SENATE OF PAKISTAN

REPORT OF THE STANDING COMMITTEE ON INDUSTRIES AND PRODUCTION

(Feb. 2014 to March, 2015)

Presented by

Senator Mushahid Ullah Khan,
Chairman, Standing Committee
on Industries and Production/
Federal Minister for Climate Change.

Prepared by

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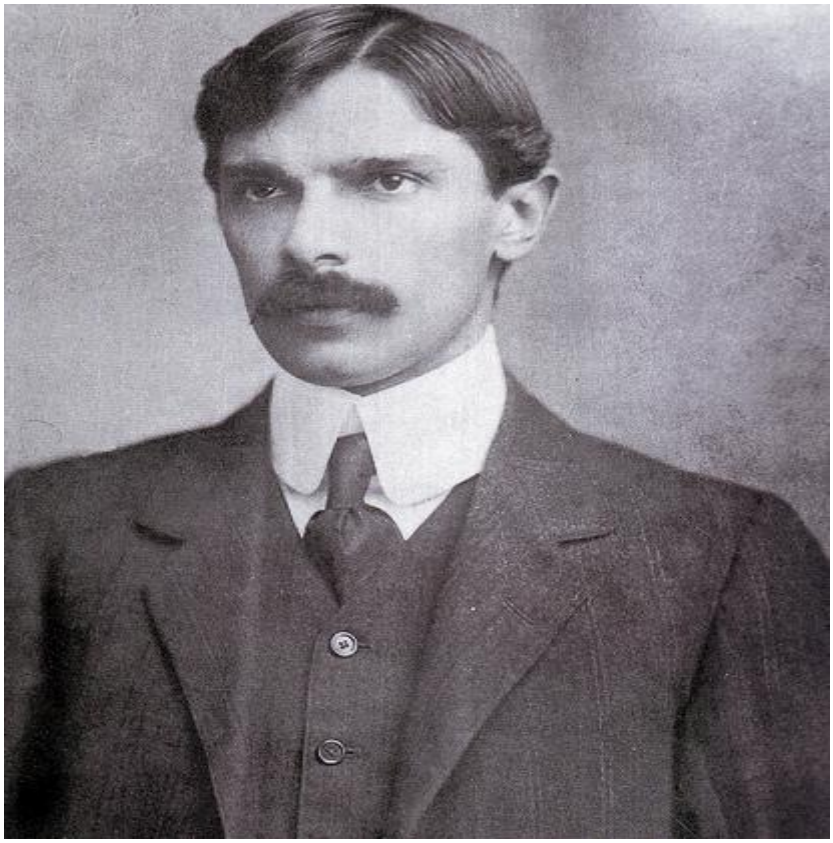

" When you have got that light of knowledge by means of education and when you have made yourselves strong economically and industrially, then you have got to prepare yourselves for your defence — defence against external aggression and to maintain internal security."

(Message to Bohar Students of Karachi, 13 Jan. 1941).

" Pakistan is at present mostly an agricultural State and for manufactured goods it is dependent upon the outside world. If Pakistan is to play its proper role in the world to which its size, manpower and resources entitle it; it must develop industrial potential side by side with its agriculture and give its economy an industrial bias. By industrializing our State, we shall decrease our dependence on the outside world for necessities of life; we will give more employment to our people and will also increase the resources of the State.

Nature has blessed us with good many raw materials of industry and it is up to us to utilize them to the best of the State and its people. I hope this venture of your will prove the precursor of many such enterprises and bring prosperity to all concerned.

I also hope that in planning your factory, you have provided for proper residential accommodation and other amenities for the workers, for no industry can thrive without contented labor."

The Quaid-i-Azam said that we should realize that the real strength and power of the State depended upon its capacity to produce. The way in which we could consolidate the State was by industrializing as fast as we could.

Occasion of laying the Foundation-Stone of the
building of the Valika Textile Mills Ltd. on 26th September, 1947

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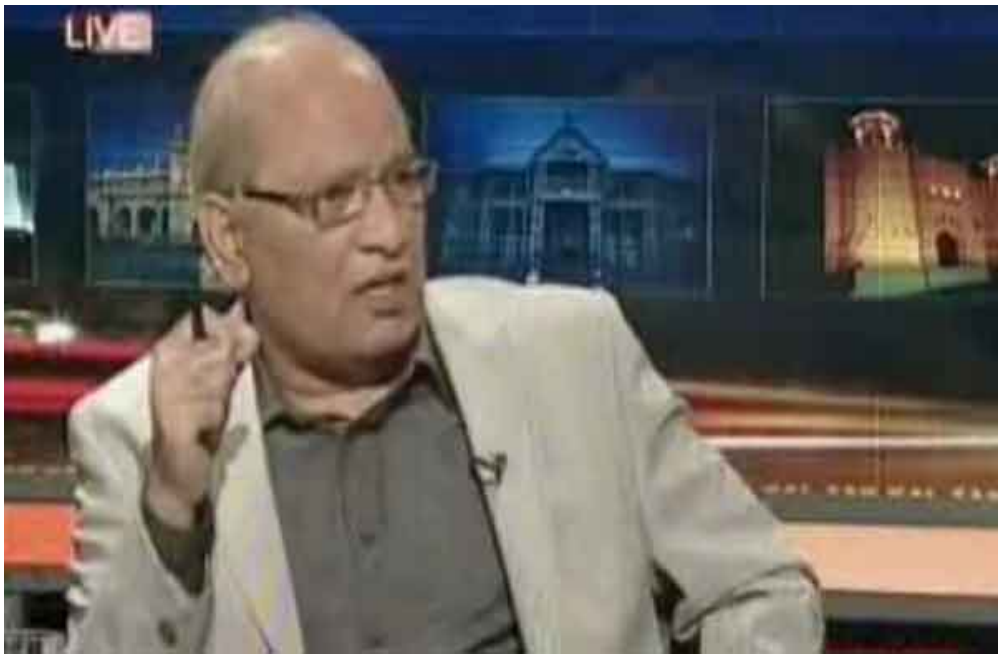

Senator Mushahid Ullah Khan,

Chairman,

Standing Committee on Industries and Production/

Federal Minister for Climate Change.

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PREFACE

I feel immense pleasure while presenting the Report of the Standing Committee on Industries and Production for the last one year (Feb. 2014 – March 2015).

Pakistan is now focussing on promoting Inclusive and Sustainable Industrial Development (ISID) to harness full potential of the Industry as the world has acknowledged the importance of industrialization as an effective instrument for poverty reduction, particularly with reference to countries which achieved success by following ISID. This is the way forward for strengthening the industrial base of the country for social and economic development. To achieve its new set goals, Pakistan has devised investment friendly policies to reduce the cost and enhance the ease of doing business. Creation of various EPZ's, National Industrial Parks, industrial clusters and special economic zone are example of such policy. Similarly promoting bilateral and regional trade, enhancing energy and physical infrastructure are some of the most potent ways and catalysts to promote industrialization and sustainable economic growth and production. There is still room for incentives and endeavours in the field of creative industries, youth skills enhancement as well as sustainable environment and energy initiatives. Pakistan is working towards deepening existing partnerships, attracting new partners and building equipment at home. Industrialization in the present times should be the solitary goal in the forthcoming post-2015 Sustainable Development Goals (SDG's).

The Report presented here offers a testimony to the efforts of the Committee since 2015. I hold this Report for public scrutiny with great pleasure and with a hope that the Report will be received well. The Report brings on record the performance of the Committee over the last one year from February 2014 to March 2015. During this period the Committee held 5 well-attended meetings. The steps taken by the Federal Government regarding checking nepotism were the most talked-about agenda in the beginning of this period and later, the Committee carried out institutional reviews of PSM, PIDC, USC, HMC, PASDEC, SMEDA and PITAC. It also dealt with crucial issues and matters including State-Owned Enterprises (SOE's), EPZA, NFC, Ramzan Relief Package, Tax Holiday and PG&DC.

It is pertinent to mention here that Committee couldn't have achieved it all without the support and timely availability of the Committee Members whose confidence and trust in me and our collective potential and acumen enabled me to successfully head the Committee as its Chairperson. All the Members remain dedicated to the cause of the Committee and provided technical expertise and support wherever and when required.

I am grateful to my colleagues in the Committee whose effective participation made the meetings a success and a productive venture. I would also like to thank representatives from Ministry of Industries and Production relevant its departments/organizations for extending full cooperation to the Committee.

I deeply appreciate the invaluable contribution made by Secretary Committee, Ms. Farzana Khan in compiling this Report. I also commend the effective coordination work by Director Staff, Mr. Fayyaz Awan and other Senate staff for facilitating the Committee.

Sd/-

SENATOR MUSHAHIDULLAH KHAN,
CHAIRMAN,
SENATE STANDING COMMITTEE ON
INDUSTRIES AND PRODUCTION/
FEDERAL MINISTER FOR CLIMATE CHANGE.

PROFILES OF CHAIRPERSON & THE MEMBERS OF THE COMMITTEE

SENATOR MUSHAHIDULLAH KHAN

Secretary Information
Pakistan Muslim League (Nawaz)/
Federal Minister for Climate Change.

Senator Mushahidullah Khan has been appointed as Federal Minister for Climate Change on 6th January, 2015.

Senator Mushahidullah Khan was elected as Chairman Senate Standing Committee on Textile, Industries and Production 8-6-2012. Prior to that, he was elected as a Senator on 12th March, 2009 on the ticket of Pakistan Muslim League (Nawaz).

He is a man of principles who believes that in matters of principle one must stand like a rock. He was born in Rawalpindi, in 1953. His political affiliations are with PML (N), for which he feels 'a sense of belonging' and he is proud of it, for sure. His taste for poetry and literature has always helped him to satisfy his intellectual appetite which he has never left wanting in substance. He also expresses his poetry in his speeches and talks.He received his early education from Islamia High School, Rawalpindi. After his schooling he joined Gordon College Rawalpindi. He got Law Degree from Jamia Karachi. Throughout his academic carrier, he held his teachers in high esteem and still remembers them as people who helped him transform into a better human being.

A vigorous sportsman, Mushahidullah Khan has expertise in Cricket and Kabaddi. However, he likes watching tennis and football as well. He always wanted to be a social worker. Senator Mushahidullah Khan advises the young folk to have a sense of direction which would help them in knowing their true selves.
He has been the President of PIA Trade Union, President of Pyasi Union and Founder President of Air League. Later on he joined Pakistan Muslim League (N) and made his mark as a dedicated worker and leader. Currently his portfolio speaks volumes of his contributions to party. He has also been the Central Vice President of the Party and Chief Coordinator of PML (N) Karachi. He accepted the assignment of Information Secretary PML (N) at a very crucial time, when Mian Nawaz Sharif was in Attock Jail. He is also a Member of Central Executive Committee.

He feels that Mian Nawaz Sharif is the leader who has what it takes to steer this nation through success. Mushahidullah Khan is optimistic and feels that good times will come, provided we work with selflessness and dedication.

