OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT
FOR THE YEAR

- 1995 -

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

ANNUAL REPORT 1995

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MANAGING COMMITTEE OF THE CHAMBER FOR THE YEAR 1995 - 1996

TARIQ IKRAM - PRESIDENT
Reckitt & Colman of Pakistan Ltd.

THOMAS VICTOR HIGGINS - VICE PRESIDENT
Shell Pakistan Ltd.

S. NASEEM AHMED
Philips Electrical Co. of Pakistan (Pvt) Ltd.

TARIQ MOHAMED AMIN
Rhone Poulenc Group in Pakistan.

SYED ALI RAZA
Bank of America NT & SA

MOIN M. FUDDA
Commercial Union Assurance Co. Plc

DR. M. S. HABIB
Wellcome Pakistan Ltd.

I. S. SANGSTER
Lever Brothers Pakistan Ltd.

M. YOUNAS KHAN
Deutsche Bank A.G.

SHUKAT TARIN
Citibank N.A.

SECRETARY GENERAL
Zahid Zaheer

DEPUTY SECRETARY
Mohammad Aslam

CHAIRMEN AND PRESIDENTS OF THE KARACHI CHAMBER

Chairmen

D. McIver	-	1860/61
W. Nichol	-	1861/62
A. Stewart	-	1862/63/64
A. E. Denso	-	1864/65/66
W. G. Hall	-	1866/67/68
J. G. Tindal	-	1868/69/70
Max Denso	-	1870/71/72
F. Masotti	-	1872/73
W. Thorburn	-	1873/74
W. M. Macaulay	-	1874/75
W. Thorburn	-	1875/76
Max Denso	-	1876/77
James Grant	-	1877/78
A. McHinch	-	1878/79/80
Max Denso	-	1880/81
Max Denso	-	1881/82
James Grant		
James Grant	-	1882/83/84
Max Denso	-	1884/85
Max Denso	-	1885/86
A. Thole		
A. Thole	-	1886/87
A. McHinch	-	1887/88 to
1889/90		
James Currie	-	1890/91 to
1894/95		
T. R. McLellan	-	1895/96 to
1898/99		
T. L. F. Beaumont	-	1899/1900
D. McIver	-	1900/01 to
1902/03		
Hon'able W. T. O'Brien	-	1903/04
M. De P. Webb, C.I.E	-	1904/05 to
1909/10		
M. De P. Webb, C.I.E	-	1910/11
H. T. Robson	-	
M. De P. Webb, C.I.E	-	1911/12/13
M. De P. Webb, C.I.E	-	1913/14
W. U. Nicholas		
M. De P. Webb, C.I.E.	-	1914/15/16
M. De P. Webb, C.I.E.		
W. U. Nicholas	-	1916/17
M. De P. Webb, C.I.E.	-	1917/18/19
H.G. Jaughton	-	1919/20
Sir Montague Webb	-	
Kt., C.I.E., C.B.E., M.L.C	-	1920/21/22

F. Clayton, C.I.E., M.L.C.	-	1922/23/24/25
F. Clayton, C.I.E., M.L.C.		
R. D. England	-	1925/26
F. Clayton, C.I.E., M.L.C.	-	1926/27/28
F. Clayton, C.I.E., M.L.C.		
J. R. N. Graham V.C.	-	1928/29
E. A. Pearson	-	1929/30
E. A. Pearson	-	1930/31
H. G. Cooper, M. C. D. C. M	-	1930/31
H. S. Bigg - Wither, O.B.E.	-	1931/32
J. R. N. Graham, V. C.	-	1932/33
G. H. Raschen		
R. H. Martin	-	1933/34
H. S. Bigg - Wither, O.B.E.	-	1934/35/36
G. H. Raschen, C.B.E.	-	1936/37/38
G. H. J. Richmond		
R.H. Martin	-	1938/39
J. H. Blackwell, C.B.E., M.C.	-	1939/40
J. Humphrey, O.B.E.	-	1940/41/42
A. T. Orr Deas, M.C.	-	1942/43
J. H. Blackwell, C.B.E., M.C.	-	1943/44
W. J. Cullen, M.B.E.		
J. Himphrey, C.B.E., J. P.	-	1944/45
Lt. Col W.B. Hossack, M. L. A.	-	1945/46
B. R. Graham	-	1946/47
E. J. Pakes		
R. L. Coghlan	-	1947/48
B. R. Graham, O.B.E.	-	1948/49/50
J. N. Kerr	-	1950/51
D. B. Ashworth		
B. R. Graham, C.B.E.	-	1951/52/53
T. W. Cree	-	1953/54
B. Fane Saunders, C.B.E.	-	1954/55
T. W. Cree	-	1955/56
W. E. Wilkie - Brown	-	1956/57
Mirza A. Raza	-	14957/58

