



House of the Federation

**SENATE SECRETARIAT**

**SIXTEEN PARLIAMENTARY YEAR 2018-2019**

**Report no. 1 of 2019**

**REPORT OF THE  
SENATE STANDING COMMITTEE ON DEFENCE PRODUCTION**

**ON**

**“THE HEAVY INDUSTRIES TAXILA BOARD (AMENDMENT) BILL, 2019”  
referred by the House on 31<sup>st</sup> May, 2019**

**PRESENTED BY**

**Senator Lt. General Abdul Qayyum HI (M) Retd.**

**Chairman**

**Standing Committee on Defence Production**

## SENATE SECRETARIAT

### REPORT OF THE SENATE STANDING COMMITTEE ON DEFENCE PRODUCTION

#### “THE HEAVY INDUSTRIES TAXILA BOARD (AMENDMENT) BILL, 2019”

I, Senator Lt. General Abdul Qayyum, Chairman Standing Committee on Defence Production have the honor to submit on behalf of the Committee this report on the Bill “The Heavy Industries Taxila Board (Amendment) Bill, 2019” as passed by the National Assembly and referred to the Committee on 31<sup>st</sup> May, 2019 for consideration and report.

2. The composition of the Committee is given as under:-

1. Senator Lt. General Abdul Qayyum HI (M) Retd.	Chairman
2. Senator Hafiz Abdul Karim	Member
3. Senator Molana Abdul Ghafoor Haideri	Member
4. Senator Muhammad Akram	Member
5. Senator Gul Bashra	Member
6. Senator Taj Muhammad Afridi	Member
7. Senator Pervaiz Rashid	Member
8. Senator Nuzhat Sadiq	Member
9. Senator Syed Muhammad Ali Shah Jamot	Member
10. Senator Nauman Wazir Khattak	Member
11. Senator Shaheen Khalid Butt	Member
12. Senator Sarfaraz Ahmed Bugti	Member
13. Senator Mushahid Hussain Sayed	Member
14. Minister Incharge for Defence Production	Ex-Officio Member

3. The Bill was placed before the Committee in its meeting held on 19<sup>th</sup> June, 2019 at Old PIPS Hall, Parliament Lodges, Islamabad. Following Senators attended the meeting.

1. Senator Lt. General Abdul Qayyum HI (M) Retd.	Chairman
2. Senator Pervaiz Rashid	Member
3. Senator Nuzhat Sadiq	Member
4. Senator Syed Muhammad Ali Shah Jamot	Member
5. Senator Nauman Wazir Khattak	Member
6. Senator Mushahid Hussain Sayed	Member
7. Senator Muhammad Javed Abbasi	Special Invitee

4. Secretary Defence Production apprized the Committee that Rebuilding and Manufacturing Units of Heavy Industries Taxila (HIT) were specialized Defence Projects and HIT, with over 35 years of experience, had achieved vast technical know-how. HIT was therefore a national asset which had saved billions of dollars through indigenization of defence hardware and also considered suitable for joint venture programmes with national/international partners for indigenous manufacturing of commercial products such as automobiles, trucks, prime movers and railway wagons etc. It was therefore a fact that if this potential was tapped to its optimum and suitably enhanced, sufficient revenue could be generated to cater for ever increasing demand of funds for support of defence projects.

5. Senator Pervaiz Rashid was of the view that commercial ventures pursued by the defence production entities must not be at the cost of their professional obligations. In response, Secretary Defence Production appreciated the point raised by the honorable Senator and clarified that only the surplus capacities as per the laid down criteria/law, were being utilized for commercial purposes in various defence production establishments and resultantly the establishments like Karachi Shipyard & Engineering Works (KS&ES) and National Radio & Telecommunication Corporation (NRTC) had become permanently self-sustaining.

6. Senator Nauman Wazir Khattak sought clarification regarding functioning of the HIT Board under the Companies Act, 2017. In response, the representative from Ministry of Law & Justice confirmed that there was no ambiguity and the Bill, duly vetted by the Ministry, was in order.

7. Senator Muhammad Javed Abbasi, Chairman Senate Standing Committee on Law & Justice attended the meeting as a special invitee. In response to his query regarding status of HIT under the Companies Act, 2017, Secretary HIT Board responded that after the passage of proposed Amendment Bill, the HIT would apply for registration with the Security Exchange Commission of Pakistan (SECP) and all rules/regulations admissible to other registered companies would also be applicable to HIT. Senator Javed Abbasi pointed out certain typos in the Bill to be dealt as per relevant rules.



