

# Automobile Industries in Pakistan will face the new challenges in the Post WTO Scenario

*by Dr Shahid Khalil*

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*Authors : Dr M Shahid Khalil, Dr Shahab Alam*

Presentation by :: Dr M Shahid Khalil  
Associate Professor,  
University of Engineering and  
Technology, Taxila



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## Self Introduction

### Education

BSC (Mech) Engg, UET Lahore.

PhD (CAD/CAE), University of Sheffield, UK.

### Professional Experience

- i 02 Years in Kawasaki Motors Ltd., Haripur.  
{In charge Welding, Press and Quality Control Shops}
- ii 12 Years in Heavy Mechanical Complex, Taxila.  
{Design & Manf., Computerization, Archiving Drawings of Cement, Sugar, Chemical plants, AutoLisp etc. etc.}
- iii 03 years as Deputy Tech Adviser (BPS-19) at MoST.
- iv 04 years as Incharge QMS, NUST HQ, Rawalpindi
- v Working as Professor at UET, Taxila for the last one year

## History of the Automobile Sector

- At the birth of the automobile industry at the end of the nineteenth century, automobiles were produced in the small workshops.
- Within a few years time, the engine production was started which is a core component of the automobile sector that could only be done on a larger scale.
- Henry Ford then produced the first production line for autos and then later on for pick up trucks.

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## History of the Automobile Sector

Other manufacturers adopted this process like General Motors (GM) and Austin Motors in the United Kingdom of Great Britain and Northern Ireland.

Japanese Manufacturers developed the different industrial structure known as “lean production” which economized on many of the aspects of production allowing shorter vehicle production runs and JIT in time production. They also sought to outsource as much of the component manufacture as possible.

## History of the Automobile Sector

In the 1990 and the early 21st century, the automotive industry rapidly consolidated based on 20th century production techniques - basically around long production runs.

The growth of component outsourcing has been dramatic when GM Motors spun off all its component manufacturing into an independent company. The manufacturing of components from outside is far cheaper than an in-house manufacturing.

It is called the 21st century production process.

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## History of the Local Auto Sector

Automobile industry in Pakistan took start in 1950, when General Motors, USA started assembly operations and established National Motors Limited, a public limited company. The company assembled passenger cars as well as commercial vehicles which carried "General Motors" brands. The first vehicle was a Bedford truck assembled in Pakistan in 1950.

## History of the Local Auto Sector

A regular car industry started in the country in 1983, when Suzuki commenced assembly of FX 800 cc to target the middle-income group, which constitutes the larger segment of the market.

In 1992, Suzuki introduced Khyber 1000 cc and Margalla 1300 cc to strengthen its customer base. Since its inception, Suzuki has enjoyed the position of a market leader in car & LCV segment.

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## History of the Local Auto Sector

In 1993, Indus Motor (Toyota), and in the succeeding year (1994) Honda Atlas commenced their operations in Pakistan as the main competitors to Suzuki in the high price segment of the market (i.e. 1300 cc - 2000cc range).

During the last two years, with induction of Cuore (850 cc) by Indus Motors and Kia classic (1300cc), Kia Spectra (1500cc), Kia Sportage (2000 cc diesel) & Santro plus (1000cc) by Dewan Farooque has intensified the competition among the local assemblers.

