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**Report on
The Automotive Industry Sector**

In

Egypt.

By

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INTRODUCTION

* The automotive industry plays a great role in the development of the National Economy, since it is closely related to a group of several economic and industrial activities e.g. feeding industries, which provides a great number of job opportunities. It provides as well foreign currency to import automotive components and spare parts.

* During the past years steps were taken towards the development of the automotive industry due to the important role it plays in the policy of economic liberalization, and privatization. Recently the government established a strategy aiming encouraging investments in the Automotive industry, protecting it from dampers such as drowning policies, results of the application of "GATT"

Note: (The production of one car in Egypt provides 27 job opportunities)

* Development of automotive industry in Egypt :

◇ **Phase one** :Before 1950, Complete import of CBU Vehicles and spare parts.

◇ **Phase two** : 1950 - 1960 : Import of CBU Vehicles and means of transportation.

Establishment of simple feeding industries such as tires / batteries / leaf springs.

Import of components for simple production and assembly, (passenger cars-trucks).

◇ **Phase three** :1960 - 1975 : Expansion in automotive industry to provide the market needs for passenger cars, buses, trucks of different capacities, minibuses, bicycles, motorcycles and vehicles. Feeding industries expanded, and also a great increase in local content

During this phase, 2 governmental Companies were established for the production of passenger cars (Public Sector) and part of its production was exported to Arab and African countries. The factories still have export capabilities if quality control of such products could be developed.

◇ **Phase four** : As of 1975 : Within the policy of economic liberalization, automotive production companies increased, its products became diversified and part of it was exported.

I CURRENT STRUCTURE OF AUTOMOTIVE INDUSTRY

Currently Automotive industry in Egypt is divided into : Public General Business Sector, Private Sector, and Investment Sector.

A. Public Business Sector

- * Nasr Automotive Co. (NASCO)
Assembly of Passenger cars, buses, lorries, minibuses styles, engines, manufacture of components and parts (Largest and most important Company) under license of International Companies (Fiat/ Tofas/ Iveco/ M.A.N/ I.M.R.)
- * Egyptian Light Transport MFG. Co. (EL-Tranco)
Light trucks / Microbuses (vans) / Motorcycles / Bicycles, infrastructure of some components.
- * (A.A.V) Arab American Vehicles
Jeep, Cherokee, 4x4, Assembly of components.
- * Misr Car for Engineering and Tools (Micar), manufacture and assembly of bodies for trucks, buses and trailers, fire trucks.
- * Engineering Projects Co. (Stelco), manufacture and assembly of bodies for trucks and trailers.

B. Private Sector

- * Suzuki Egypt : cars, vans, pick-ups, under license of Suzuki Japan, 1990.
- * Prima Co. for Engineering Industries, cars, under license of Hyundai, Korea, 1994.
- * Ghabbour Brothers: trucks, buses, under license of Scania Sweden (Mercedes T Turkey, 1990 - Mercedes DoBrazil 1994)
- * Gorica Egypt : buses assembly and, trucks. Import of components from different international companies (M.A.N. - Nissan .etc).
- * Universal Co. for vehicles equipment, bodies for minibus.
- * MFG. of Commercial Vehicles (M.C.V.).
Heavy Duty, Medium Trucks, under license of Mercedes Benz.

C. Investment Sector

- * General Motors Egypt
Light trucks, pic up, chassis for minibus under license of G.M and Isuzu. Limousine vehicles license from G.M. and Opel.
- * Egyptian Co. for Cars Manufacturing (JAC) Licensed by Citroen (passenger cars).
- * Peugeot Egypt, cars under license of Peugeot (passenger cars).

II VEHICLE ASSEMBLY PLANTS

Decisions

Governmental Institutions are nowadays free to select the trade mark of the vehicles to assemble and /or manufacture since the full responsibility is theirs

Purchasing Strategy

For Governmental institutions purchasing laws have been made more flexible with still major rules to allow a close control on their purchases.

Sub-Contracting

Some companies conduct the assembly of passenger cars, trucks for other companies to make use of the available production capacity.

Degree of Vertical Integration

Available only at NASCO, being well equipped with good capabilities to manufacture intermediate materials, semi finished products. Manufacture of components and parts.

Sub-Assembly lines, also assembly of small and medium units, such as engines, gear box, and final assembly. For that they depend largely on dealing with a number of local suppliers, (subcontracting). The rest of companies in Egypt are far away from that matter.