PRESIDENTS' OF THE OVERSEAS INVESTORS CHAMBER

PRESIDENTS

T. W. Cree, C.B.E.	-	1958/59/60
M. J. Condon, C.B.E.		
W. N. Banks	-	1960/61
W. B. Banks	-	1961/62
S. R. Stephens	-	1962/63
H. C. G. Brown, D.S.C.	-	1963/64
I. Habibullah	-	1964/65
J. F. C. Gallaher, C.B.E., D.S.O., D.F.C.,	-	1965/66
R. A. M. Henson	-	1966/67
J. F. C. Gallaher, C.B.E., D.S.O., D.F.C.,	-	1967/68
J. D. Le Valliant	-	1968/69/70
D. Jongeneel	-	1970/71
Masud Karim	-	1971/72/73/74
J. H. A. Midwood	-	1974/75
K. Z. Hassan	-	1975/76
W. R. A. Kimber	-	1976/77/78
Saleem Majidullah	-	1978/79/80
R. Stokell	-	1980
N. A. Shah	-	1980/81/82/83
D. M. Keith, O.B.E.	-	1983/84/85
Dr. M. S. Habib	-	1985/86/87
Naseem S. Mirza	-	1987/88/89
Dr. M. S. Habib	-	1989/90/91/92
C. T. Dullaert	-	1992
M. Younas Khan	-	1992/93/94
Nisar A. Memon	-	1994/95
Tariq Ikram	-	1995/96

LIST OF SECRETARIES

Secretaries

R. Bell	
R. Stewart	
W. Nicol	1860-4
W.W. Beck	
J.W. Hill	
H. Jacob	
A.N. de Fleurimont	1864-68
Dan Mclver, Jr.	1868-69
G.T. Portlock	1870-81
W. Cooper (Acting)	1881-82
G.Y. Portlock	1882
Harry W. Brooks	1882-87
Stephen W. Anderson	1887-90
H.E. Fuller (Acting)	1890-91
Col A.C. Cory	1891-93
T.L. F. Beaumont	1894-95
C.H. Chetham	1895-1908
E.L.Rogers	1908-20
Major Alan Duguid, AFC, MLC	1921-31
H.M. Gomes (Acting)	1932-42
M. de Melo (Acting)	1943
H.J. Martin, MBE	1944-53
J.S. Lobo	1953-58
M. Nazir Mohiyuddin (Acting)	1958-59
A. Eumorfopoulos	1959-64
P.T. Ensor	1964-78
Salamat R. Rizvi	1978-90

Secretary General

Zahid Zaheer	1991-95

CIRCULAR NO. 03 / N-34

25th April, 1996

ALL MEMBERS : (HEAD OF FIRMS)

NOTICE OF 136TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 136th Annual General Meeting of the Members of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY will be held at the Registered Office, Chamber of Commerce Building, Talpur Road, Karachi 74000 on THURSDAY, 27TH JUNE 1996 at 11.00 a.m. to transact the following business :

01. To confirm and sign the Minutes of the 135th Annual General Meeting held on 11th April 1995.

02. To approve the Minutes of Extraordinary General Meeting of the Chamber held on 15th January, 1996.

03. To receive the report of the Managing Committee for the year 1995.

04. To pass the Audited Accounts for the year ending 31st December, 1995.

05. To appoint Auditors for the Chamber for the year 1996 and to fix their remuneration.

06. To receive report of the Scrutineers on the ballot for the election of Vice President, and 8 (Eight) Members of the Managing Committee and announce the results of the election.