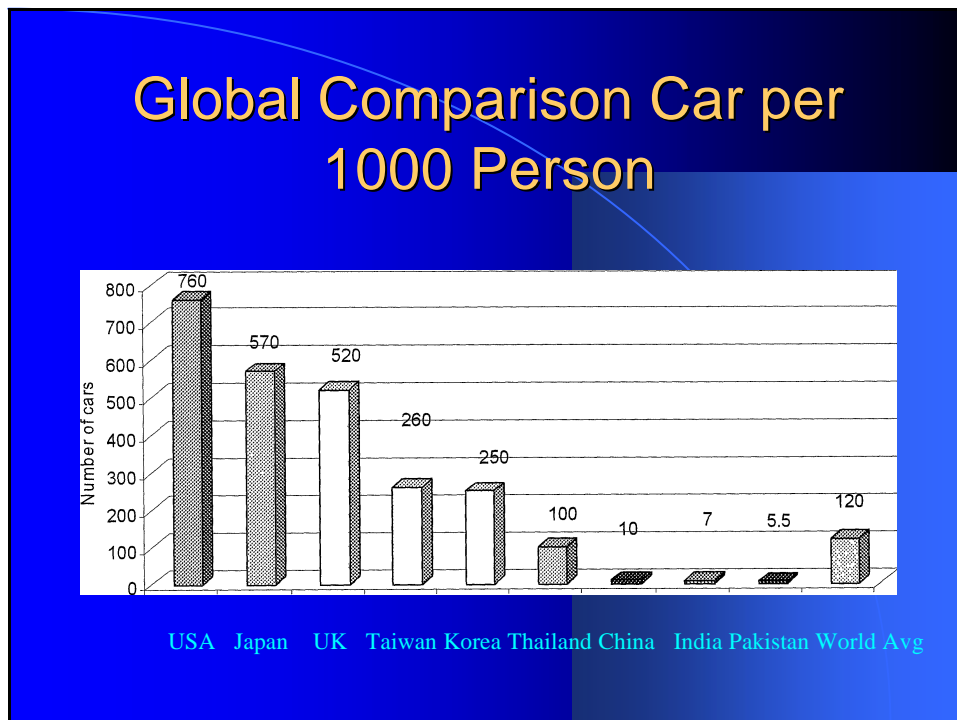
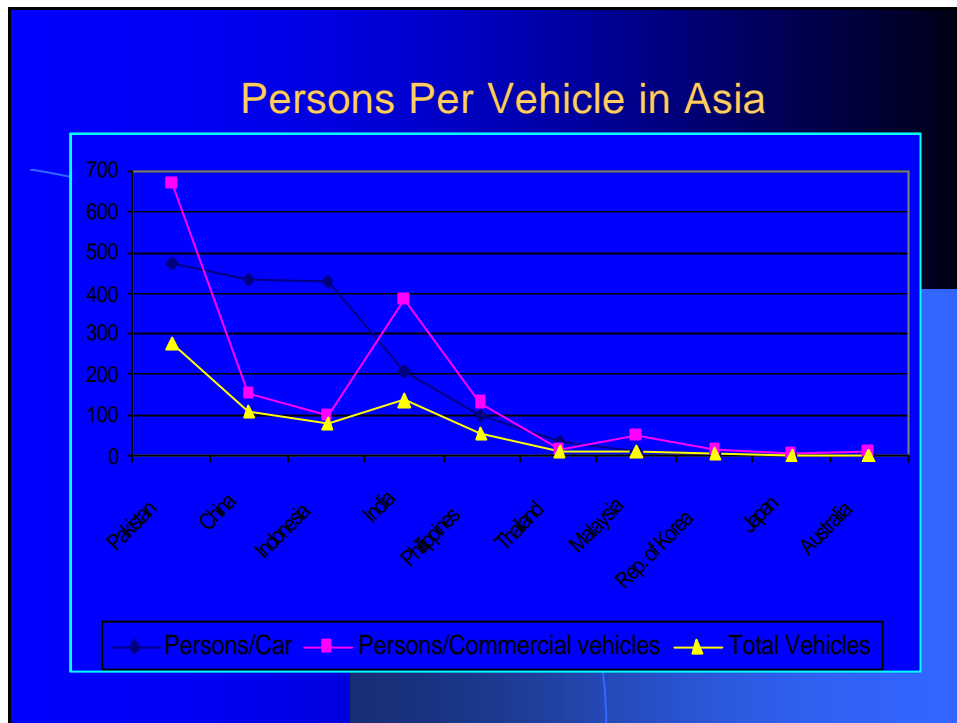
In Commercial vehicles segment, Hino Pak started assembling operations in 1986 and is the market leader in the commercial vehicles segment, currently possessing 65% market share.