Supply Chain

Supply of components in feeding industries is done through three levels.

Awareness of Lean Production Issues

The main problem now is the weak standard and efficiency of the feeding industries. The aim now is to increase local industrialization and apply comprehensive quality systems - Total Quality Management- as well as scientific methods of production management. Since the existing industrial base of feeding industries in Egypt does not allow the manufacture for more than 30% of the production components of vehicles, so, such industry is not economical in regard with the actual market demand. To achieve the lean production system we have to apply new production technology to reach the minimum economical level.

III COMPETITORS

The Egyptian market allows the import of all types of automotive vehicles from all over the world C.B.U (Complete Build-up) or C.K.D (Completely Knocked down). Competition becomes very tough due to a big range of prices and quality, The market is unorganized as far as the agencies are concerned in addition to an unsettled demand, because of the current existence of more than 30 international trade marks, and the lack of an efficient control on

imported vehicles. Also the lack of control on imported vehicle specifications, safety, requirements environmental safety, and certificate of origins. This has presently created real problems for the producing companies in Egypt , that work now with half its capacity, and the same problem applies to the companies dealing with feeding industries.

IV CAR COMPONENT MANUFACTURE .

In Egypt, there is a base of vehicles feeding industries, relating to chemical, metal, engineering, electronic, and textile industries etc.. The number of laborers in this field exceed 55.000, producing approx. 700 million Egyptian Pound, (1994 statistics).

The standard of feeding industries is still technically below the accepted standard. Lack of adequate quality control and unavailability of economic demand. On the other hand some companies succeeded in exporting products such as tires, filters, etc.. The need now is for expansion in local manufacturing and feeding industries, by raising the standards at less costs, as well as to increase competitive capabilities of the products.

Following are the fields, covered by the automotive feeding industries in Egypt :

1. Dies for some panellings, cross members and different metal parts (Body pressed panels).
2. Tires of all sizes.
3. Fiber-Glass parts.
4. Rubber parts
5. Radiators.
6. Exhaust system.
7. Clutch cables, hand breaks, etc..
8. Moldings.
9. Glass (Wind shield, Rear view glass, Doors glasses, Mirrors).
10. Filters (Different types) (Oil /Air).
11. Electric Wiring.
12. Bumpers.
13. Plastic Parts.
14. Break pads and clutch lining.
15. Automotive lamps.
16. Automotive air conditioning .
17. Wheels.
18. Shock absorber.
19. Automotive radio cassette.
20. Engines for trucks, busses, and their components and parts (Diesel engines).
21. Leaf springs.
22. Batteries.
23. Mirrors and reflectors.
24. Spark plugs.
25. Pistons - rings.
26. Half bearings for engines.
27. Nozzles, inlet and exhaust valves, diesel preparatory pump, distributor valve .
28. Gaskets.
29. Gears and pins.
30. Suspension group.
31. Seats components with upholstery and clothing.

V. GOVERNMENT POLICY

Customs protection has been lowered gradually according to the GATT Accord. More decrease in customs, fees, and Taxes are expected by next year. What we need is sufficient control to protect local feeding industries.

Local Content

Still very weak in standard, we need deeper local manufacture of feeding industries, and automotive assembly industry.

The state is already encouraging and promoting such industries.

Plans for the future

The Egyptian government and concerned bodies are applying the policy of economic reform, and restructure which started in 1985, based on the policies agreed upon by world Bank and International Monetary Fund, and with the participation of international funding organization for THE LIBERALIZATION AND PRIVATIZATION of Egyptian economy. This is under execution now and for the future.

Foreign Equity Participation

Current investment laws permits participation with any capital percentage with an Egyptian partner. It allows foreign management and negotiations are being carried out to allow foreigners' ownership of company assets in Egypt.

Incentives (for investment)

Incentives are widely offered to investors, especially in new urban areas, e.g. special nominal prices for land, tax and fees exemption. This applies also to free zones, as well as profit remission

On the other hand there are also a lot of obstacles facing investors who demand more incentives, solutions are currently under study.

VI. INSTITUTIONAL INFRASTRUCTURE

R and D

Very weak, needs development, upgrading and subsidizing of research centers of companies and organizations.

Training

There is a general interest in training but of old traditional methods, which do not provoke creativity or initiative thinking.