07. Any other matter with the permission of the Chair of which due notice shall have been given as required under Article 26 of the Chamber's Articles of Association.

BY ORDER OF THE COMMITTEE

ZAHID ZAHEER
SECRETARY GENERAL

MINUTES of the 135th Annual General Meeting of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY held in the Council Hall of the Chamber at Chamber of Commerce Building, Talpur Road, Karachi on Tuesday 11th April, 1995 at 11 AM.

PRESENT IN PERSON

MR. NISAR A. MEMON (PRESIDENT)
(IBM SEMEA - PAKISTAN BRANCH)

MEMBERS

1.	ABBOTT LABORATORIES (PAKISTAN) LTD.	:	MR. KAMRAN Y. MIRZA
2.	AMERICAN EXPRESS BANK LTD.	:	MR. J. DENNIS DUNN
3.	ANZ GRINDLAYS BANK	:	MR. JULIAN SINGHA
4.	BANK OF AMERICA NT & SA	:	MR. S. ALI RAZA
5.	BANQUE INDOSUEZ	:	MR. MARC DUMETZ
6.	BLACKWOOD HODGE (PAKISTAN) (PVT) LTD	:	MR. M. A. SIDDIQUI
7.	BOC PAKISTAN LTD.	:	MR. S. A. HADI
8.	BOOTS PHARMACEUTICAL LTD.	:	MR. W. J. HARGAN
9.	BRINKS INCORPORATED	:	MR. TARIQ NASIM JAN
10.	BRISTON-MYERS SQUIBB PAK (PVT) LTD.	:	MR. ANJUM FASIH
11.	BROOKE BOND PAKISTAN LTD.	:	MR. MASHKOOR ALAM
12.	CITIBANK N.A.	:	MR. SHAUKAT TARIN
13.	COMMERCIAL UNION ASSURANCE CO. PLC	:	MR. MOIN M. FUDDA
14.	DADEX ETERNIT LTD.	:	MR. M. HANIF IDRESS
15.	DEUTSCHE BANK A.G.	:	MR. M. YOUNAS KHAN
16.	ENGRO CHEMICAL PAKISTAN LTD.	:	MR. SHAUKAT R. MIRZA
17.	EQUITY INTERNATIONAL (PVT) LTD.	:	MR. SAFDAR RASHID
18.	GESTETNER (PRIVATE) LTD.	:	MR. FUAD A. HASHIMI
19.	HABIB BANK AG ZURICH	:	MR. RASHEED AKHTAR
20.	HOECHST PAKISTAN LTD.	:	MR. K. M. AMINULLAH
21.	ICI PAKISTAN LTD.	:	MR. NASEEM S. MIRZA
22.	INSURANCE CO. OF NORTH AMERICA	:	MR. SYED UMER ALI SHAH
23.	ITOCHU CORPORATION	:	MR. K. OKADA
24.	JOHNSON & JOHNSON PAK (PVT) LTD.	:	MR. SHAMSHAD ALI
25.	M-I OVERSEAS LTD.	:	MR. M. R. MONEM
26.	MACKINNON, MACKENZIE & CO. OF PAK LTD		MR. S. H. A. BUKHARI
27.	ORIX LEASING PAKISTAN (PVT) LTD.	:	MR. HAMAYUN MURAD
28.	OTSUKA PAKISTAN LTD.	:	MR. MEHTABUDDIN FEROZ
29.	OXFORD UNIVERSITY PRESS	:	MS. AMEENA SAIYID
30.	PAKISTAN GUM & CHEMICALS LTD.	:	MR. MOHAMMAD SAFI VAHID
31.	PAKISTAN INTERNATIONAL COMPUTER LTD	:	MR. V. A. ABDI
32.	PAKISTAN PETROLEUM LTD.	:	MR. H. M. SOHAIL