He feels that Education is the most important area. He believes that syllabus should be revamped in order to produce better citizens. Education needs to be looked into, for he feels that it is the high time now. We must set our priorities right.

Among the world leaders, he draws inspiration from Mahatir Muhammad, Hassan Nasrullah and Ahmedinejad. He feels that we need to work for Pakistan, day in and day out. 'Fall of Dhaka' really left a major impact on him and he loves Pakistan, for sure.
He has four brothers and two sisters. He is a father of four children who have fared well in life. The elder ones are done with their Masters Level education.

Name: Abdul Haseeb Khan

Province: Sindh

Party: Mutahidda Qaumi Movement (MQM)

Name: Adnan Khan

Province: Khyber Pakhtunkhwa

Party: Pakistan People's Party Parliamentarian (PPP-P)

Name: Haji Khan Afridi

Province: FATA

Party: Independent (IND)

Name: Hari Ram

Province: Sindh

Party: Pakistan People's Party Parliamentarian (PPP-P)

Name: Muhammad Idrees Khan Safi

Province: FATA

Party: Independent (IND)

Name: Saeed Ghani

Province: Sindh

Party: Pakistan People's Party Parliamentarian (PPP-P)

Name: Sardar Fateh Muhammad Muhammad Hassani

Province: Balochistan

Party: Pakistan People's Party Parliamentarian (PPP-P)

Name: Waqar Ahmed Khan

Province: Khyber Pakhtunkhwa

Party: Pakistan People's Party Parliamentarian (PPP-P)

Name: Ilyas Ahmad Bilour

Province: Khyber Pakhtunkhwa

Party: Awami National Party (ANP)

Name: Gul Muhammad Lot

Province: Sindh

Party: Pakistan People's Party Parliamentarian (PPP-P)

Composition of the Committee on the basis of Party Affiliations:

PAKISTAN MUSLIM LEAGUE –NAWAZ (PMLN)
Senator Mushahid Ullah Khan Chairman Committee Senator Kamran Michael
PAKISTAN PEOPLES PARTY PARLIAMENTARIAN (PPPP)
Senator Hari Ram Senator Waqar Ahmed Khan Senator Gul Mohammad Lot Senator Sardar Fateh Mohammad Mohammad Hassani Senator Saeed Ghani Senator Adnan Khan
MUTTAHIDA QAUMI MOVEMENT (MQM)
Senator Abdul Haseeb Khan
INDEPENDENT
Senator Mohammad Idrees Khan Safi Senator Haji Khan Afridi

Executive Summary

The Senate Standing Committee on Industries and Production held 5 meetings during last one year (Feb. 2014-March 2015). The main purpose of the meetings was to oversee the policy-making and implementation processes being undertaken by various departments/institutions under the umbrella of Ministry of Industries and Production.

In Pakistan, Industrial Production measures the output of business integrated in industrial sectors of the economy such as manufacturing, mining and utilities. During the above-mentioned period, the Committee held indepth sessions with the Ministry of Industries and Production on PSM, PIDC, USC, HMC, PASDEC, SMEDA and PITAC. It dealt with crucial issues and matters including the problem of nepotism in State-Owned Enterprises (SOE's), EPZA, NFC, Ramzan Relief Package, Tax Holiday and PG&DC.

In a meeting of the Committee held on **7th February, 2014,** the Committee was given a detailed briefing on the performance of Ministry of Industries and Production and its attached/subordinate departments. The Additional Secretary of the Ministry apprised the Committee that there are 356 sanctioned posts whereas 303 employees are working at present, and 53 posts are vacant in the Ministry. He said that the Ministry has following 6 wings; Large Enterprise Development Wing (which includes Pakistan Industrial Development Corporation (PIDC), Pakistan Steel Mills (PSM), Utility Stores Corporation (USC) etc.), Medium Enterprise Development Wing (which includes the financial products of SMEs, SME facilitation and SME Policy), Industrial Infrastructure Development Wing (which includes trucking policy), Investment and Facilitation Wing (which includes investment facilitation), Finance, Administration and Regulation Wing (which includes budgetary matters of the Ministry) and Professional Skill Development Wing (which includes liaison with Small & Medium Enterprises Development Authority (SMEDA), Pakistan Industrial Technical Assistance Centre (PITAC) etc.), The Additional Secretary, Ministry informed the Committee that a decision has been taken by the Ministry with regard to recruitments in order to curb malpractices and that a Board shall be constituted which will propose the names of suitable persons to the Ministry and selected names shall be sent to the Prime Minister for approval. Senator Sardar Fateh Muhammad Muhammad Hassani advised that all those national institutions which are unprofitable as of now should be initially brought under minute scrutiny. He also stated that when the Pakistan Steel Mills operates below its total capacity, then the Steel Mills might go into a loss as it won't be able to cover its fixed expenses. The Chairman Committee advised that the workers' welfare may be kept in mind in the case of privatization of any national institution. Senator Sardar Fateh Muhammad Muhammad Hassani stated that the misuse of EPZAs should be stopped. The Managing Director, Utility Stores Corporation Mr. Khaqan Murtaza apprised the Committee that there were 6,000 retail Utility Stores all over Pakistan. The Chairman suggested that Utility Stores Corporation may allow a private firm or a person from the private sector to run such a pharmacy. The Chairman Committee inquired as to why the Utility Stores Corporation is not selling meat to the public through its outlets. The MD, USC replied that the corporation encountered several problems when it tried to sell the meat through its outlets. The Committee recommended that Utility Stores Corporation should establish pharmacies besides

its stores all over Pakistan as the lower classes have to face severe difficulties in purchasing medicines at affordable prices; Utility Stores Corporation should sell meat to the public through its outlets and Ministry may review the Human Resource situation of the Utility Stores Corporation so that its human resource problem could be resolved at the earliest.

The next meeting of the Committee was held on **15th May, 2014,** in which a detailed briefing was given on the performance of Ministry of Industries and Production and its attached/subordinate departments, particularly National Fertilizer Corporation (NFC), Heavy Mechanical Complex (HMC) and Utility Stores Corporation (USC) and Views/input of the Ministry of Industries and Production on the amendments in the Trade Organization Act, 2013 proposed by Senator Abdul Haseeb Khan. The Managing Director, Utility Stores Corporation (USC) apprised the Committee Members regarding the legal status and Controlling Authority of the USC. Senator Ilyas Ahmed Bilour raised a query about a fraud which allegedly took place in Qureshi Mills in the Peshawar region. The Representative of USC informed the Committee that an FIR has already been registered against the criminals in this regard but the money has not been recovered so far. The MD USC briefed the Committee about the special role of the Corporation during the disaster situations and explained the detail of subsidized items through USCs. While explaining the Ramzan Relief Package, he also narrated the details of proposed subsidy on different commodities in the Ramzan Relief Package. The MD USC also apprised the Committee regarding the procurement system of the USCs and stated that prices of essential consumer items at the USC outlets are 5 to 10%, less than the open retail market. The MD USC apprised the Committee that Rs. 1.1 billion was the last audited profit of the corporation and that PPRA rules do not allow the corporation to engage in direct negotiations with the dealers. The Chairman, NFC gave a detailed presentation to the Committee on the performance and working of National Fertilizers Corporation. While briefing about Future Plans, the Chairman NFC apprised the Committee that PC-I for establishment of NFC Institute of Engineering with a wing exclusive for women at Lahore has been approved by the Development Working Party and Board of Directors of NFC. He further informed the Committee that in order to impart high quality education and training to the students of Interior Sindh, NFC planned to establish an institute offering education in engineering disciplines, and in this regard, PC-I of the project has been approved by Development Working Party of NFC. The Managing Director HMC informed the Committee that a number of industrial and mechanical products are being produced by the HMC including cement plants, sugar plants, boilers, cranes, static and vibratory road rollers and asphalt plants etc. MD HMC informed the Committee about future projects of HMC namely establishment of design institute, specially for energy sector plants and establishment of turbines & power plants equipment manufacturing facility at HMC. The Committee recommended that the Committee directed the MD, USC that complete details of fraud committed in Qureshi Mills in the Peshawar region should be provided to the Committee at the earliest; the subsidy on essential commodities during the holy month of Ramzan should be increased this year; outstanding amounts of the previous year as well as half for the current year should be released to the USC by the government as early as possible; the time period between placement of advertisement and commencement of the procurement process for the USC should be reduced; a comprehensive study should be carried on with regard to opening pharmacies in the Utility Stores and be brought before the Board of Directors of the USC; the Committee showed its concern over the fines imposed by the SECP on the dealers of NFML indulging in illegal activities and recommended that details in this regard be provided to the Committee; import of second hand boilers which are older than 3 – 5 years should be banned in order to promote products of HMC and that the ban on recruitment of

engineers should be relaxed in order to allow the HMC to meet its human resource requirements.

After that, a meeting of the Committee was held on **26th June, 2014.** A detailed briefing was given on Ramazan Package for the month of Ramazan by the Utility Stores Corporation of Pakistan, then on the performance of Export Processing Zones Authority (EPZA) and on Starred Question No.45 asked by Senator Muhammad Zahid Khan in the Senate Session held on 16th September, 2011 and referred to the Standing Committee on Industries and Production regarding charging of extra amount at the time of delivery of Toyota vehicles by the Indus Motor Company from the customers other than the amount charged at the time of booking of vehicle in the name of increase in the prices of vehicles. Senator Muhammad Zahid Khan asked the concerned officials as to why he was asked to pay an extra amount at the time of delivery of a vehicle that he had booked on the 7th of July 2011. The representative of M/s Toyota Indus Motors replied that the price of vehicle has increased due to various reasons including increase in taxes levied on the company by the government and currency fluctuation which results in a hike in the cost of production for the company. MD USC apprised the Committee that the First Ramzan Relief Package was introduced in 1991, and since then relief packages is continued except one year. He informed the Committee that the government had approved a Ramadan subsidy package of Rs. 2 billion this year. G.M. EPZA apprised the Committee that Export Processing Zones Authority of Pakistan (EPZA) was established through an Ordinance promulgated on February 6th 1980. Senator Ilyas Ahmed Bilour was of the view that it is forbidden to export goods to Afghanistan through a land route from Pakistan if the goods are produced in an Export Processing Zone. Upon a query raised by Senator Fateh Muhammad Muhammad Hassani, GM EPZA apprised the Committee that Saindak EPZ was notified in October, 2001 and after expiry of its 10 year contract, it was extended for another five years after signing of an agreement with the Chinese Company. Senator Sardar Fateh Muhammad Muhammad Hassani stated that blister copper is the output of Saindak mine, and that the output of the mine is sealed so that no one else could open up the cargo inside Pakistan, and hence whatever is packed is thus exported to a foreign country without under-going any physical verification. The G.M. EPZA informed the Committee that European Union is the biggest export market of Pakistan and USA is on the second number. Furthermore, export of garments is Pakistan's biggest strength, and has gained an increase of around 24% in this sector during the year. She apprised the Committee that the EPZA is plagued by several important issues including the withdrawal of incentives after the execution of agreements with foreign investors which results the loosing of credibility of government and foreign investors also hesitate to invest in Pakistan. The Committee recommended that the details of the booking of vehicles on 100% payment for the last 05 years and number of customers from whom extra money was charged by the Toyota Indus Motor company should be provided to the Committee; the USC should ensure that the quality of their commodities is not sub-standard, and it should utilize the entire subsidy package in full in order to provide maximum relief to the poor people of Pakistan; details regarding the total staff of EPZA at the Saindak mine should be provided to the Committee; the incentives after the execution of agreements with foreign investors in most cases e.g. tax holiday for five years, which have been withdrawn, should be reintroduced as early as possible and that the illegal possession on the land of EPZA may be vacated immediately with the help of provincial governments.