Professional and Trade Association

There are vocational unions, business men's associations, Chambers of Commerce Union, Egyptian Industries Union, Joint Associations of Egyptians and foreigners, etc..

These associations are currently negotiating with organizations and specialized bodies in industry and economy to attain more incentives for investment.

Consumer Credit and Finance

Automotive producing companies offer a lot of facilities to its clients and agents, in coordination with banks. Lately some credit and consumer's insurance companies are established in Egypt to cover Losses of finance.

VII TRANSFER OF TECHNOLOGY

Automotive manufacture companies in Egypt are in a matter of fact - assembly companies only. It work in an old fashion method - (Fordism) - due to the role of institutional infrastructure, within the limits put by international companies giving license to manufacture vehicles.

This needs high investments to apply information technology and transfer of technology.

Policies of technological development is measured in an ad hoc way and also due to lack of Basic Research and insufficient interest in computer science, information center and universities in the field of R and D.

It is required to know how to manage the proper technology in Egypt, decide its suitability and chose the proper know how for the working environment. Condensed man power is favored to increase the added value.

To develop products, methods of production and to lower costs and improve quality, flexible specialization should be applied, in order to expand in small and medium industries. This is not done now because of the difficulty in transfer of technology.

Current protection regulations regarding fees and taxes in addition to different administrative complications do not help, despite of continued efforts exerted by responsible bodies to decrease such procedures.

Best solution to the transfer of technology problem is participation with international companies, i.e. re -structure of production structure of automotive manufacture and assembly in Egypt.

VIII PHYSICAL INFRASTRUCTURE AND NET WORK

Dealers (Sales-Services)

There is a net work of agents, dealers of locally produced automotive in Egypt, also of imported vehicles, in addition to small traders. There is no serious problem regarding distribution in Egypt.

Some locally produced cars has maintenance and repair centers, affiliated to the producing company offering after sales services e.g. Nasco-Masryiat Co. and other authorized agents of other companies e.g. Mercedes-Seat, B.M.W. etc....

There are also independent private sector centers, but few are of the technical and required efficiency standard.

Roads

The road net work in Egypt is reasonable for a developing country, it is 38500 Km long. 2700 Km are double track roads. Roads inside main cities represent 22:30% of the city area, which is close to the international rates.

The main problem in Egypt is misuse of roads (Lack of parking places - disregard of traffic rules - bad roads- unplanned construction of buildings on main and sub roads. All this lead to crowdy and traffic problem e.g. parking reached / 150% Timing of each car reached 200 seconds/Kilometer.

Current usage of roads does not suit the expansion of receiving more vehicles, which lead to environmental problem, which should be studied for traffic control and road expansion.

IX TECHNOLOGY (IMPLICATIONS FOR DEVELOPING COUNTRIES)

Inter Firm Relationships

Not positive and needs coordination and a system to organize and exchange technological information.

Joint Ventures and Out Sources

Current economical climate in Egypt permits this, but this depends on investment incentives and feasibility.

Value Added

Value added could be bigger through expansion in automotive feeding, with emphasis on small and medium projects, in addition to coordination of technological relation with automotive assembly companies, since the economic situation in Egypt prefers projects with condensed labor at this stage, especially that assembly operations do not increase the added value. It achieves(7%:10%).

Strategic Alliances for Technological Innovations

Currently there is None in Egypt.

Complexity of Specifications

Regarding this complicated issue, we should emphasis the urgency of transferring technology to fit the local needs, based on economic conditions whereby the local companies can pay back to the international companies' owners of this technology, in order to develop quality control of R and D, improve specifications of local material, application of international quality control for local manufacture and to decrease the technological gap.

Products for Export Market

This is done by some companies. Buses and vehicles are more exported to some Arab countries, but no automotive components or parts were exported

Production Techniques

(Latest Model)

It is note applied in Egypt now, but training is conducted at modern management centers to create an awareness at companies, such as :

Simulation engineering / Just in time production / Total quality management / Re-engineering management / integration the supply chain / team work / just in time inventory / etc.

This is done through seminars / conferences / training courses at training centers and universities. This is a good attitude.

X. FINANCE (FOR INVESTMENT)

Local Authority Provision

The Egyptian government bears the financing of the Infrastructure and public service e.g. , Roads, Water, Electricity, Power, Petrol, Railroads Sewage, Transport inside cities, Telephones, and the infrastructure for urban planning etc.