33.	PHILIPS ELECTRICAL CO. OF PAK. (PVT) LTD.	:	MR. S. NASEEM AHMAD
34.	PHILIPS ELECTRICAL IND. OF PAK. (PVT) LTD.	:	MR. S. NASEEM AHMAD
35.	RECKITT & COLMAN OF PAKISTAN LTD.	:	MR. TARIQ IKRAM
36.	ROCHE PAKISTAN LTD.	:	MR. JAVED MIRZA
37.	SHELL PAKISTAN LTD.	:	MR. THOMAS V. HIGGINS
38.	SINGER PAKISTAN LTD.	:	MR. KAMAL SHAH
39.	SINGER SEWING MACHINE COMPANY	:	MR. KAMAL SHAH
40.	SMITH AND NEPHEW PAKISTAN (PVT) LTD.	:	MR. S. H. A. BUKHARI
41.	VOLKART PAKISTAN (PRIVATE) LTD.	:	MR. B. C. HAMILTON
42.	W. WOODWARD PAKISTAN (PVT) LTD.	:	MR. BRAIN JANJUA
43.	WELLCOME PAKISTAN LTD.	:	MR. MATIN KHAN

PRESENT BY PROXY

1. BANK OF TOKYO LTD.
2. BATA PAKISTAN LTD.
3. COMMONWEALTH DEVELOPMENT CORPORATION
4. DAWOOD HERCULES CHEMICALS LTD.
5. FAYSAL BANK LTD.
6. GEC AVERY (PRIVATE) LTD.
7. HONGKONG AND SHANGHAI BANKING CORPORATION LTD.
8. J & P COATS PAKISTAN (PVT) LTD.
9. JOHNSON & PHILIPS (PAKISTAN) LTD.
10. KELLER GRUNDBAU GmbH
11. LAKSON TOBACCO COMPANY LTD.
12. LEVER BROTHERS PAKISTAN LTD.
13. LEVER CHEMICALS (PRIVATE) LTD.
14. MASHREQBANK PSC.
15. MITSUBISHI CORPORATION
16. NATIONAL CARBON CO. PAKISTAN (PRIVATE) LTD.
17. NICHIMEN CORPORATION
18. NORWICH UNION FIRE INSURANCE SOCIETY LTD.
19. PAKISTAN TOBACCO COMPANY LTD.
20. PHARMATEC PAKISTAN (PVT) LTD.
21. PROCTER & GAMBLE PAKISTAN (PVT) LTD.
22. RALLI BROTHERS & CONEY
23. RHONE-POULENC (PVT) LTD.
24. RHONE-POULENC CHEMICALS (PRIVATE) LTD.
25. ROYAL EXCHANGE ASSURANCE
26. ROYAL INSURANCE PLC
27. SCHERING ASIA GmbH - PAKISTAN BRANCH
28. TEAM S. A. (LUXEMBURG)

The meeting opened with a short recitation from the Holy Quran. The President, Mr. Nisar A. Memon addressed the meeting as follows:

QUOTE

Lady & Gentlemen,

" I welcome you to the 135th Annual General Meeting of the Chamber. In addition to 44 members present in person, we have received 28 proxies from members as prescribed in Article 36 of the Chamber's Articles of Association. We constitute the necessary quorum prescribed under Article 31 to proceed to transact business on the Agenda. The Notice convening the meeting having already been circulated, I propose be taken as read.

The first item on the Agenda is to confirm and sign the Minutes of the 134th Annual General Meeting held on 12th April, 1994 at 11:00 AM. These have already been circulated to all members and if there are no comments I propose that these be taken as confirmed. "

" Minutes of Extraordinary General Meeting held on September 4, 1994 at 11.00 AM have also been circulated to all members, and have been in your hands for some time. I propose that these be also taken as read and if there are no comments, I wish to confirm them. I will now sign both these Minutes."

