airbags and lower carbon emissions. These are coupled with the absence of quality specifications such as alloy rims, power steering and windows in all their vehicles, the CCP said.

"Dealerships are merely agents of manufacturing companies and have no real incentive to compete in the market," it said.

Based on its findings, the CCP has recommended various short- and long-term measures. It has suggested that the government remove barriers to entry and lower import tariffs and make them uniform across all automobile categories.

"This will make cars more

affordable, push the local assemblers to competition, and incentivise the automobile industry to strive towards international standards and pricing," it said.

The CCP said it opposes the recent reduction in allowed age limit for the import of used cars from five to three years. "The import of five-year old vehicles provides a better competitive environment in the local automobile industry," it said. The import of used cars, currently allowed under the gift, personal and baggage schemes, should be reopened according to the watchdog.

The Competition Commission has also suggested that a recently-implemented measure that lowers the depreciation allowance for imported used cars needs to be reconsidered, as it 'may' reduce consumer welfare by increasing the price of imports.

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Auto industry needs to be developed: study

By A Reporter

ISLAMABAD, 19 Feb: A sectoral study by the Competition Commission of Pakistan (CCP) highlighted that the country's automobile industry was inward looking and protected itself through the use of regulatory instruments.

"Pakistan needs to develop the automobile industry instead of protecting it and in this regard imports have a disciplinary impact on domestic firms," the updated CCP study on the automobile sector released here on Tuesday noted.

The study is part of the CCP's research programme, titled, Competition Impact Assessment Studies, targeted to assess competition vulnerabilities in various sectors.

The CCP study has criticised government policies of providing protections to the local auto sector, the key among them being restrictions on the import of cars.

The study highlights that the import of cars is allowed only under the Gift, Personal and Baggage Schemes with restriction on allowable age limits, the policy for import of cars with an allowable age limit of 5 years remained in practice from December 2010 to December, 2012, and it was reduced to 3 years in December, 2012.

"Furthermore, on 31 August, 2012, the depreciation rules were also changed," CCP said adding that if the cumulative effect of both these policy changes is taken into account, another protection was landed to protect the domestic automobile industry at the expense of consumers.

However the study has recommended that opening up of domestic market to the import of new cars at reasonable tariffs and reducing protection of local industry to allow foreign competition for

the benefit of consumers.

"This increased competition will reflect in better pricing and improved quality as well as availability of cars on demand," CCP has said, adding that it is preferable for the import of used cars to be open, rather than allowed under the Gift, Personal and Baggage Schemes.

The draft study on auto sector assesses the relevant laws and their impact on the sector; market share of the players; concentration levels of the market; and the behaviour of the players affecting competition.

The CCP has recommended that it was needed to remove entry barriers imposed by higher tariffs.

"This will make cars more affordable, push the local assemblers to be more competitive, and incentivise the automobile industry to strive towards international standards and pricing," CCP said.

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ISLAMABAD: The Competition Commission of Pakistan (CCP), as part of its on-going programme of sectoral research, has released the updated draft study on automobiles sector and has uploaded it on the website for soliciting public comments and suggestions.

The primary purpose of CCP's research programme, titled, Competition Impact Assessment Studies, is to assess the competition vulnerabilities in various sectors. The draft study on auto sector assesses the relevant laws and their impact on the sector; market share of the players; concentration levels of the market; and the behaviour of the players affecting competition.

In the study, the competition assessment of the passenger cars in the automobile sector in Pakistan has been analysed, which shows that there are currently three major car manufacturers/assemblers in the car industry in Pakistan namely: i. Pak Suzuki Motor Company Limited, ii. Indus Motor Company Limited (Toyota) and, iii. Honda Atlas Cars Limited. Between 2001 and 2011, car sales in Pakistan increased by 217 percent and

the sales of the above mentioned three players mainly contributed towards this growth. Indus Motors, Pak Suzuki Motors and Honda Atlas have increased their sales by almost 322 percent, 241 percent and 217 percent respectively in this time period.