Currently the government does not participate in any of the automotive industry.

There is an organization affiliated to the prime Ministry General Organization for Investment whose specialty is to review investment projects for approval. It has the authority to make direct decisions for investors. This authority extends also to the General Industrial Organization (Gofi) affiliated to the Ministry of industry.

Local Foreign Ownership of Industry

Industrial Companies / There are more than 10 companies of automotive assembly in Egypt now, some are 100% Egyptian capital and the others have foreign participation as shown in the following table, according to available data, which shows the ownership structure of the companies:

Company	Local Share	Foreign Share	Owner
Nasco	100%	-	Engineering Holding Company local Banks
El Tramco	100%	-	Engineering Holding Company local Banks
Suzuki Egypt	52%	48%	Suzuki Japan+ and Arab investor
G. M Egypt	30%	70%	G -M Isuzo Japan
Peugeot Egypt	49%	51%	Peugeot France
Citroen		100%	
AAV	49%	51%	Ministry of Military Production + U.S.A.
Prima		100%	
M.C.V.		100%	
Gorica Egypt		100%	

Investment (Level , Trends, Sources)

Level

Our rate of investment in Egypt is approx. 18% of the national income, due to the lower saving rate, which is behind the small participation of automotive industry in the general investment in Egypt till now. But this is growing recently, bearing in mind that the industrial sector is participating by 16% only of the national income, which needs to be developed by more investment in all fields.

Trends

The application of the economic program and the structural amendment (restructure of finance and administration) is being conducted now. This include economic liberalization and privatization of public companies, in addition to encouragement of local and foreign investment projects of lower interest on loans and credit facilities, more incentives to investors in advanced automotive industry and automotive assembly plants, established in new urban areas etc.

Sources

Automotive assembly projects and feeding industries in Egypt are financed through individuals, Egyptian Banks, enjoying cash surplus or through foreign investors and joint banks. There are no problem of project financing now, but it depends on the efficiency of feasibility studies.

Other Financial Institutions

Diverse Holding companies (Engineering / Chemical / Transport ...) has finances as a result of restructuring of some companies affiliated to it.

Egyptian insurance companies / general / private, has enough finance to use in investment, but not used in automotive industry.

Other sources e.g. European Union programs jointly with Egyptian banks, participating in financing new projects or adding new plants to the private sector with long range loans (August, 1995)

-International Agencies

I.M.F. are involved in infrastructure activities and some finance in the private sector in general, with government guarantee. However, the car industry does not enjoy any such finance as investors, together with local banks cover the need for this industry .

Investment Risks and (adequate earnings)

There are some elements causing a lot of worries for the investors in the Egyptian market, especially in the automotive industry:

- * Irregular demands recession for many reasons.
- * Higher interest rates on loans, in spite of its decrease from 19% in 1992 to 13% in 1995, also decrease in inflation ratio from 27% to 9.9%.
- * Raise in production cost, e.g. power / electricity / raw material / intermediate industries.... etc.

- * Different taxes and custom duties such as - sale tax on equipment's and its spare parts- different fees on imported and local components which lead to higher cost.
- * The investor when dealing with administrative authorities faces a number of bureaucratic obstacles. These authorities needs coordination.

In spite of all this, the investment rate of return on automotive assembly industry in Egypt makes high profits in a short time due to higher customs on imported cars C.B.U. and lower customs on production components C.K.D., which is for the benefit of the investors and international companies only.

There is still a great interest in expanding automotive assembly industry. The number of companies increased from 2 in 1980 to 10 in 1995. The number of companies are expected to increase. Two more companies are under construction now with average capital of 70 million Egyptian pounds for the assembly of passenger cars and commercial vehicles. No real interest in the base of feeding industries.

XI. MARKET

1. Introduction

Passenger cars market in Egypt today is facing a case of turbulence. New car makers, not known to the market, have been introduced and are competing toughly with each other and with the German, French, Italian, Korean and Japanese cars known in the Egyptian market since years ago. Instead of one local car manufacture established during the 1960 S (NASCO), there are today 10 cars makes assembled in 6 locations and are also competing with imported CBU (Completely Built Up) cars. Custom tariff differentials between those inflicted on imported CBU cars and CKD (Completely Knocked Down) kits for local manufacturers is getting narrower with trade liberalization policies adopted today and is putting local manufacturers in more difficult situations.