Thereafter, in a meeting of the Committee held on **30th Sep, 2014,** a detailed briefing was given on Pakistan Steel Mills (PSM) and Pakistan Industrial Development Corporation (PIDC). Major General (Retd.) Mr. Zaheer Ahmed Khan, CEO Pakistan Steel Mills informed the Committee that Pakistan Steel Mills is a marvel of engineering and metallurgy. He further informed that Pakistan Steel Mills is the largest and only integrated steel plant of Pakistan, started production in 1985 after inauguration in 1973, with a production capacity of 1.1 million tons per year. He further elucidated that primarily the plant was built for 3 – 5 MTPY, and initially started with capacity of 1 MTPY but unfortunately it capacity could not be enhanced. While talking about the main production units of Pakistan Steel Mills he informed that PSM has following main production units, Coke Oven & by Product Plant, Sintering Plant, Iron Making Department, steel Making Plant, thermal power plant etc. Mr. Khalid Chadda CEO Pakistan Industrial Development Corporation while defining the weak hold of PIDC on its Industrial Units informed that the industrial units are of the view of being independent companies. The Committee recommended that the fast depleting manpower in PSM is serious issue for which appointment in various disciplines would be allowed fixing 10% customs duty for manufacturers and traders alike to provide level playing field to both; smuggling of Steel Products in Local Steel Market should be dealt with an iron hand; strict ban be imposed on export of Local Iron Ore having more than 50% Iron content or impose 30% Export duty as prevailed in India and Russia; Rs. 8.13 billions should be given to PSM to carry out essential capital repair and selected up-gradation within 03 years; in the next meeting all heads of PID Companies alongwith the Secretary Industries be called; M.D., USC should open pharmacy outlets in the stores so that the medicine could be provided at low prices and that Finance Division should allocate Rs. 400 million per month as subsidy on 5-6 essential food items so that relief could be provide to poor people.

The last meeting of the Committee held on **11th November, 2014** deliberated upon the performance and achievements of Pakistan Industrial Development Corporation (PIDC) and following companies under its control. Pakistan Gem & Jewellery Development Company (PG&JDC) and Pakistan Stone Development Company (PASDEC). Mr. Khalid Chadda, CEO Pakistan Industrial Development Corporation informed that the PIDC was created in 1952 to carry out the critical task of Industrial Development. Upon a query by Senator Ilyas Ahmed Bilor, regarding mechanism for appointment of Members of Board from *the Private Sector,* the CEO tried his best to convince the Committee regarding the practice invogue in this respect. Since it was totally against the existing rules / regulations therefore, the Committee expressed its resentment over such irregularities and directed him to ensure that in future no violation of rules is committed. It was intimated to the Committee that in order to boost up the various relevant economic sectors, the PIDC established eight (08) new subsidiaries and two (02) JV Companies with the initial capital of Rs.2675.896 million in terms of Section 42 of the Companies Ordinance 1984. The CEO was of the view that PIDC is committed to play its effective role in the development of all relevant sectors. From the date of its inception the PIDC introduced a number of skilled persons who are performing their role in the mainstream of the country. The Committee appreciated the efforts of PIDC and directed the CEO (PIDC) to continue his best efforts for introducing more skilled manpower in the relevant sectors. The CEO said that the vision of the Company is "To enhance the value chain productivity of gems and Jewellery industry of Pakistan from Mine to market". This Industry intends to carry out its

work from mountainous regions of Gilgit Baltistan and AJK to the coasts of the Country. Upon a query by Senator Fateh Muhammad Muhammad Hassani regarding the future plan**,** the CEO (PG&JDC) intimated that the company intends to up-grade one each training and testing center established at Karachi, Lahore, Quetta, Peshawar, Gilgit, Sargodha and Muzaffarabad as well as to boost up the capacity of two each assaying and Hallmarking Centers & Gem exchangers established at Karachi, Lahore & Peshawar, Quetta respectively. The company also intends to procure the latest available machinery for mining, cutting, curving & polishing of gems to produce furnished / refined product in the international market. He mentioned that the promotional strategy supported by marketing plan was presented to the Hon'ble Prime Minister on March 7th 2012 which was approved in principle. The CEO (PG&JDC) intimated that at present we are unable to export the refined / furnished Gems due to non availability of latest machinery. Therefore Raw Gems are exported in the International market which resulted in financial loss. The PASDEC is carrying forward 4 model quarries, 26 quarries up-gradation, 2 machinery pools and 4 CFTC Warehouses for the development of Marble and Granite Sector. Mr. Lutf-ur-Rehman, Acting CEO Pakistan Stone Development Company (PASDEC) intimated that vision of PASDEC (is "to make Pakistan globally competitive & Socially responsible player of the International Dimensional Stone Industry". Senator Fateh Muhammad Muhammad Hassani, suggested that if the companies are not capable to make them sustainable, then these may be abolished, while the Chairman Committee was of the view that these should not be closed but PIDC and Ministry of Industry should keep watch on their performance and provide guidelines to boost up its efficiency which would be possible only with the appointment of honest and capable officer / staff**.** The Committee recommended that appointment of Members of PIDC Board from the private sector should be made on merit basis and in terms of existing rules and regulation; detail of buildings owned by PIDC through out the country alongwith their occupants and rent being charged from them, as well as per Sq. feet rent as determined by the govt. for such buildings should be provided to the Committee immediately; PIDC should play its effective role to boost up the efficiency of all subsidiaries / companies enabling them to achieve their goal / mandate and make themselves financially sustainable to avoid the financial burden on government ex-chequer; in order to assess the progress of all subsidiaries in the relevant sectors, the CEOs of remaining companies should be called in the ensuing meetings on turn basis to brief the committee pertaining to its functioning and achievements; the evaluation of all PIDC subsidiaries should be carried out from 3rd party within two months and be submitted before the committee for consideration and recommendation thereof; the Chief Executive Officer (PG&JDC) was directed to arrange more training programmes for the youngsters regarding latest techniques of Mining, Cutting, Carving & Polishing of Gems and create opportunities of jobs for skilled persons; the latest available machinery should be used for this purpose; the Chief Executive Officer of PASDEC was directed to discourage the conventional technique of mining and utilize the latest one to produce the quality marble & granite; the export of marble from Afghanistan may be reduced by leveling reasonable duties etc; the concerned departments may issue NOC for exploring the granite from Tharparkar and the progress in this regard may be submitted to committee within 15 days; the committee directed to make the payment of salaries to Gems & Jewelry staff immediately; the committee appreciated the intervention and efforts of Chairman Committee for improvement / accountability in the performance of EPZA and directed the Secretary Ministry of Industries &

Production that a built-in mechanism for accountability and reforms may be introduced in the Ministry as well as all other allied agencies / departments. The Standing Committee decided to visit the sites of buildings and property of PIDC in Karachi for knowing the factual position of property and its rent etc.

MINUTES OF THE MEETINGS

SENATE SECRETARIAT

MINUTES OF THE MEETING OF SENATE STANDING COMMITTEE ON INDUSTRIES AND PRODUCTION HELD ON 7TH FEBRUARY, 2014 AT PARLIAMENT HOUSE, ISLAMABAD.

A meeting of the Senate Standing Committee on Industries and Production was held on 7th February, 2014 at 1430 hrs in Committee Room No.4, Parliament House, Islamabad. The following members of the Committee attended the meeting:

1)	Senator Mushahid Ullah Khan	Chairman
2)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
3)	Senator Kamran Michael	Member

2. The agenda before the meeting was under:-

Detailed briefing on the performance of Ministry of Industries and Production and its Attached/Subordinate Departments.

Any other item with permission of the Chair.

3. List of the participants is annexed.

4. The meeting started with the recitation of the Holy Quran.

5. In the beginning, the Chairman Committee welcomed the Members of the Committee and other participants of the meeting.

6. Senator Sardar Fateh Muhammad Muhammad Hassani showed the concern over the absence of Minister and Secretary of the Ministry in first important meeting of the Committee.

7. The Additional Secretary, Ministry of Industries and Production, informed the Committee that in the presentation prepared for the meeting, a basic structure of the Ministry would be explained and detailed briefings shall be given in subsequent committee meetings as and when required by the members.

8. The Chairman and Members of the Committee said that they came for taking the detailed/comprehensive briefing today and asked who had decided for structural briefing, but Additional Secretary Industries could not satisfy the Committee in this regard. They said that no one can amend the agenda except the authority empowered and justification of the representative of the Ministry is not acceptable. The Additional Secretary apologized.

9. Senators Kamran Michael and Sardar Fateh Muhammad Muhammad Hassani agreed with the Chairman and stated that the agenda of the meeting was very much clear and a detailed briefing was to be given to the committees. They further stated that briefing pertaining to attached departments was also to be presented during

the meeting in order to give their input in the performance of attached departments of the Ministry.

10. The Chairman said that the Ministry should not take such decisions by themselves, although it is prerogative of the Committee. Senator Sardar Fateh Muhammad Muhammad Hassani was of the view that in future, all issues should be communicated by the Ministry to the Chairman before taking any decisions in such matters.

11. The Additional Secretary, Ministry of Industries and Production gave his presentation and explained the functions of the Ministry**.** He apprised the Committee that in the Ministry there are 356 sanctioned posts whereas 303 employees are working at present, and 53 posts are vacant in the Ministry. He said that the division has been divided into following six wings:-

Large Enterprise Development Wing (which includes Pakistan Industrial Development Corporation (PIDC), Pakistan Steel Mills (PSM), Utility Stores Corporation (USC) etcetera)
Medium Enterprise Development Wing (which includes the financial products of SMEs, SME facilitation and SME Policy)
Industrial Infrastructure Development Wing (which includes trucking policy)
Investment and Facilitation Wing (which includes investment facilitation)
Finance, Administration and Regulation Wing (which includes budgetary matters of the ministry)
Professional Skill Development Wing (which includes liaison with Small & Medium Enterprises Development Authority (SMEDA), Pakistan Industrial Technical Assistance Centre (PITAC) etcetera)

12. The Additional Secretary also informed that EPZA, USC, SMEDA, Pakistan Steel Mills, Heavy Mechanical Complex, PIDC, State Engineering Corporation, Furniture Pakistan, Pakistan Stone Development Company (PASDEC) and Pakistan Hunting and Sporting Arms Development Company (PHSADC) are also working under the control of the Ministry.

