
Stimulus plans - Pakistani auto sector demands package

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The News reported that Auto parts manufacturers have urged the government to offer a stimulus package to the producers of small cars using large number of local components, which will revive the ailing automobile industry that is entertaining high-end consumers only.

They point out that even a 5% cut in capital value tax on completely knocked down kits will benefit cars above 850cc as smaller cars are already exempted from the tax. They express surprise that producers of big cars have been facilitated in the budget as their production has not declined despite a huge fall in overall car production in the country. In fact, they said that production of some expensive cars has increased.

Mr Syed Nabeel Hashmi former chairman Pakistan Association of Auto Parts and Accessories Manufacturers said that “Auto parts vendors are more interested in revival of sales of smaller cars which have dropped drastically in the past two years due to various factors.

He said that small cars had reached deletion level of up to 70% and provided a lot of jobs in the auto vendor industry of the country. Production of small cars used by the lower middle class had dropped by 70% in the past 15 months. This has caused a loss of 50,000 jobs provided by PAAPAM members.

He added that the federal government had lost billions in sales tax and other levies, adding provincial revenues had also dropped sharply due to low registration of new vehicles. Last but not the least, the auto parts manufacturing industry had virtually stopped developing new technologies; he said and urged the government to announce a 5 year auto stimulus package to boost small car sales.

Mr Tariq Nazeer vice chairman of PAAPAM said that under the package the government should ensure availability of low mark-up finance for cars having the highest percentage of local components. The government, he suggested, should pick up the mark-up differential up to 5 per cent based on the level of deletion.

He added that increased car sales would provide more revenue to the government than the subsidy on bank mark-up, adding that would increase employment in the auto vendor industry and encourage them to upgrade their technologies and develop new components.

Mr Nazeer said that the Engineering Development Board and the Ministry of Industries and Production should monitor the scheme.

(Sourced from thenews.com)

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