With the present situation of car manufacture in Egypt where 10 producers compete on Egypt's small market of 45-50 thousand passenger cars, the economy of scale does not exist and the feeding industries will remain weak and unable to compete with imports neither quality, or price, wise.

With the reduction of custom duties on CBU cars the trends will be toward imported rather than locally manufactured cars unless the custom duties on assembly components are reduced with the same percentage at least.

The present study is not a full market study, it is a trial to investigate the market forces affecting the car market today and to come out with estimates of trends up to year 2000. The study gives also some recommendations to those interested in this market.

Local Market (Size, Value, Trends)

Demand Projections, Assumptions

- * Population growth rate 2.3%
- * Per capital income growth rate 6.0%
- * Growth rate of Egypt's economy 2-3%
- * Car ownership growth rate 4%
- * Passenger car index (Per 1000 inhabitants, between 18.8 and 20.8 cars)
- * Car life time 12 years
- * Scrapping rate 2.5%
- * The total annual increase rate of cars,
(Buses and commercial vehicles) 3.7%
(Passenger cars) 4.8 % Protection
- * There are other factors that have an effect on the growth and valuing of the market...
Increasing fuel prices, increasing car prices, custom duties, import tariff level, public transportation, expenditure on roads.
- * No. of imported passenger cars about (19 200 cars) solid (1994)
- * No. of locally produced cars about (17000) solid (1994)
Licensed passenger cars 1291 000 (June 1995)
Licensed Buses and trucks 1200 000 (June 1995)
N.B. The majority of Egypt's demand on passenger cars are (1 000-1300 CC) followed by (1 3000- 1600 CC) because of their prices and suitability for the average family size .

Summary of Marketing Studies

- * The following table summaries the projections the various studies up to year 2 000.

Total demand.

year	Passenger car	Microbuses	Minibuses	Buses	Trucks 5-10T	Trucks 10 T
1994	36 000	-	-	-	-	-
1995	38 000	1243	1129	2758	6865	1640
1996	40 000	1304	1179	2883	7040	1680
1997	42 000	1365	1232	3014	7220	1725
1998	44 000	1429	1287	3150	7405	1770
1999	46 000	1496	1346	3296	7595	1815
2000	48 000	1569	1401	3446	7790	1860

- * Licensed local manufacturing capacities per year
Passenger cars 80 000 - 100 000 units/year
Buses 4 500 units/year
Micro & Mini Buses 9 900 units/ year

Trucks 12 500 units/ year

- * Total-value of local Automotive production approx. L.E. 5.3 Billion Pounds.
- * The capacity of current factories are sufficient for local demand till the year 2000 for passengers cars, different types of buses, trucks, commercial vehicles.
- * There is a surplus power which could be exploited for export on condition of quality upgrading, lower cost and deeper local manufacture.
- * It must be stated that it is here assumed that the economic conditions in Egypt will not vary much in this period and that the economic growth rate will continue at its present rate for the coming five years.
- * It is however expected that in the following years after 2000, the economic conditions will improve due to the privatization process which should have attained a progressive stage and due to expected new economic policies towards liberation of trade and attraction of investments and creation of employment.

We can therefore assume that the demand on cars will increase due to the increase expected in the pro-capita income and reflecting on the purchase power. The annual increase can be exacted to become about 8-10%. It can be therefore assumed by the year 2010, the demand should reach about 100 000 cars per year.

Protections

(i) Customs Duties

Currently customs laws applying on vehicle (C.B.U.) import is in the benefit of automotive assembly industry.

(ii) Local Contents

One of the incentive offered to automotive assembly industry in Egypt is lower custom duties on imported automotive components (C.K.D.) to meet the increase in usage of local components for the purpose of encouraging local manufacture and increase the added value.

N.B. * Percentage of local components of passenger car is approx. 35%

* Percentage of local components of trucks and buses is approx. 70%

Access to Material, Parts, Components

There are no obstacle against attaining raw material, parts - components from abroad or local markets - from local feeding industries - specifications are fixed - attaining certificate of origin etc.

The problem is the Quality and irregular supplies.

Trade Barriers

The present trade in Egypt is gradually demolishing obstacles giving way to free Trading according to (GATT).