13. The Additional Secretary Ministry of Industries and Production admitted that several departments out of above mentioned corporations were not performing well due to the prevailing practice of nepotism. He stated that incompetent and unprofessional CEOs and Board of Directors were appointed and constituted respectively and due to such malpractices organizations were suffering financially. The Chairman Committee inquired whether the Ministry informed the Prime Minister Secretariat regarding this matter or any initiative has been taken by the Ministry itself.

14. The Additional Secretary Ministry of Industries and Production informed the Committee that a decision has been taken by the Ministry with regard to recruitments in order to curb malpractice. He further informed the Committee that a Board shall be constituted which will propose the names of suitable persons to the Ministry and selected names shall be sent to the Prime Minister for approval. Senator Kamran Michael inquired whether the Ministry has proposed any names for the Board. The Additional Secretary replied that the Ministry has already sent

proposed names in this regard. However, the Ministry has not received any approval.

15. Senator Sardar Fateh Muhammad Muhammad Hassani said that a senior officer should apprise the Committee about this particular problem. Moreover, he stated that the Secretary of the Ministry should be held accountable for such violations. He said that ideally the Secretary should resist the imposition of such malpractices. He also stated that the political forces in the country have decided to cooperate with the sitting Government and to refrain from undermining the democracy. However, if the representatives of the people will not stop the violations, then the people will hold them responsible for such acts of omission and commission. He further stated that if the government transforms the financial institutions, and overall fiscal position of the government improves such a transformation and that the country may be able to avoid taking of IMF loans in the foreseeable future.

16. The Chairman Committee stated that if the malpractices were committed in the tenure of the previous government then officials of the Ministry could also have been involved in such malpractices.

17. Senator Sardar Fateh Muhammad Muhammad Hassani advised that all those national institutions which are unprofitable as of now should be initially brought under minute scrutiny. The reasons due to which losses have occurred should be investigated and then it may be decided what should be the future course of action. He also stated that when the Pakistan Steel Mills operates below its total capacity, then the Steel Mills might go into a loss as it won't be able to cover its fixed expenses. He directed that in the next meeting, both the Minister and the Secretary of the Ministry should ensure their presence in the Committee meetings. The Committee decided that in next meeting detailed briefing may be given on the performance and output of Pakistan Steel Mills.

18. The Chairman Committee advised that the workers' welfare may be kept in mind in the case of privatization of any national institution. He said that since 1985, privatization has been given importance in almost every government's economic policy.

19. Moreover, the Additional Secretary stated that only good intentions are needed to transform the situation of the State Owned Enterprises (SOEs). He said that behind each and every poorly performing public corporations, there is a long and tragic history.

20. Senator Sardar Fateh Muhammad Muhammad Hassani inquired about the location of Export Processing Zones Authority's (EPZA) regional offices. The Additional Secretary informed that there are 13 to 14 such zones in Pakistan. Senator Sardar Fateh Muhammad Muhammad Hassani stated that the misuse of EPZAs should be stopped. He informed the Committee that items packed in such zones were not opened subsequently in any other part of Pakistan and hence these packages were exported without checking their contents. Due to such a practice, Pakistan is suffering financially.

21. The Chairman Committee advised that those Corporations where CEOs are available may be invited initially for briefing. He directed that in the next meeting, detailed briefing may be given to the Committee.

22. The Managing Director, Utility Stores Corporation Mr. Khaqan Murtaza apprised the Committee that there were 6,000 retail Utility Stores all over Pakistan. He further added that there were 1,100 franchise stores and 900 stores were being run directly by the Utility Stores Corporation. He informed the Committee that usually the corporation is able to make sales of 5 to 6 billion Rupees on a monthly basis. However, in the month of Ramadan, the sales witnessed a manifold increase due to the government's provision of the Ramadan Package. For example, in the previous Ramadan, the sales reached upto 20 billion Rupees.

23. The MD also stated that the Utility Stores Corporation encourages the establishment of franchise stores in far-flung areas of Pakistan. He apprised the Committee that 70% of the Gross Profit belongs to the franchisee whereas 30% is received by the Utility Stores Corporation. Moreover, he said that the Utility Stores Corporation has vigilance teams to monitor the prices of commodities in such franchise stores.

24. The Chairman committee inquired whether the presence of any ghost stores has been detected by the Utility Stores Corporation.The MD replied in the negative. The MD USC informed the committee members that he has been the MD for the past 5 months and that currently there are 14,407 employees working in the corporation.

25. The Chairman Committee said that the Utility Stores Corporation is an important Corporation which serves to the masses and it can further benefit immensely if the performance of corporation is improved. He proposed that the Utility Stores Corporation should establish pharmacies besides its stores all over Pakistan as the lower classes have to face severe difficulties in purchasing medicines at affordable prices. Moreover, he apprised the committee members that the USC can obtain medicines at prices which would be 25% below the prevalent market prices. The MD USC replied that although the suggestion is quite sound, however it would be obligatory to appoint a pharmacist at every USC in such a case.

26. The Chairman agreed with the MD and said that such an initiative would lead to employment creation all over Pakistan. The MD Utility Stores Corporation said that perhaps such an initiative may not prove to be profitable. The Chairman suggested that Utility Stores Corporation may allow a private firm or a person from the private sector to run such a pharmacy. He added that the idea would then not only provide the relief to the masses, it would rather also provide job opportunities in the country.

27. Senator Sardar Fateh Muhammad Muhammad Hassani agreed with the Chairman and said that it can be started initially in big cities on an experimental basis. The Additional Secretary, Ministry of Industries and Production, assured that the Ministry would include this aspect in the next meeting as well.

28. The MD, Utility Stores Corporation, informed the Committee that at present USC has 6,477 regular employees, 4,065 contractual employees and 3,865 daily

wage workers. He further stated that there is no difference between the financial compensation of regular and contractual employees.

29. Senator Sardar Fateh Muhammad Muhammad Hassani said that the ban on recruitment is hampering the performance of Ministries. He suggested that the Committee should recommend lifting of the ban in order to smooth functioning of ministries.

30. The MD apprised the Committee that the Utility Stores Corporation is a self-sustained corporation and is not a burden on the national exchequer. He further stated that the corporation has reduced its profit margins in order to provide the relief to the masses. He said that the Daal Channa is being sold in the market right now at a price of Rs.80/Kg whereas the USC is selling the commodity to the masses at Rs.62 to 63/Kg.

31. Senator Sardar Fateh Muhammad Muhammad Hassani inquired whether the Government has provided any building to the corporation. The MD, Utility Stores Corporation replied that all the buildings of Utility Stores Corporation are owned by the corporation itself. He also informed the Committee that the Government is providing subsidy through Utility Stores Corporation, only on sugar. He also said that discount offered by the Utility Stores Corporation and further subsidization by the Government sometimes leads to too low prices which results in massive arbitrage and hoarding the elements in the private sector. He apprised the Committee that it is expected that the USC will have Rs.85+ billion sales in the current fiscal year. Furthermore, he expected the sales to reach the level of 100 billion in the next fiscal year. Senator Kamran Michael said that the USC should try to improve the quality of the commodities available at the stores.

32. The Chairman Committee inquired that why the Utility Stores Corporation is not selling meat to the public through its outlets. The MD, USC replied that the corporation encountered several problems when it tried to sell the meat through its outlets. There were some financial irregularities which are being investigated by the NAB. Furthermore, the problem of frequent electricity outages also prevents the corporation from offering frozen meat to its customers. However, he said that in big Utility Stores Corporation, generators are being installed in order to offer frozen meat to the general public. The MD also informed the Committee that the damaged and expired goods have been removed from the Utility Stores Corporation stores. He informed that the Utility Stores Corporation has a severe human resource deficiency. He also apprised the Committee that he knows four such officers at the USC who do not even have the capability to write their leave applications. He requested that the Government should conduct a Human Resource Review of the corporation so that this problem could be addressed at the earliest.

33. After detailed discussion the Committee made following recommendations:-

Utility Stores Corporation should establish pharmacies besides its stores all over Pakistan as the lower classes have to face severe difficulties in purchasing medicines at affordable prices.

Utility Stores Corporation should sell meat to the public through its outlets.

Ministry may review the Human Resource situation of the Utility Stores Corporation so that its human resource problem could be resolved at the earliest.

34. The meeting of the Standing Committee on Industries and Production ended with a vote of thanks to and from the Chair.

(MUHAMMAD USMAN TAHIR)
SO/Sectary Committee

(SENATOR MUSHAHID ULLAH KHAN)
Chairman Committee

SENATE SECRETARIAT

MINUTES OF THE 7TH MEETING OF THE SENATE STANDING COMMITTEE ON INDUSTRIES AND PRODUCTION HELD ON 15TH MAY, 2014 AT PARLIAMENT HOUSE, ISLAMABAD

A meeting of the Senate Standing Committee on Industries and Production was held on 15th May, 2014 at 1400 hrs in Committee Room No.4, Parliament House, Islamabad. The following members attended the meeting:

1)	Senator Mushahid Ullah Khan	Chairman
2)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
3)	Senator Ilyas Bilour	Member
4)	Senator Saeed Ghani	Member

2. The agenda before the Committee was as under:-

Detailed briefing on the performance of Ministry of Industries and Production and its Attached/ Subordinate Departments. Particularly National Fertilizer Corporation (NFC), Heavy Mechanical Complex (HMC) and Utility Stores Corporation (USC).

Views/input of the Ministry of Industries and Production on the amendments in the Trade Organization Act, 2013 proposed by Senator Abdul Haseeb Khan.

Any other item with permission of the Chair.

2. List of participants is annexed.

2. The meeting started with recitation from the Holy Quran.

3. At the outset, Chairman Committee welcomed the Members of the Committee and other participants of the meeting.

4. The Managing Director, Utility Stores Corporation (USC) gave a comprehensive presentation to the Committee and apprised the Committee Members regarding the legal status and Controlling Authority of the USC. He stated that under the Memorandum and Article of Association, the Board of Directors is the controlling authority of the USC, whereas, the USC is functioning under the administrative control of the Ministry of Industries and Production. He explained that the Board of Directors is constituted under the Public Sector Companies Rule, 2013 and comprised of independent members. The members elect their chairman, who has to be from the private sector.

5. Members of the Committee inquired whether there was any representation from the provinces in the Board of Directors. The MD USC responded that was no binding provision with respect to representation from the provinces in the Board of Directors as per Rules. Members of the Committee expressed their concern over the fact that if the Board was not complete then how its Chairman was elected. The MD

USC informed that the present Chairman USC was nominated by the Prime Minister's Office instead of election.