" The third item on the Agenda is to receive your Committee's Annual Report for the year 1994. *My own review and the Committee's report have already been circulated to you. I* will be pleased to answer any question arising therefrom, and now invite discussion. "

UNQUOTE

Since there were no questions forthcoming, the President PROPOSED that the Report of the Committee for the year 1994, as circulated to members BE ADOPTED.

RESOLUTION

"THAT THE REPORT OF THE COMMITTEE FOR THE YEAR 1994 AS CIRCULATED TO MEMBERS, BE AND IS HEREBY ADOPTED".

(Proposed by the Chair and Seconded by Air Commodore (Rtd.) V. A. Abdi, SJ SI(M), was carried unanimously).

President said that :

The next item on the Agenda is to consider the audited accounts for 1994. Copies of these were already with the members. The President offered to reply any questions related to the accounts. As there were no questions, the President requested a member to PROPOSE the adoption of the accounts for the year ended 31st December, 1994 and another member to SECOND the Resolution.

RESOLUTION

"THAT THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1994 BE AND ARE HEREBY ADOPTED".

(Proposed by Mr. Shaukat Tarin and seconded by Mr. Julian Singha, was carried unanimously).

President stated that :

The fifth item on the Agenda was to consider appointment of Auditors for the year 1995. The present Auditors M/S A. F. Ferguson & Co. offer themselves for re-election at an increased fee of Rs.20,000/- per annum. President requested a member to PROPOSE and another member to SECOND the following Resolution.

RESOLUTION

"THAT MESSERS. A. F. FERGUSON AND COMPANY BE AND ARE HEREBY RE-APPOINTED AS AUDITORS FOR THE YEAR 1995 at a fee of RS. 20,000 PER ANNUM".

(Proposed by Mr. Moin M. Fudda and seconded by Mr. M. Younas Khan, was carried).

President continued :

The sixth item on the Agenda is to record the election of the President, Vice President and Eight other Members of the Managing Committee for the year 1995 and to receive Scrutineers Report on the election.

The President stated that there was no election for the position of the Vice-President, and MR. THOMAS VICTOR HIGGINS, being the only candidate, stands elected.

He further stated that this year elections were held for the post of President and for Eight Members of the Managing Committee.

Mr. Ahmad Mahmud and Mr. Brian C. Murphy were kind enough to act as Scrutineers this year and he thanked them both for having rendered this service.

The President opened the envelopes and read the Scrutineers Reports on the result of the Ballot.

The following were declared elected :

PRESIDENT :	**MR. TARIQ IKRAM**
MEMBERS OF THE MANAGING COMMITTEE (in alphabetical order)	MR. S. NASEEM AHMAD MR. TARIQ MOHAMMED AMIN MR. MOIN M. FUDDA DR. M. S. HABIB MR. M. YOUNAS KHAN MR. SYED ALI RAZA MR. I. S. SANGSTER MR. SHAUKAT TARIN

The President stated that he would take this opportunity to congratulate all the Members, who have been elected to serve on the Managing Committee, and to thank those who have not been successful, for the interest they have shown in the affairs of the Chamber.

Fax letter received from Vice-President, Mr. Bilal Qureshi regretting his inability to attend today's meeting and congratulating the successful candidates, was read out.

President continued :

The Seventh item on the Agenda is to consider the Ordinary Resolution proposed by the Managing Committee, notice of which alongwith the Resolution dated 15th February 1995 has already been circulated to members.

President informed the house that the committee proposes to open a REPRESENTATIVE OFFICE IN ISLAMABAD. Circular No. 72 dated 28th March 1995 on the subject of Representative Office in Islamabad has been in the hands of members and he invited discussions in this matter. Several members took the floor and expressed their views on the opening of the office in Islamabad. After considerable discussion in the matter the President proposed the following resolution.