Currently, in the 800 cc and 1000 cc market segment, Pak Suzuki is the sole local manufacturer/assembler while in the 1,300-1,800 cc cars, the state of competition is slightly better with Honda, Suzuki and Toyota competing amongst each other for market share. Parallel increase and decrease in prices by manufacturers in the last 3 years from 2010-12 may be a cause of concern from a competition perspective. In all the three market-segments, the manufacturers/assemblers have excess installed capacities and by not utilising their excess capacities, the incumbent firms signal their inward looking approach towards the domestic industry.

The study also states that Pakistan automobile industry is inward looking and it tries to protect itself through the use of regulatory instruments. Pakistan needs to develop the automobile

industry instead of protecting it and in this regard, imports have a disciplinary impact on domestic firms. Currently, the import of cars is allowed only under the gift, personal and baggage schemes with restriction on allowable age limits. The policy for import of cars with an allowable age limit of 5 years remained in practice from December 2010 to December, 2012. This policy was changed and the allowable age limit was again reduced to 3 years in December, 2012. Furthermore, on 31 August, 2012, the depreciation rules were also changed. If the cumulative effect of both these policy changes is taken into account, a further protection was landed to protect the domestic automobile industry at the expense of consumers.

For enforcing safety and quality standards, the government established Pakistan Standards and Quality Control Authority (PSQCA) in 2000 which has so far developed standards for only 2 wheelers. Due to the absence of regulation, the domestic automobile manufacturers do not offer safety features, such as anti-lock braking system (ABS), airbags and lower CO emissions along with quality

specifications such as alloy rims, power steering and windows in all their vehicles. In addition, Pakistan has an aging automobile population which is an increasing burden to the economy due to increased emission levels and a growing safety hazard. The current dealership/supply chain structure in the industry does not allow for meaningful competition as dealerships are behaving merely as agents of the manufacturing companies and have no real incentive to compete in the market. Due to delay in deliveries, premiums are charged in the secondary markets.

Major recommendations of the study to improve competition, both in the short run and long term are:

1. Opening up of domestic market to the import of new cars at reasonable tariffs and reducing protection of local industry to allow foreign competition for the benefit of consumers will bring in new technology and offer more choice to the consumers. This increased competition will reflect in better pricing and improved quality, as well as availability of cars on demand.

2. The recent reduction of

allowable age limit for import of cars from 5 to 3 years in December, 2012 will further protect the domestic automobile industry which is already inward looking. Import of 5 year old vehicles provides a better competitive environment in the local automobile industry; however the idea of increasing the age limit from 3 years to older than 3 years on the import of used cars may be subject to strict road worthiness tests. It is preferable for the import of used cars to be open, rather than allowed under the gift, personal and baggage schemes that add transaction costs. It is also necessary to have stringent evaluation measures to assess the depreciation and actual values of the used imported vehicles.

3. Removing the entry barriers imposed by higher tariffs for imports by significantly lowering the tariffs and making them relatively more uniform across all automobile categories. This will make cars more affordable, push the local assemblers to be more competitive, and incentivise the automobile industry to strive towards international standards and pricing. The tariff structure needs to be finalised in consultation with the National

Tariff Commission (NTC).
4. The recent measure of lowering the depreciation allowance needs to be reconsidered as it may reduce consumer welfare by increasing the price of imported used cars.

5. Mandatory testing for emission and road-worthiness are needed to be introduced as part of a regulatory regime and renewal of registration of vehicles may be contingent on passing of requisite tests in line with developed countries.

6. Dealerships are merely agents of the manufacturing companies and have no real incentive to compete in the market. It is proposed that strict laws should be implemented that prohibit both parties (manufacturers and dealers) from charging any premiums from the customer. Increased competition would also eliminate the premium problem, as cars will be readily available and customers will not have to wait for 6 months before receiving their car after having paid the full price in advance.

The Commission will welcome public comments and suggestions on the draft study, which can be downloaded from its website: www.cc.gov.pk

CCP recommends opening up of automobile sector

By Mehtab Haider

ISLAMABAD: The Competition Commission has asked the government to open up the domestic market to new and used car imports by introducing reasonable tariffs and exercising quality control. As part of its ongoing sector research, the CCP has updated a study on the automobile sector.

The primary purpose of CCP's research programme, titled, Competition Impact Assessment Studies, is to assess the competition vulnerabilities in various sectors.