6. While briefing on the operational management, manpower and network of the USC, the MD USC apprised the Committee that the MD is the Chief Executive Officer of the Corporation and works under the policy guidelines of the Board of Directors. He also informed the Committee that the zonal offices of USC are functioning at Abbottabad, Peshawar, Islamabad, Gujrat, Sargodha, Lahore, Multan, Sukkur, Karachi and Quetta. He also explained the manpower status and province wise network of the Corporation to the Committee. The Chairman Committee inquired about the powers of the Chairman of the Board of Directors in the affairs of the USC. The MD USC responded that all administrative powers are exercised by the MD under authorization of the Board, whereas some powers are still with the Chairman Board of Directors. Replying to a query, the MD USC apprised the Committee that there are more than 100 outlets of USC functioning in Faisalabad.

7. Senator Ilyas Ahmed Bilour raised a query about a fraud which allegedly took place in Qureshi Mills in the Peshawar region. The Representative of USC informed the Committee that an FIR has already been registered against the criminals in this regard but the money has not been recovered so far. The Committee directed the USC that complete details of the case should be provided to the Committee at the earliest.

8. In response to a query raised by Members of the Committee, the MD USC informed the Committee that 6,402 regular employees, 4,512 contractual employees and 3,755 daily wagers are working in the USCs. He also apprised the Committee that the minimum wage being paid by the USC is more than the wage fixed by government.

9. The MD USC briefed the Committee about the special role of the Corporation during the disaster situations and explained the detail of subsidized items through USCs. While explaining the Ramzan Relief Package, he also narrated the details of proposed subsidy on different commodities in the Ramzan Relief Package. The Committee recommended that the subsidy on essential commodities during the ensuing holy month of Ramzan should be increased.

10. The MD USC also apprised the Committee regarding the procurement system of the USCs and stated that prices of essential consumer items at the USC outlets are 5 to 10%, less than the open retail market. He informed the Committee about the prices of essential commodities at the outlets, process for procurement of branded goods, commodities and sugar.

11. The MD USC also informed the Committee regarding the objectives of public private partnership and opening of franchise stores. He apprised the Committee that the outstanding amounts for subsidy in the month of Ramadan last year. The Committee recommended that outstanding amounts of the previous year as well as half for the current year should be released to the USC by the government as early as possible.

12. The MD USC apprised the Committee that Rs. 1.1 billion was the last audited profit of the corporation. He stated that PPRA rules do not allow the corporation to

engage in direct negotiations with the dealers. He requested that these rules should be relaxed for the USC. He further stated that under the rules, an advertisement is to be placed 15 days before the procurement process is to be started, which results in the considerable slowdown of the entire procurement process. The Committee recommended that the intervening time period between the placement of the advertisement and the commencement of the procurement process should be reduced.

13. The Chairman Committee inquired about its recommendation regarding the opening of pharmacies at the Utility Stores in order to facilitate the poor people. The MD USC informed that in order to implement the idea, pharmacists will have to be hired by the USC and the corporation will be able to provide 15 – 20% relief to the common man through the pharmacy project. The Committee recommended that a comprehensive study should be carried on in this regard and placed before the Board of Directors of the USC.

14. The Chairman, NFC gave a detailed presentation to the Committee on the performance and working of National Fertilizers Corporation. He informed the Committee that NFC was incorporated as a private limited company in August, 1973 having a total capacity of 306,400 metric tons of fertilizers. While briefing the Committee about the Role and Objectives of the NFC, he informed the Committee that NFC has to create new fertilizer production capacity in the country to make fertilizers available throughout the country at uniform prices. He also informed the Committee that some new projects had been under taken and NFC was in the process of expansion.

15. The Chairman, NFC, apprised the Committee that the existing structure of the NFC comprising of one marketing company i.e. National Fertilizer Marketing Limited, Lahore and two Institutes, namely; Institute of Engineering & Fertilizer Research, Faisalabad and the Institute of Engineering and Technology, Multan and explained their functions in detail. Responding to a query, he stated that the Urea is imported by the TCP and NFML is only distributing it throughout the country. He informed the Committee that in order to facilitate the farmers, NFML has further enhanced the network of dealers so that Imported Urea can be delivered easily to the farmers at their door-step and there are 2892 dealers in various cities of the country. The Committee expressed concern over the fines which had been imposed by the SECP on dealers indulging in illegal activities, and recommended that details in this regard be provided to the Committee.

16. Regarding NFC Institutes, he informed that the Institute of Engineering & Fertilizer Research, Faisalabad is also conducting research activities for development of fertilizer and local chemical industry and there are 1665 students enrolled in the institute. He also informed that Institute of Engineering and Technology, Multan has been awarded the status of a degree awarding Institute by the Government of Pakistan, and 1800 students are enrolled in the institute.

17. While briefing about Future Plans, the Chairman NFC apprised the Committee that PC-I for establishment of NFC Institute of Engineering with a wing exclusive for women at Lahore has been approved by the Development Working Party and Board of Directors of NFC. He further informed the Committee that in order to impart high quality education and training to the students of Interior

Sindh, NFC planned to establish an institute offering education in engineering disciplines, and in this regard, PC-I of the project has been approved by Development Working Party of NFC. He stated that both the future projects will be funded by NFC through its own sources.

18. The Managing Director HMC gave a detailed presentation to the Committee and informed the Committee that a number of industrial and mechanical products are being produced by the HMC including cement plants, sugar plants, boilers, cranes, static and vibratory road rollers and asphalt plants etc. He apprised the Committee that the HMC has exported four sugar plants, which were procured by Indonesia, Zimbabwe and Bangladesh. Furthermore, he stated that the HMC primarily works for the private sector and almost 85% of HMC's business is received from the private sector.

19. Chairman Committee inquired whether the products of HMC meet the international standards and the prices are at par with the international markets. The MD HMC informed the Committee that the products of HMC are of a good quality and meet international standards, and their prices are less than the prices of similar products in international markets. On a query regarding import of equipment, he informed the Committee that HMC imports some items like motors whereas all other mechanical parts are developed indigenously by the HMC. While discussing the import of boilers, he stated that most of the companies import second hand boilers from the international market at low prices and not purchase from the HMC. He suggested that some restrictions should be imposed on import of second hand boilers. The Committee recommended that the import of second hand boilers older than 3 – 5 years should be banned.

20. While replying to a query, MD HMC suggested that presently the Government had imposed a ban on recruitment of engineers, which should be relaxed in order to allow the HMC to meet its human resource requirements. The Committee recommended that the ban on the recruitment of engineers should be relaxed in case of HMC.

21. MD HMC informed the Committee about future projects of HMC namely establishment of design institute, specially for energy sector plants and establishment of turbines & power plants equipment manufacturing facility at HMC. He stated that these projects to be funded by the Government of Pakistan. The Committee recommended in this regard that PC-I for the development of medium size hydro power plants should be granted to HMC as early as possible.

22. With regard to Agenda Item No. (ii), the Mover of the amendments proposed in the Trade Organization Act, 2013 was not present in the meeting moreover, Additional Secretary Ministry of Industries apprised the Committee that the matter relates to the Ministry of Commerce rather than Ministry of Industries and Production. The Committee, therefore, deferred the item.

22. After threadbare discussion on the agenda items, the Committee made the following recommendations/observations:-

The Committee directed the MD USC that complete details of fraud committed in Qureshi Mills in the Peshawar region should be provided to the Committee at the earliest.

The Committee recommended that the subsidy on essential commodities during the holy month of Ramzan should be increased this year.

The Committee recommended that outstanding amounts of the previous year as well as half for the current year should be released to the USC by the government as early as possible.

The Committee recommended that the time period between placement of advertisement and commencement of the procurement process for the USC should be reduced.

The Committee recommended that a comprehensive study should be carried on with regard to opening pharmacies in the Utility Stores and be brought before the Board of Directors of the USC.

The Committee showed its concern over the fines imposed by the SECP on the dealers of NFML indulging in illegal activities and recommended that details in this regard be provided to the Committee.

The Committee recommended that import of second hand boilers which are older than 3 – 5 years should be banned in order to promote products of HMC.

The Committee recommended that the ban on recruitment of engineers should be relaxed in order to allow the HMC to meet its human resource requirements.

23. The meeting then ended with a vote of thanks to and from the Chair.

(ASIM KHAN GORAYA)
Sectary Committee

(SENATOR MUSHAHID ULLAH KHAN)
Chairman Committee

SENATE SECRETARIAT

MINUTES OF THE 8TH MEETING OF THE SENATE STANDING COMMITTEE ON INDUSTRIES AND PRODUCTION HELD ON 26TH JUNE, 2014 AT PARLIAMENT HOUSE, ISLAMABAD

A meeting of the Senate Standing Committee on Industries and Production was held on 26th June, 2014 at 1100 hrs in Committee Room No.4, Parliament House, Islamabad. The following members attended the meeting:

1)	Senator Mushahid Ullah Khan	Chairman
2)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
3)	Senator Ilyas Ahmed Bilour	Member
4)	Senator Muhammad Idrees Khan Safi	Member
5)	Senator Muhammad Zahid Khan	Mover

2. The agenda before the Committee was as under:-

Briefing on Ramazan Package for the month of Ramazan by the Utility Stores Corporation of Pakistan.

Detailed briefing on the performance of Export Processing Zones Authority (EPZA).

Discussion on Starred Question No.45 asked by Senator Muhammad Zahid Khan in the Senate Session held on 16th September, 2011 and referred to the Standing Committee on Industries and Production regarding charging of extra amount at the time of delivery of Toyota vehicles by the Indus Motor Company from the customers other than the amount charged at the time of booking of vehicle in the name of increase in the prices of vehicles.

Any other item with permission of the Chair.

3. List of participants is annexed.

4. The meeting started with recitation from the Holy Quran by Senator Ilyas Ahmed Bilour.

5. At the outset, Chairman Committee welcomed the Members of the Committee, Secretary Industries and Production and other participants of the meeting.

6. Senator Muhammad Zahid Khan asked the concerned officials as to why he was asked to pay an extra amount at the time of delivery of a vehicle that he had booked on the 7th of July 2011. He stated that the government had reduced the sales tax by 1% i.e. from 17% to 16% on the 1st of July 2011, but he could not gain any benefit from the decrease in the sales tax as he had to pay an extra amount of Rs. 15,000 to the car company. He suggested that in order to resolve this situation, some feasible proposals should be given by the government. He stated that the

extra money which he had to pay should be returned to him along-with the interest due on the amount. He also inquired about the reasons that prompted the car company (M/s Toyota/Indus Motor Company) to increase its prices.

7. The representative of M/s Toyota Indus Motors replied that the price of vehicle is increased due to various reasons including increase in taxes levied on the company by the government and currency fluctuation which results in a hike in the cost of production for the company.