After Market

Some of the dealers importing vehicles to Egypt after sales service as well as the companies that assembly vehicles locally without any government interference.

Official Policy

Developments of all fields to raise the individuals standard of living thus creating an activate market.

XII ENVIRONMENTAL CONSIDERATION

1. Although Egypt is not fully ready for environmental application, yet it has established a new specialized body affiliated to the prime Ministry, called the Organization for the Environmental Protection and affairs, which is quite active now, though results are not yet felt. In general there is a great interest in Environmental issues.
2. In the field of automotive industry they have started using natural gas, improving current fuel and decreasing pollution. Presently applied by NASCO in cooperation with the Ministry of Petrol.
3. Recycle system has not been applied yet, due to the lack of such technology.
4. Issue is getting more complicated because of environmental conditions stipulated by nations and is facing international automotive companies. As well as companies in developing nations. Cooperation and partnership between foreign and local companies in the field of technology transfer is most required.

RECOMMENDATIONS

Part (A)

- * Establish a clear strategy in general for Egyptian industry and in specific for automotive industry to determine the saturated fields of investment and prepare a time schedule to implement the recommended policies.
- * Subsidizing and deepening local manufacture of automotive components and establish a plan to increase of the percentage to meet universal rates and according to international specifications measurements with an economic production size. Also making of the available competitive incentive benefit such as lower custom duties, lower fees on investment equipment... etc.
- * Expansion of automotive feeding industry through the development of R and D and the close and serious cooperation between scientific research centers, universities and the union of automotive producing companies and feeding industries for the purpose of achieving higher standards of quality/ specifications upgrading/ lower cost and lower waste and forming an information base, including all necessary data for this sector.

- * Cooperation and participation with international companies, regarding the financing of technology transport programs - and the development of exiting capabilities and encouraging the suppliers of components for international companies enter the Egyptian market to cooperate in the deepening of the local manufacture as well offering them investment incentives and re-export of components.
- * Put C.B.U. imported vehicles / under control as well as - control on import of components for the purpose of creating a real local industry and the increase in added value.
- * Encouraging new investors in the field of automotive assembly industry in Egypt to cooperate with existing local companies, exploiting available power i.e. (sub contracting) . Assisting in the finance for improving the feeding industry. (local content) .
- * Coordination and cooperation between transport sector and construction sector (public / or private) to cooperate with existing automotive assembly companies.. to use the local production according to specifications demanded those sector.
- * Re - view all marketing policies and expansion in training related programs. Study local and regional markets (African and Arabian) conclude accord agreements to demolish obstacle facing export of vehicles and components.

Part B

From the previous paragraphs, the situation in Egypt for the manufacture of passenger cars can be summered as follows :

- * The passenger car market is limited to about 36 000 units at present and is expected to reach 50 000 units in the year 2000.
- * 10 local producers complete in this small market with each other and with imported CBU cars. Consequently the share of each manufacture is relatively small (few thousands per year).
- * This situation will deteriorate even more when the custom duties on imported CBU cars are reduced below the present level. Unless custom duties on CKD components are reduced at the same rate or more, the present car manufacture will suffer more from competition with imported CBU cars.
- * Egyptian feeding industries in general are mostly below world standards, and are still very limited number. The reason is the small demand for each car model for first equipment (locally produced cars), their spare parts and those needed for each model of imported cars. This is why investors are hesitant to venture in this field where

production cost will not be competitive with international firms producing these components on big scale.

- * Export of passenger cars from Egypt is far from feasible due to the small scale of local production and the big competition in the surrounding markets.

In Conclusion

We do not recommend any ventures in this field for the time being and up to year 2000 due to the difficult situation that is faced by the local car manufacturers in our limited market

- * We do not recommend to start any new venture for light trucks as available capacities are not fully utilized and are enough to cover market needs till year 2000.
- * There is possibilities to start production of minibuses on locally assembled chassis with a recommended capacity of 500 units per year. Export possibilities for such buses is also to be considered and added to the a.m. capacity.
- * It is to be mentioned that bus body production is labor intensive and therefore can compete well on the international market due to cheap labor in Egypt.
- * Actual situation encourages manufacturers to assemble vehicles of high engines capacity (1600 cc and higher) due to the big differences in custo duties involved while the market requirement is higger for those vehicle with engine capacity (1300cc or below) that would have low running and maintenance costs .