The draft study on the auto sector assesses relevant laws and their impact on the sector; market share of the players; concentration levels of the market; and the behaviour of the players affecting competition.

In the study, the CCP recommends lowering protection of local industry to allow foreign competition, which in turn will reflect in better pricing, improved quality and availability of cars on demand.

The act of reducing the age limit for imported cars from five to three years in December 2012 should protect the domestic automobile industry. Import of five-year old vehicles, provided that they meet road-safety requirements, makes for a more competitive environment.

It is preferable for the import of used cars to be open, rather than allowed under the gift, personal and baggage schemes that add transaction costs. It is also necessary to have stringent evaluation measures to assess the depreciation and actual values of used, imported vehicles, the CCP recommended.

The CCP further recommended removing the entry barriers imposed by higher tariffs for imports by significantly lowering the tariffs and making them more uniform across automobile categories.

This will make cars more affordable, push the local assemblers to be more competitive, and give incentive to the automobile industry to strive towards international standards and pricing. The tariff structure needs to be finalised in consultation with the National Tariff Commission (NTC).

The recent measure of lowering the depreciation allowance needs to be reconsidered as it may reduce consumer welfare by increasing the price of imported used cars. Mandatory testing for emission and road-worthiness need to be introduced as part of a regulatory regime and renewal of registration of vehicles may be contingent on passing of requisite tests in line with developed countries.

Dealerships are merely agents of the manufacturing companies and have no real incentive to compete in the market. It is proposed that strict laws be implemented that prohibit both parties (manufacturers and dealers) from charging premiums from the customer. Increased competition would also eliminate the premium problem, as cars will be readily available and customers will not have to wait six months for their car after having paid the full price in advance.

In the CCP study, the competition assessment of the passenger cars in the automobile sector in Pakistan has been

analysed, which shows that there are currently three major car manufacturers/assemblers in the car industry in Pakistan. These include Pak Suzuki Motor Company Limited; Indus Motor Company Limited (Toyota) and; Honda Atlas Cars Limited.

Between 2001 and 2011, car sales in Pakistan increased by 217 percent and the sales of the above mentioned three players mainly contributed towards this growth. Indus Motors, Pak Suzuki Motors and Honda Atlas have increased their sales by approximately 322 percent, 241 percent and 217 percent respectively in this period.

Currently, in the 800 cc and 1,000 cc market segment, Pak Suzuki is the sole local manufacturer/assembler while in the 1,300-1,800 cc cars, the state of competition is slightly better with Honda, Suzuki and Toyota competing amongst each other for market share.

Parallel increase and decrease in prices by manufacturers from 2010-2012 may be cause of concern from a competition perspective. In the three market segments, the manufacturers/assemblers have excess installed capacities and by not utilising their excess capacities, the incumbent firms signal their inward looking approach towards the domestic industry.

The study states that the Pakistan automobile industry is inward looking and it tries to protect itself through the use of regulatory instruments. Pakistan needs to develop the automobile industry instead of protecting it and in this regard, imports have a disciplinary impact on domestic firms.

Currently, the import of cars

is allowed only under the gift, personal and baggage schemes with restriction on allowable age limits. The policy for import of cars with an allowable age limit of five years remained in practice from December 2010 to December, 2012. This policy was changed and the allowable age limit was again reduced to three years in December 2012. Furthermore, on August 31 2012, the depreciation rules were also changed. If the cumulative effect of both these policy changes is taken into account, further protection was landed to shelter the domestic automobile industry at the expense of consumers.

For the purpose of enforcing safety standards, the government established the Pakistan Standards and Quality Control Authority (PSQCA) in 2000, which has so far developed standards for only two wheelers.

Due to the absence of regulation, domestic automobile manufacturers do not offer safety features, such as anti-lock breaking system (ABS), airbags and lower CO emissions along with quality specifications such as alloy rims, power steering and windows in all their vehicles.

Pakistan has an aging automobile population which is an increasing burden to the economy due to increased emission levels and a growing safety hazard. The current dealership/supply chain structure in the industry does not allow for meaningful competition as dealerships are behaving merely as agents of the manufacturing companies and have no real incentive to compete in the market.