

Action to be taken against car assemblers charging premium

The federal cabinet has decided to take strict measures against local car assemblers for allegedly charging premium (on money) from customers over and above the invoiced price, official sources told Business Recorder. The decision was taken by the cabinet on April 2, 2019 presided over by Prime Minister, Imran Khan. The top three local car assemblers, however, deny involvement in this practice but acknowledge that some dealers may be involved in connivance with investors.

The sources said during a discussion on the decisions of the Economic Coordination Committee (ECC) of the Cabinet on March 20, 2019 on the subject "titled" auto industry (sale of new vehicles on more than retail price), it was deliberated that premium/on which is charged by car dealers over and above the fixed market price of newly manufactured cars, is exploitation of car manufacturers, in connivance with cars dealers and needs to be stopped.

Sources told Business Recorder that the Competition Commission of Pakistan (CCP) had to give a detailed presentation to the ECC on price trends of new cars and premium/on which is being charged by the car assemblers, however, the ECC did not consider the presentation due to reasons not stated.

After a brief discussion, the federal cabinet constituted a three-member cabinet panel comprising Minister for Law and Justice, Farooq Naseem, Finance Minister, Asad Umar and Prime Minister's Advisor on Commerce, Textile, Industries and Production and Investment, Abdul Razak Dawood to prepare a regulatory framework including panel provision, if required, within three weeks to check the illegal practice of charging premium by car dealers from genuine buyers, over and above the invoice price of the vehicle.

The cabinet also decided that in doing so, capacity and production standards of different cars manufacturers and vehicle safety standards may be kept in focus. According to sources, the cabinet directed that the decision be brought for information of the cabinet, after doing the needful. The sources further stated that a couple of months ago, Toyota ran an advertisement campaign and announced that the company is moving fast to eradicate the common practice of 'on money' or premium on faster delivery of vehicles within the auto industry. In an advert that appeared in sections of the print media, Toyota explicitly said that it has invested over \$ 100 million to increase production capacity and reduce delivery times with no incentive like new entrants.

M/s Toyota has also cancelled several dozen suspicious booking orders and the names of those who booked cars were also advertised in the media and now most vehicles are available in two weeks.

Abdul Razak Dawood has also stated on a couple of occasions that he is deadly against 'on' money (premium) which is being charged from consumers. According to the Advisor, he has conveyed his views to car assemblers and directed them to take measures to discourage this practice.

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