## History of the Local Auto Sector

Presently there are 32 assemblers including multinationals with their equity participation (Toyota, Honda, Suzuki, Hino, Nissan, Hyundai/ Kia) engaged in progressive manufacturing / assembling of different automobiles under the approved deletion program of the Ministry of Industries and Production, Government of Pakistan

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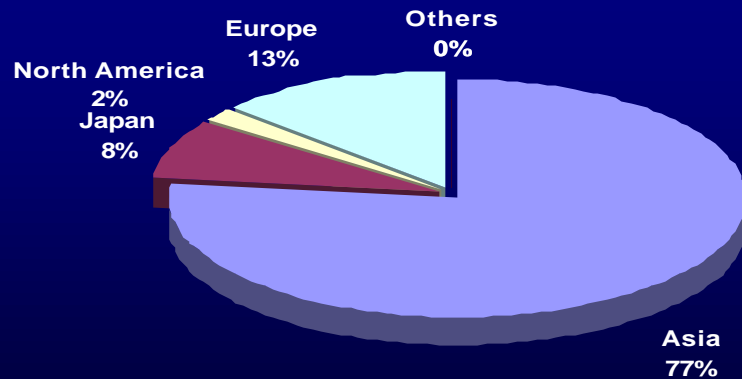
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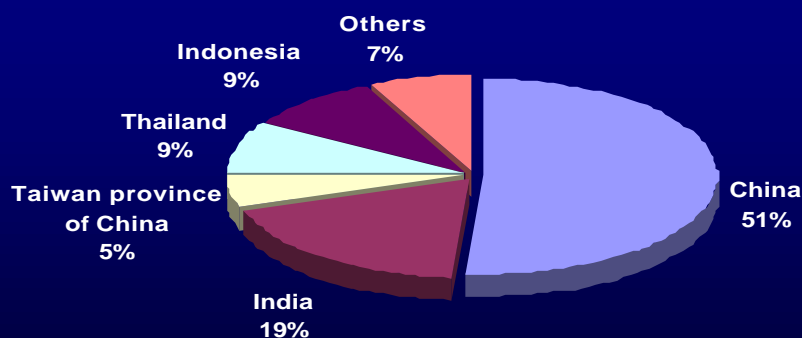
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## Two-wheeler demand distribution Asia accounts for more than 3/4 of the world demand (20 million, 1997)