8. The Chairman Committee inquired as to who formulated the sales policy of the company. The representative of M/s Toyota Indus Motors replied that the company itself formulates its sales policy and its Provisional Booking Order (PBO) has been approved by the Competition Commission of Pakistan (CCP). Responding to a query, the representative of Toyota/Indus Motors informed the Committee that the company changes its model completely after every five years. However, after three years, some minor modifications are made to the model. He also apprised the Committee that the company would launch a new model in July, 2014.

9. The Chairman Committee then asked the representative of the Ministry of Industries and Production to clarify as to which government department was the regulatory body of the company. Secretary Industries replied that the pricing mechanism is their own, and the manufacturing duty structure in connection with imports etc. is that of the government. He added that the Engineering Development Board is the regulatory body of the company. Senator Ilays Ahmed Bilour suggested that the company should provide details regarding the number of customers from whom extra money was charged by the company and from when the company has been charging the extra amount. He also suggested that the company should furnish details regarding the time period since when the company has been accepting 100% payment from its customers. The Committee recommended that the details of the booking of vehicles on 100% payment for the last 05 years and number of customers from whom extra money was charged by the company should be provided to the Committee.

10. The Committee was of the view to constitute a Sub-Committee for detail investigation of affairs of Motor Companies which are causing loss to public/customers. The Secretary Industries and Production apprised the Committee that the PM have already constituted a Sub-Committee of Cabinet on similar issues and its report is near to completion which will also be provided to the Committee and thereafter Sub-Committee may be constituted if further investigation will be required.

11. With regard to Agenda Item No. (i), MD USC gave a comprehensive presentation and apprised the Committee that the First Ramzan Relief Package was introduced in 1991, and since then relief packages is continued except one year. He informed the Committee that the government had approved a Ramadan subsidy package of Rs. 2 billion this year. He stated that such Ramadan packages are introduced by the government in order to control the market tendency of unreasonable price hike, check against profiteering and hoarding, availability of essential items at reduced prices and ensuring relief to the poor at subsidized sales.

12. MD USC informed the Committee regarding the details of the commodities to be sold on subsidized prices during the holy month of Ramazan and comparison of prices with the open market. Regarding arrangements for the Ramazan Relief Package, 2014, he stated that the USC will also reduce the prices of about 1,000 items by 5 to 10% through additional discounts from vendors and the Ramzan Relief Package will be closely monitored by the Corporation. He also informed that an amount of Rs. 10 Million shall be spent by the USC on the awareness campaign on print media/ radio, and the Ministry of Finance has already released Rs. 1.00 Billion as an upfront subsidy.

13. While discussing the monitoring of the Package, MD USC apprised the Committee that Special teams consisting of staff from the Audit and Vigilance departments have been constituted for monitoring the Ramzan Relief Package 2014, and the teams will be based at Zonal and Regional Levels. Furthermore, special teams headed by Senior Executives of the Corporation will also visit Warehouses and Stores to monitor the implementation. A separate operation room has also been setup at USC Head Office, Islamabad to receive any complaint regarding pricing, quality and non-availability. Chief Secretaries of the Provinces have been requested to monitor Ramzan Package through the District Administration. A Complaint Cell with Toll Free No. 0800-05590 and UAN 111-123-570 is operative in the USC Head Office, and the complaints received on these numbers are directly monitored by the Managing Director. The Committee recommended that the USC should ensure that the quality of these commodities is not sub-standard and it should utilize the entire subsidy package in full in order to provide maximum relief to the poor people of Pakistan.

14. GM EPZA gave a comprehensive presentation to the Committee on Agenda Item No. (ii), and apprised that Export Processing Zones Authority of Pakistan (EPZA) was established through an Ordinance promulgated on February 6th 1980. She stated that EPZA is an autonomous body working under the administrative control of the Ministry of Industries & Production. The powers of the Authority are vested in a nine member Board of Directors notified on May 22, 2014.

15. Senator Ilyas Ahmed Bilour was of the view that it is forbidden to export goods to Afghanistan through a land route from Pakistan if the goods are produced in an Export Processing Zone. He recommended that SROs related to trading and manufacturing commodities should be provided to the Committee.

16. Upon a query raised by Senator Fateh Muhammad Muhammad Hassani, GM EPZA apprised the Committee that Saindak EPZ was notified in October, 2001 and after expiry of its 10 year contract, it was extended for another five years after signing of an agreement with the Chinese Company. Senator Sardar Fateh Muhammad Muhammad Hassani stated that blister copper is the output of Saindak mine, and that the output of the mine is sealed so that no one else could open up the cargo inside Pakistan, and hence whatever is packed is thus exported to a foreign country without under-going any physical verification. The GM EPZA replied that sealing of the cargo is the responsibility of the FBR and of the customs. Only the documentation related to the export and import of commodities is handled by the EPZA. The Secretary Industries informed the Committee that an inquiry has already been conducted in this regard and the inquiry report will be provided to the

Committee. The Committee recommended that the details regarding the total staff of EPZA at the Saindak mine should also be provided to the Committee.

17. The GM EPZA informed the Committee that European Union is the biggest export market of Pakistan and USA is on the second number. Furthermore, export of garments is Pakistan's biggest strength, and has gained an increase of around 24% in this sector during the year. She apprised the Committee that the EPZA is plagued by several important issues including the withdrawal of incentives after the execution of agreements with foreign investors which results the loosing of credibility of government and foreign investors also hesitate to invest in Pakistan. The Committee recommended that the incentives after the execution of agreements with foreign investors which have been withdrawn should be reintroduced as early as possible.

18. The Secretary Industries stated that this measure was taken to reduce disparity among the developed and less-developed areas of Pakistan, so that foreign investors may invest their capital in the less developed areas and not only in the EPZs located in the developed areas of the country. The Committee felt the need to visit the EPZA Karachi.

19. After threadbare discussion on the agenda items**,** the Committee made the following recommendations/observations:-

The Committee recommended that the details of the booking of vehicles on 100% payment for the last 05 years and number of customers from whom extra money was charged by the Toyota Indus Motor company should be provided to the Committee.

The Committee recommended that the USC should ensure that the quality of their commodities is not sub-standard, and it should utilize the entire subsidy package in full in order to provide maximum relief to the poor people of Pakistan.

The Committee recommended that details regarding the total staff of EPZA at the Saindak mine should be provided to the Committee.

The Committee recommended that the incentives after the execution of agreements with foreign investors in most cases e.g. tax holiday for five years, which have been withdrawn, should be reintroduced as early as possible.

The Committee recommended that the illegal possession on the land of EPZA may be vacated immediately with the help of provincial governments.

19. The meeting then ended with a vote of thanks to and from the Chair.

(ASIM KHAN GORAYA)
Sectary Committee

(SENATOR MUSHAHID ULLAH KHAN)
Chairman Committee.

SENATE SECRETARIAT

MINUTES OF THE MEETING OF SENATE STANDING COMMITTEE ON INDUSTRIES AND PRODUCTION.

The Meeting of Senate Standing Committee on Industries and Production was held on 30th Sep, 2014 at 2:00 P.M. in Committee Room No. 1, Parliament House Islamabad under the Chairmanship of Senator Mushahid Ullah Khan.

The following members of the Committee attended the meeting:-

Senator Sardar Fateh Muhammad Muhammad Hassani	Member
Senator Haji Khan Afridi	Member
Senator Saeed Ghani	Member
Senator Kamran Michael	Member
Mr. Ghulam Murtaza Khan Jatoi Federal Minister for Industries and Production	Ex-Officio Member

The Agenda Before the committee was as under:-

Detail briefing on Pakistan Steel Mill (PSM)
Pakistan Industrial Development Corporation
Implementation status of recommendations and progress of the decision taken in the meetings of the Standing Committee held on 7th Feb, 2014, 15th May, 2014 and 26th June, 2014.
Any other item with the permission of the Chair.

The officials from Ministry of Industries and Production, PIDC, Pakistan Steel Mill and Utility Store Corporation of Pakistan who attended the meeting is annexed.

The meeting started with the recitation of Holy Quran by Mr. Sher Ayub, Additional Secretary Ministry of Industries and Production. Thereafter the honourable Chairman Committee Senator Mushahid Ullah Khan, welcomed all the members Committee, Additional Secretary Ministry of Industries and Production, CEO Pakistan Steel Mills and other officer and officials who attended the meeting.
Coming to Agenda item number 1 the honourable Chairman Committee Senator Mushahid Ullah Khan, directed Major General (Retd.) Mr. Zaheer Ahmed Khan, CEO Pakistan Steel Mills to give presentation to the Committee. The CEO Pakistan Steel Mill, thanked the honourable Chairman Committee Senator Mushahid Ullah Khan for inviting him and showing his interest in Pakistan Steel Mills. Mr. Zaheer Ahmed Khan, CEO informed the Committee that Pakistan Steel Mills is a marvel of engineering and metallurgy. He further informed that Pakistan Steel Mills is the largest and only integrated steel plant of Pakistan, started production in 1985 after inauguration in 1973, with a production capacity of 1.1 million tons per year. He further elucidated that primarily the plant was built for 3 – 5 MTPY, and initially started with capacity of 1 MTPY but unfortunately it capacity could not be enhanced. While defining the technology he briefed that the technology adopted for

steel making is through Blast Furnace and Basic Oxygen furnace, which is widely used for making steel all over the world.

While defining the location and area of Pakistan Steel Mills he informed that PSM is located at 40 KM South East of Karachi at Bin Qasim, with area of 19,087 acres (about 29 square miles) with 10,390 acres for main plant, 8,070 acres for township and 200 acres for water reservoir. While defining the exceptional features of PSM he informed the Committee that Pakistan Steel Mills is comprises of 20 units each being enough to be a factory of its own right, with 3,30,000 tones of machinery, steel structures and electrical equipment. He further informed that it's unloading and conveyor system is the 3rd largest in the world and its industrial water reservoir of 110 million gallons is the largest in Asia and its air gas water network spans 80 Km of piping and having its 56 Km railway line with complete railway system. He further added that once the railway get going many hindrances would automatically be resolved.

While talking about the main production units of Pakistan Steel Mills he informed that PSM has following main production units, Coke Oven & by Product Plant, Sintering Plant, Iron Making Department, steel Making Plant, thermal power plant etc. He further elucidated that Pakistan Steel Mills is generating its own electricity by using evaporated gases. While enlightening the main products of PSM he informed that Pakistan Steel Mills has been producing Metallurgical Coke, pig iron, rolled & cast billets, hot rolled sheets/ coils/plates, cold rolled sheets/ coils, galvanized sheets while Coal tar and Ammonium sulphate; while Blast Furnace granulated slag are by products.

The CEO Pakistan Steel Mills, Mr. Zaheer Ahmed Khan, informed the Committee that PSM has a work force of 15,135 against authorized 15,465. Holding includes 14,278 regular with 4,561 officers and 9,717 workers / staff. Contract / daily wage employees are 857. At this juncture, the CEO informed that most of the trained labour would retire in next 3 years and new labour could not be trained within days so they would have to work with seniors and have to learn the technicalities, that's why he requested that it should be recommended to employ new force on strictly merit basis for the smooth running of Pakistan Steel Mills.