8. The Committee was of the unanimous view that surplus commercial potential of all defence production establishments should not only be utilized but also enhanced to earn sufficient revenue to be utilized in supporting Defence Production Industry in terms of following benefits:-

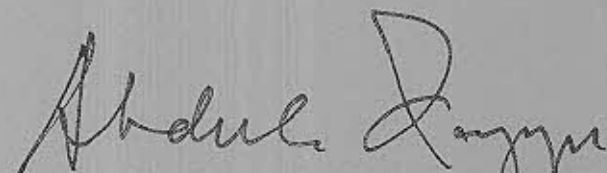
- a) Earning revenue to subsidize defence budget (which will reduce burden on national economy)
- b) Moving incrementally towards self-sustenance
- c) Involving private sector in industrial growth
- d) Bringing latest technology in the country

9. All Members present supported and voted in favour of "The Heavy Industries Taxila Board (Amendment) Bill, 2019".

10. The Committee recommended that "The Heavy Industries Taxila Board (Amendment) Bill, 2019", as cleared by the Law & Justice Ministry, passed by the National Assembly and subsequently introduced in the Senate, may be passed by the Senate of Pakistan. (Copy of Bill as passed by the National Assembly is annexed).



(Major (R) Syed Hasnain Haider)  
Secretary Committee



(Senator Lt. General Abdul Qayyum HI (M) Retd.)  
Chairman Committee

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*BILL*

*further to amend the Heavy Industries Taxila Board Act, 1997*

WHEREAS it is expedient further to amend the Heavy Industries Taxila Board Act, 1997 (XII of 1997), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. **Short title and commencement.**—(1) This Bill may be called the Heavy Industries Taxila Board (Amendment) Act, 2019.

(2) It shall come into force at once.

2. **Amendment of section 6, Act XII of 1997.**— In the Heavy Industries Taxila Board Act, 1997 (XII of 1997), hereinafter called as the said Act, in section 6, in sub-section (1), for the words “surplus capacity” the words “commercial potential” shall be substituted.

3. **Amendment of section 7, Act XII of 1997.**— In the said Act, in section 7, for clause (h), the following shall be substituted, namely:-

“(h) to utilize, create and enhance commercial capacity and capability for manufacturing marketable products, promote sales thereof and provide services within country and abroad, through:-

(A) establishment of limited company under the Companies Act, 2017 (XIX of 2017) to undertake with approval of the Board, commercial activities on corporate lines with private or public sectors both within country and abroad for the following, namely:-

- (i) undertake joint ventures with experienced national and international partners;
- (ii) establish subsidiary companies;
- (iii) without utilizing public money, raise funds through private investment or bank credit;
- (iv) maintain receipt and expenditure account of the commercial revenue in scheduled banks jointly operated in consultation with member finance;
- (v) fame audit, accounts and costing manuals on modern techniques;
- (vi) marketing of commercial products through internal marketing department or through hiring of agents; and
- (vii) formulate own recruitment and procurement procedures; and

(B) the company and its subsidiaries subject to audit by the Chartered Accountants firms; and

(C) revenue earned by utilizing commercial activities to subsidize defence budget which will reduce burden on national economy, for reinvestment and to provide benefit to the Board’s management and employees in prescribed manners.”



## STATEMENT OF OBJECTS AND REASONS

Heavy Industries Taxila (HIT) functions under a Board established in 1994 which was later enacted by the Parliament as HIT Board Act No. XII of 1997. Principal function of the Board is to meet needs of defence of the country and utilize surplus capacity for commercial activities. Creation of potential outside the realm of existing capacity is essentially required to optimally utilize commercial potential of HIT and earn sufficient revenue to subsidize its budget. This can be achieved through Joint Ventures (JVs) with local entrepreneur and foreign companies.

2. HITB functions under Government rules/regulations which do not commensurate with corporate requirements and are counterproductive to providing competitive edge in business. The proposed JVs under a Limited Company can be jointly administered with private investors. Financial discipline in the venture can be ensured by JV partners having profit motive.

3. Rebuild and manufacturing factories of HIT are specialized defence projects, and HIT, with over 35 years' experience, has achieved vast commercial potential. HIT is considered suitable for JV programmes with national/international partners for in-country manufacturing of commercial products such as automobiles, trucks, prime movers, railway wagons etc. If this potential is tapped to its optimum, sufficient revenue can be generated to subsidize ever increasing demand of funds for support of Army project.

**ZOBAIDA JALAL**  
Minister for Defence Production