## Two-Wheeler Demand Distribution

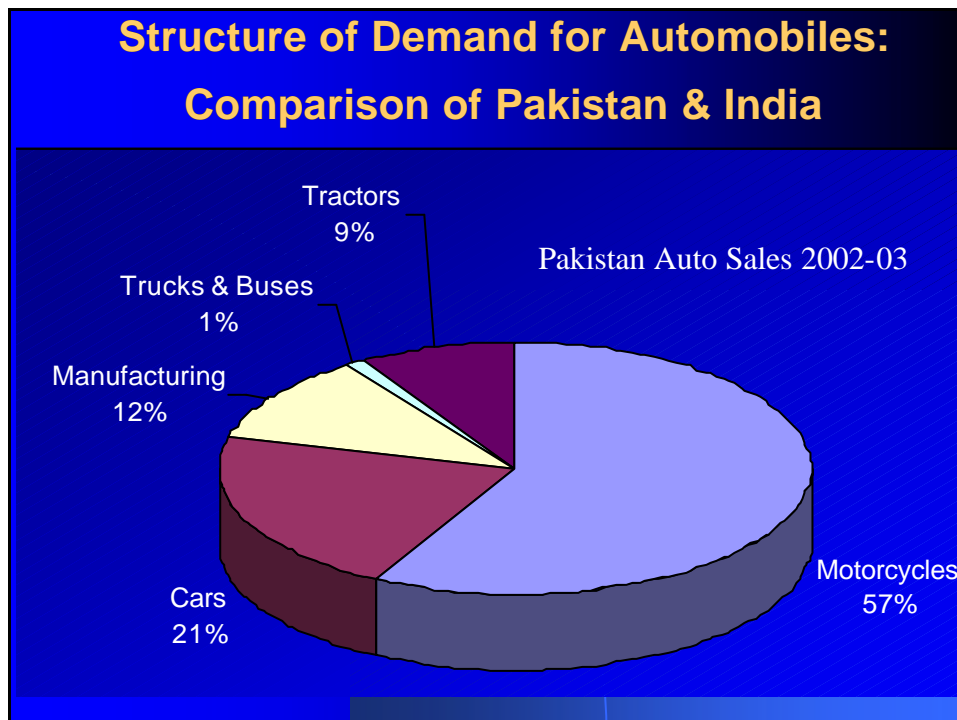


China accounts for more than 50% of the Asian market

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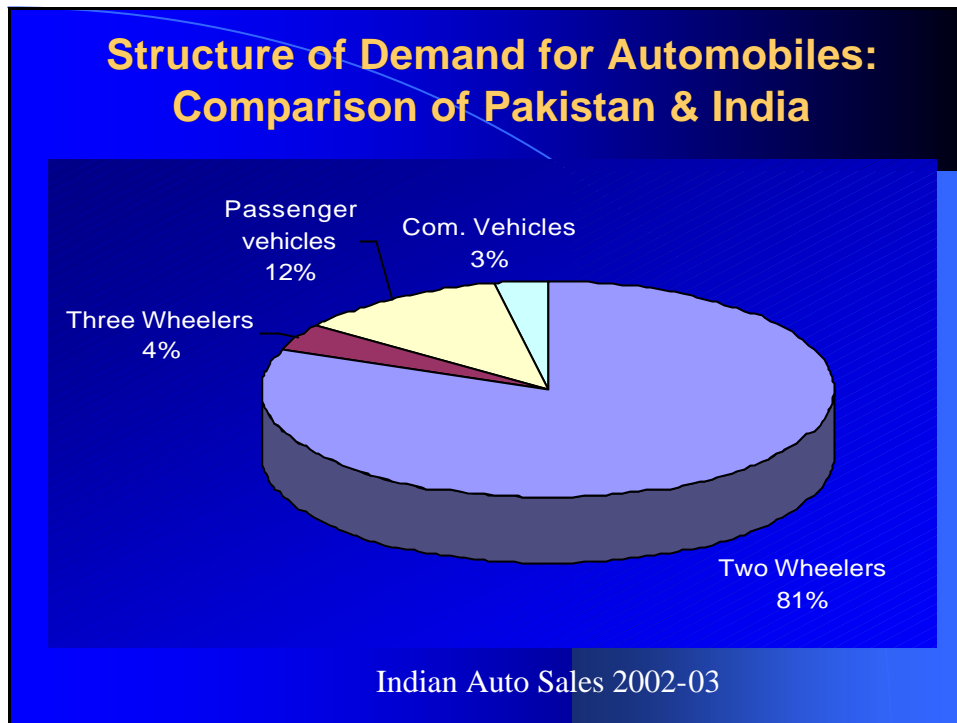
Installed And Operational Capacity Of Automobile Industry (Numbers)			
Item	July-March		% Change
	2002-03	2003-04	
Cars	42436	69177	63.0
Trucks	1371	1385	1.0
Buses	1047	1026	2.0
L.C.Vs	8727	9219	5.6
Tractors	17860	25435	42.4
Motorcycles	125675	214932	71.0





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Price Comparison of Passenger Car					
Make / Model	Pakistan		India		
	Retail Price		Retail Price		
	Rs.	US\$	Rs.	US\$	Pak Rs.
Corolla 1.6 / 1.8 A/T	1,169,000	20,330.43	1,120,330	25,721.01	1,526,226
Corolla 1.6 / 1.8 M/T	1,079,000	18,765.05	1,078,430	24,759.05	1,469,145
Corolla 1.3 M/F / 1.8 M/T	849,000	14,765.22	915,000	21,006.98	1,246,505

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## Production And Imports of Motor Vehicles

Item	LOCAL PRODUCTION		IMPORTS	
	2001-02	2002-03	2001-02	2002-03
Car	40,601	62,893	40,079	60,554
Truck	1,141	1,950	728	1476
Bus	1,099	1,346	700	1243
L.C.Vs	8,491	12,174	7036	11,436
4x4 Vehicles	570	374	666	6010
Tractors	24,331	76,501	21,435	73,857

## Conclusion and Recommendation

The duties levied on used cars go as high as 200 percent. Automobile assemblers have not yet been able to provide vehicles at affordable prices to the customer.

No Tariff regime of WTO will get a huge influx of imported cars that will test real mettle of the industry. In the year 2005, when WTO comes into effect, all such Tariffs will be scrapped.

The industry may require developing and preparing itself for no Tariff future.

On the basis of result analysis, this industry is a highly protected industry and should remove this protection in stages so that the private sector play an important part to meet the WTO challenges.