The CEO Pakistan Steel Mills informed the Committee that the PSM Capacity Utilization was started declining from 82 % in 2007-08 to 6 % till 2013-2014, he further informed that when he joined the Pakistan Steel Mills in April its capacity utilization was meager 1.4 Percent. Moreover, he informed that the Pakistan Steel Mills break even point is 75 % capacity utilization. At this point, Senator Sardar Fateh Muhammad Muhammad Hassani, asked that when the PSM would be revamped to full capacity utilization. The CEO profoundly informed that due to bailout package by the government, the Pakistan Steel Mills would InshAllah cross the breakeven point in December, 2014. The Committee appreciated his efforts and decided to visit PSM. The CEO PSM thanked the Committee and requested that Pakistan Steel Mills needed to carry out essential capital repair and selected up gradation at a cost of Rs. 8.13 billion in three years with huge returns in production, therefore, he requested that Rs. 8.13 billion would be given to Pakistan Steel Mills within three years.

At last the CEO Pakistan Steel Mills requested the following points to be recommended.

- The fast depleting manpower is serious issue for which appointment in various disciplines would be allowed.
- It is proposed to fix 10% custom duty for manufacturers and traders alike to provide level playing field to both.

Smuggling of Steel Products in Local Steel Market should be dealt with an iron hand.

Strict ban be imposed on export of Local Iron Ore having more than 50% Iron Content or impose 30% Export Duty as in India and Russia.

Coming to Agenda Item No. 2 regarding Pakistan Industrial Development Corporation. The honourable Chairman Committee Senator Mushahid Ullah Khan directed Mr. Khalid Chadda CEO Pakistan Industrial Development Corporation to brief the Committee. Mr. Khalid Chadda informed the Committee that PIDC was created to take up the critical task of industrial development in 1952, with its mandate of Pakistan Industrial Development Corporation during the period from 1952 to 1982 established 94 Industrial Units in the major sectors of economy. He further informed that after startup of nationalization in 1972/73 almost 90% of PIDC were transferred to other public sector Corporations under the Ministry of Industries and Production. He said that to ensure efficient operation and to govern the organization under the corporate rules & norms Pakistan Industrial Development Corporation was converted into a corporate body in 1985 and registered under Companies Ordinance 1984. He informed that role of Pakistan Industrial Development Corporation was redefined during 2004-5 and the Board of Directors of PIDC was also reconstituted having 2/3 members from private sector and the Minister of Industries & Production as its Chairman.

The CEO Pakistan Industrial Development Corporation, while defining the week hold of PIDC on its Industrial Units, informed that the industrial units are of the view of being independent companies. The Committee took strong notice and said that if they are independent than under which rule they received grants and bailout packages. During the Committee meeting many suggestion were floated, the CEO suggested that there are so many companies with almost same work so it would be appropriated to merge the likewise companies. During the Committee meeting Chairman Committee asked many questions regarding mining, precious, semi precious stones, cutting etc. but CEO Pakistan Industrial Development Corporation could not answer a single question. The Chairman Committee shown his great displeasure and took strong notice for the absence of Secretary Ministry of Industries and Production and said that when the meeting is convened with the prior consent of the Ministry than the absence of high-up is tantamount to undermine the authority of Parliamentary Committees. He further directed that in next meeting all the heads of relevant departments/corporations would be called in the Committee meeting and major issues would be discussed in the presence of Federal Secretary and MD PID.

Coming to agenda Item No. 3 regarding the implementation status of recommendations/ directions given by the Committee in its previous meetings, regarding the subsidy on essential commodities during the Holy month of Ramadan by USC, Mr. Khaqan Murtaza, MD USC informed that ECC had approved Ramadan Relief Package 2014 for an amount of Rs. 1.6 billion. The package was successfully implemented and Ramadan sales of Rs. 19.2 billion were achieved. While discussing the recommendation for opening pharmacies in the Utility Stores, The MD informed that the matter for sale of medicines at USC outlets was placed before the USC Board of Directors and the Board, in principle, accorded approval for sale of medicines at USC outlets. He further informed that sale of medicines at USC outlets would be implemented after the formal approval of the USC Board of Directors. The Chairman Committee appreciated his efforts and said that on medicines there are huge profit margin ranging from 35 to 400 percent and with little difficulty the subsidized medicines could be sold all across the country. The Chairman Committee

further said that this effort will open new horizons for jobs and extended availability of subsidized medicines to grief section of society. The CEO USC informed that the subsidy on sugar has been withdrawn and it leads to subsequent reduction of sales of other commodities as well. He further elucidated that the USC outlets are also in the farthest regions of Gilgit as well as in the Balochistan's far flung areas, which accordingly increase the cost. He further requested that if Rs. 400 million per month would be allocated to USC on 5-6 essential food items a substantial relief could be trickled down to poor people. The Committee recommended that the subsidy should be carried on for sake of common people and directed that in the next meeting Finance Minister and the Secretary M/O Finance should be called to find the way out of this important issue.

After detailed discussion and deliberation, the Committee gave following recommendations.

- The fast depleting manpower in PSM is serious issue for which appointment in various disciplines would be allowed.
- The Committee recommended fixing 10% custom duty for manufacturers and traders alike to provide level playing field to both.
- Smuggling of Steel Products in Local Steel Market should be dealt with an iron hand.
- Strict ban be imposed on export of Local Iron Ore having more than 50% Iron content or impose 30% Export duty as prevailed in India and Russia.
- The Committee recommended that Rs. 8.13 billions should be given to PSM to carry out essential capital repair and selected up-gradation within 03 years.
- The Committee directed that in the next meeting all heads of PID Companies along with the Secretary Industries be called.
- The Committee directed MD USC to open pharmacy out lets in the stores so that the medicine could be provided at low prices.
- The Committee directed Finance Division to allocate Rs. 400 million per month as subsidy on 5-6 essential food items so that relief could be provide to poor people.

16. The meeting ended with a vote of thanks to and from the Chair.

(Malik Arshad Iqbal)
Sectary Committee

(SENATOR MUSHAHID ULLAH KHAN)
Chairman Committee.

SENATE SECRETARIAT

MINUTES OF THE MEETING OF SENATE STANDING COMMITTEE ON INDUSTRIES & PRODUCTION.

The meeting of Senate Standing Committee on Industries & Production was held on 11th November, 2014 at 2:30 p.m in Committee Room No.4, Parliament House Islamabad under the Chairmanship of Senator Mushahid Ullah khan.

2. The following Members of the Committee attended the meeting:-

1)	Senator Ilyas Ahmed Bilor	Member.
2)	Senator Sardar Fateh Muhammad Hassani.	Member.
3)	Senator Muhammad Idress Khan Safi.	Member.
4)	Senator Saeed Ghani.	Member.

3. *The Agenda before the meeting was as under:*

i. Detail briefing on the performance and Achievements of Pakistan Industrial Development Corporation (PIDC) and following companies under its control:
ii. Pakistan Gem & Jewellery Development Company (PG&JDC) and
iii. Pakistan Stone Development Company (PASDEC).
iv. Any other item with permission of the Chair.

4. The list of officials from Ministry of Industries & Production, PIDC, Pakistan Gem & Jewellery Development company (PG&JDC) and Pakistan Stone Development Company (PASDEC) who attended the meeting is annexed hereto.

5. The meeting started with the recitation from the Holy Quran by Mr. Lutf-ur-Rehman, Acting CEO (PASDEC). The Hon'ble Chairman Committee welcomed all the participants of the meeting. Thereafter the Committee considered agenda of the meeting item wise to make its recommendations;

ITEM NO.1: **Detail briefing on the performance *and* Achievements of Pakistan *Industrial* Development Corporation (PIDC) and following companies under its control:**

The Hon'ble Chairman Committee invited Mr. Khalid Chadda, CEO Pakistan Industrial Development Corporation to brief the Committee. He informed that the PIDC was created in 1952 to carry out the critical task of Industrial Development. During the period 1952 – 1982 the PIDC established 94 Industrial Units. Out of which 73 Units were established in West Pakistan and 21 in former East Pakistan. Pursuant to nationalization policy in 1972 – 73, these units were transferred to other public sector Corporations.

In order to ensure efficient role of PIDC, its Board of Directors was reconstituted in 2004-05 at the ratio 2/3 Members from private sector and the Minister of Industries & Production as its Chairman.

Upon a query of Senator Ilyas Ahmed Bilor, regarding mechanism for appointment of Members of Board from *the Private Sector,* the CEO tried his best to convince the committee regarding the practice invogue in this respect. Since it was totally against the existing rules / regulations therefore, the committee expressed its resentment over such irregularities and directed him to ensure that in future no violence of rules is committed.

The CEO (PIDC) added that the existing strength of the PIDC is 90 officers / officials. It appeared from the organizational chart that there was one manager over two workers. Since it was not justified at all therefor***e*** the Chairman committee directed him to make the appointment rational. The CEO further added that the main source of PIDC income is ***(i) Interest over deposits (ii) Property rent & (iii) Dividend***. Senator Fateh Muhammad Muhammad Hassani asked the CEO (PIDC) to provide / apprise the detail of buildings owned by PIDC, list of present occupants and rent being charged from them. While Senator Ilyas Ahmed Bilor, desired that rent of such buildings determined by the Government at the rate of per Sq. feet may also be apprised. Since the complete record in this respect was not readily available with CEO (PIDC) therefore, the committee directed him to provide the requisite information in the next meeting for consideration and recommendation thereof. It was intimated to the committee that in order to boost up the various relevant economic sectors, the PIDC established following eight (08) new subsidiaries and two (02) JV Companies with the initial capital of Rs.2675.896 million in terms of Section 42 of the companies Ordinance 1984;

- National Industrial Parks Dev. & Management Company (NIP).
- Karachi Tools, Dies & Moulds Company (KTDMC).
- Pakistan Gem & Jewellery Development Company (PGJDC).
- Technology Up-gradation & Skill Development Company (TUSDEC).
- Aik Hunar Aik Nagar (AHAN).
- Furniture Pakistan Company (FP).
- Pakistan Stone Development Company (PASDEC).
- Pakistan Hunting & Sporting Arms Development Company (PHSADC).
- Southern Punjab Embroidery Industries (SPEI).
- Pakistan Chemical and Energy Sector Skill Development Company (PCESSDC).

Senator Ilyas Ahmed Blore, asked the exact location of office of AIK HUNAR AIK NAGAR (AHAN) in Peshawar but he failed to provide the requisite information. The committee expressed its displeasure over the in competency of CEO.
The Committee decided to visit the sites of buildings and property of PIDC for knowing the factual position of property and rent etc.

ACHIEVEMENTS OF PIDC:

While referring the achievements, the CEO was of the view that PIDC is committed to play its effective role in the development of all relevant sectors. From the date of its inception the PIDC introduced a number of skilled persons who are performing their role in the mainstream of the country. The Committee appreciated the efforts of PIDC and directed the CEO (PIDC) to continue his best efforts for introducing more skilled manpower in the relevant sectors.

ISSUES AND SUGGESTIONS.

- The PIDC is facing financial problems therefore, a sum of Rs.3435 million invested in the privatization of SDC & Units, should be refunded Ministry of Finance for the support of PIDC.

- Ministry of Industries & Production should play its effective role to get the PIDC projects approved from the proper forum.

- Since the government has discontinued the allocation of funds to all subsidiaries therefore, they are in financial crisis. The required funds may be allocated to them at the earliest.

- In order to meet the operational cost of the relevant projects, allocation of funds through annual budget /PSDP funding may be made to all subsidiaries/Companies.

- The SEL, RML and MORAFCO be de-listed from the Privatization Commission, authorizing them to utilize their sources in better way or to dispose off as required under the rules.

ITEM NO.2: **briefing by Pakistan Gem & Jewellery Development Company (PG&JDC)**

While intimating the committee, the CEO was of the view that the vision of the Company is "To enhance the value chain productivity of gems and Jewellery industry of Pakistan from Mine to market". This Industry intends to carry out its works from mountainous regions of Gilgit Baltistan and AJK to the coasts of the Country. The industry has the capacity to process 170 tons gold per year out of which 70 tons is imported. In 2007 the volume of exports of Gems and Jewellery was $47 million and in 2013 it was $1182 Million which is a great achievement. Upon a query of Senator Fateh Muhammad Muhammad Hassani regarding the future plan**,** the CEO (PG&JDC) intimated that the company intends to up-grade one each training and testing center established at Karachi, Lahore, Quetta, Peshawar, Gilgit, Sargodha and Muzaffarabad as well as to boost up the capacity of two each assaying and Hallmarking Centers & Gem exchangers established at Karachi, Lahore & Peshawar, Quetta respectively. The company also intends to procure the latest available machinery for mining, cutting, curving & polishing of gems to produce furnished / refined product in the international market. He mentioned that for the promotional strategy supported by marketing plan was presented to the Hon'ble Prime Minister on March 7th 2012 which was approved in principal. Salient features of the strategy are as under;

- Proposal for Fiscal and Policy Rationalization.
- Implementation of Marketing and Promotion Plan by funding through EDF.
- Proposal for Financing and Revolving Fund.
- Proposal for Strengthening Mining Clusters.
- Proposal for Special Industrial Parks (SIPs)

Upon a query of the Chairman Committee that as to why the company could not play its effective role to export the quality Gems, causing a heavy loss to the government exchequer whereas there is a vast potential of the same in the country?. Responding the observation, **the CEO (PG&JDC) intimated that at** present we are unable to export the refined / furnished Gems due to non availability of latest machinery. Therefore Raw Gems are exported in the International market which resulted in financial loss. The CEO, intimated that due to financial crises, the company has not paid salaries to its employees for the last two months and now it has become difficult for the company to maintain its existence. The Chairman Committee took a serious notice and directed for payment of salaries to the workers immediately. Senator Ilyas Ahmed Bilore, was of the view that if companies are not sustainable financially then either these may be privatized or to amend their rules enabling the companies to make them sound financially.

The PASDEC is carrying forward 4 model quarries, 26 quarries up-gradation, 2 machinery pools and 4 CFTC Warehouses for the development of Marble and Granite Sector. The development work pertaining to marble city Risalpur, FATA, and Loralai have been completed to carry out the mining work. Moreover the PASDEC has introduced the Industry in International Trade Fairs of Italy, USA & China to boost the trade. The PASDEC has arranged various trainings through out the country and extended this facility to 869 Male / Female participants. More than 232 jobs have been generated in the remote areas of Pakistan and after implementation of all projects, PASDEC will be able to provide more employment opportunities. PASDEC has completed disaster study of Bunair quarries & processing unit, conducted international marble exhibition for the first time in Pakistan and studies of more than 200 quarries in the country and developed data base of potential area of marble and granite.

ITEM NO.3: **briefing by Pakistan Stone Development Company (PASDEC).**

The Hon'ble Chairman Committee invited Mr. Lutf-ur-Rehman, Acting CEO Pakistan Stone Development Company (PASDEC) to brief the committee. He intimated that vision of PASDEC is "to make Pakistan globally competitive & Socially responsible player of the International Dimensional Stone Industry". Moreover the PASDEC is carrying forward 4 model quarries, 26 quarries up-gradation, 2 machinery pools and 4 CFTC Warehouses for the development of Marble and Granite Sector. The development work pertaining to marble city Risalpur, FATA, and Loralai have been completed to carry out the mining work. The PASDEC has introduced the Industry in International Trade Fairs of Italy, USA & China to boost the trade. The Company has arranged various trainings through out the country and extended this facility to 869 Male / Female participants. More than 232 jobs have been generated in the remote

areas of Pakistan and after implementation of all projects, PASDEC will be able to provide more employment opportunities. PASDEC has completed disaster study of Bunair quarries & processing unit.

In order to up-grade, the potential capacity a PC-I for Rs.1980 Million was approved by the Planning Commission and later on it was re-appropriate with revised cost of Rs.2276 Million. *While responding the* query *of Senator Ilyas Ahmed Bilore, regarding marble cities and machinery,* the CEO intimated that PASDEC has established five Marble City projects through out the country and later on Marble City Chitral and Loralai were also included in this plan. Besides, land for Marble City FATA & Risalpur has been acquired and significant development has been made on these projects. PASDEC intends to procure latest machinery but the matter is pending due to financial crisis and seek support from Government of Pakistan in the current economic situation for deployment and implementation of the approved projects.

Senator Fateh Muhammad Muhammad Hassani inquired the technique of mining the stone. In response, the CEO intimated that previously a disastrous technique of blasting was used to get the stone, causing a heavy wastage of products upto 85%. Now we have adopted the latest technology and using latest machinery for the production of precious and semi-precious stone and successeded to reduce loss / wastage from 85% to 45%. The committee observed that PASDEC is not focusing on producing / mining the valuable stones available in the various locations of the country specially in Balochistan. Mining / production of low quality stone which is almost not required in the market causing a heavy loss to the company. The Hon'ble Senator remarked that import of stone from Afghanistan is damaging the interest of company and the government should impose the duties to curtail the import from that country. During the course of briefing it was noted that not issuance of NOC from various department the process for exploration of granite from Tharparkar is suffering badly. The committee expressed its resentment and directed to submit comprehensive report within 15 days.

The Acting CEO PASDEC intimated that the all subsidiaries are facing acute shortage of funds and they are not in position to play their effective role in the relevant sector without financial assistance of the government. The Chairman of the Committee asked the Secretary Industries & Production to offer his comments. He was of the view that all subsidiaries and JV were established with the mandate / aim of self sustainability. Initially some funds /seed money was allocated to them to meet their basic /essential requirements. But unfortunately no company has successeded to maintain the mandate of self sustainableness. Therefore, the government has discontinued the financial assistance. However, it has been decided to get their performance evaluated from a third party and the decision for financial assistance OR otherwise would be made keeping in view their performance. However, the Secretary Industries had categorically intimated the committee that all subsidiaries should try their best to make them sound financially to avoid the burden on government exchequer. All the Members of the Committee supported the government point of view and directed that

the progress in this respect may be finalized within two months and should be placed before the committee in the next meetings.

The Chairman was of the view that the company should developed awareness among the concerned peoples regarding the modern technique, availability of natural resources in the region and to motivate them for playing their effective rule for the exploration and as a result to boost up there living standard as well as to earn foreign exchange for the country. Senator Ilyas Ahmed Bilore remarked that awareness should not be limited to the richest people, for example as we know that Mr. Jehangir Tareen has procured all mins of Monsehra*.*

Senator Fateh Muhammad Muhammad Hassani, suggested that if the companies are not capable to make them sustainable, then these may be abolished, while the Chairman Committee was of the view that these should not be closed but PIDC and Ministry of Industry should keep watch on their performance and provide guideline to boost up its efficiency which would not only possible with the appointment of honest and capable officer / staff*.*

The Additional Secretary Ministry of Industries intimated the committee that all Chief Executive Officers of the companies are answerable to PIDC and in case of any issue the matter is referred to the Board of Directors for consideration. *On this occasion Senator Ilyas Ahmed Bilore remarked that we should* strengthen *our institutions therefore, in case of any financial problem the PIDC should assist the companies and make them accountable of their funds. The Chairman Committee remarked* that the reason for financial loss to PG&JDC & PASDEC is non production of quality / refined products in market. Gems & Stone is exported in RAW shape and we have to import finished / refined Gems & Stone by spending heavy foreign exchange.

22. After detailed discussion and deliberations the committee offered its recommendations as follows:

i. Appointment of Members of PIDC Board from the private sector should be made on merit basis and in terms of existing rules and regulation.

ii. Detail of buildings owned by PIDC through out the country alongwith their occupants and rent being charged from them, as well as per Sq. feet rent as determined by the govt. for such buildings should be provided to the Committee immediately.

iii. PIDC should play its effective role to boost up the efficiency of all subsidiaries / companies enabling them to achieve their goal / mandate and make themselves financially sustainable to avoid the financial burden on government ex-chequer.

iv. In order to assess the progress of all subsidiaries in the relevant sectors, the CEOs of remaining companies should be called in the ensuing meetings on turn basis to brief the committee pertaining to its functioning and achievements.

v. The evaluation of all PIDC subsidiaries should be carried out from 3rd party within two months and be submitted before the committee for consideration and recommendation thereof.

vi. The Chief Executive Officer (PG&JDC) was directed to arrange more training programmes for the youngsters regarding latest techniques of Mining, Cutting, Carving & Polishing of Gems and create opportunities of jobs for skilled persons.

vii. The latest available machinery should be used for this purpose.

viii. The Chief Executive Officer of PASDEC was directed to discourage the conventional technique of mining and utilize the latest one to produce the quality marble & granite.

ix. The export of marble from Afghanistan may be reduced by leveling reasonable duties etc.

x. The concerned departments may issue NOC for exploring the granite from Tharparkar and the progress in this regard may be submitted to committee within 15 days.

xi. The committee directed to make the payment of salaries to Gems & Jewelry staff immediately.

xii. The committee appreciated the intervention and efforts of Chairman Committee for improvement / accountability in the performance of EPZA and directed the Secretary Ministry of Industries & Production that a built-in mechanism for accountability and reforms may be introduced in the Ministry as well as all other allied agencies / departments.

xiii. The Standing Committee may visit the sites of buildings and property of PIDC in Karachi for knowing the factual position of property and its rent etc.

23. The meeting ended with a vote of thanks to and from the Chair.

***(*GHULAM SHABBIR)**	***(*SENATOR MUSHAHID ULLAH KHAN)**
Secretary Committee	**Chairman Committee**