RESOLUTION

" RESOLVED that the members support in principle the concept of Chamber to have representation in Islamabad, and leave it to the new Managing Committee to decide upon the modus operandi after considering all the options available. "

The above Resolution was carried with a show of hands with 26 members in favour and 09 against. "

President also moved that the Resolution proposed by the Committee about increase in subscription as circulated, be adopted. He requested another member to SECOND this resolution.

" RESOLVED that under the powers given to members of the Chamber under Article 11(a) of the Chamber's Articles of Association, the under mentioned Annual Subscription shall be payable by Ordinary Members of the Chamber with effect from 1st July 1995 :

TOTAL NUMBER OF EMPLOYEES	ANNUAL SUBSCRIPTION
Upto 100 employees	Rs. 12,375.00
From 101 to 300 employees	Rs. 19,800.00
Over 300 employees	Rs. 33,000.00

NOTE : For the current year only 50% of the proposed revision shall be applicable. "

(Proposed by the Chair and seconded by Mr. Brian Janjua, was carried by a show of hands with 32 members voting in favour and 06 against.)

The President continued :

The last item on the Agenda is to discuss any other business for which due notice should have been given. President informed the meeting of the letter received from a member company M/s W. Woodward Pakistan (Private) Ltd., stating their intention to raise the matter of Membership of Three Companies which were earlier on delisted. The Preisent invited the Member Company to take the floor.

The member wished to know the status of Membership of the following three companies :

1. Pakistan Cables Ltd.
2. General Tyre & Rubber Co. of Pakistan Ltd.
3. Exide Pakistan Ltd.

President informed the meeting that the three companies were delisted from the Membership in March 1994, but the Managing Committee in Meeting No. 13 held on 30th January 1995 decided to grant the benefit of the immunity clause and restore the Membership of the three companies, subject to obtaining a legal opinion in the matter. Legal opinion of Orr, Dignam & Co. was obtained, and extracts were read out at the Annual General Meeting.

The meeting decided that the decision of the Managing Committee to restore the Membership of the three companies be ratified and the three companies be restored to the Membership of the Chamber upon payment of the appropriate fees.

Before closing the meeting President invited Mr. Tariq Ikram, the President and Mr. Thomas V. Higgins, Vice-President elect to say a few words.

Mr. Tariq Ikram, the INCOMING PRESIDENT thanked the members for the confidence reposed in him. He emphasised the need to build upon the good track record of the Chamber and uphold its traditions. He also emphasised the need to understand the parameters and limitations within which national development was taking place and to ensure a 'partnership' with the business and government in the current process of socio economic transformation. He focussed upon the effective role that this Chamber would play in representing the interests of its members and hoped to be able to catalyse a strengthening of the Chamber's image and credibility amongst its members.

The INCOMING VICE-PRESIDENT, Mr. Thomas V. Higgins also expressed similar sentiments and thanked members fro electing him unopposed.

The President desired and stated that the record of the election, be sent to the Scrutineers for destruction, after the lapse of a suitable period.

Mr. Naseem S. Mirza proposed a vote of thanks to the outgoing President, Vice-President and Committee Members.

The business of the Annual General Meeting having finished, President requested members to join him for tea.

ZAHID ZAHEER
SECRETARY GENERAL

23rd January 1996

MINUTES of the Extraordinary General Meeting of the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY held on Monday, 15th January 1996 at 12 Noon at the Marriott Hotel, Karachi.

PRESENT IN PERSON
Mr. Tariq Ikram (President)
(RECKITT & COLMAN OF PAKISTAN LTD.)

MEMBERS

1.	AMERICAN EXPRESS BANK LTD.	Mr. Jamil Iqbal
2.	ANZ GRINDLAYS BANK PLC	Mr. Azhar Hamid
3.	ATTOCK CEMENT PAKISTAN LTD.	Mr. Khalid A. Ghazi
4.	ATTOCK OIL COMPANY LTD.	Mr. Babar Bashir
5.	BANK OF AMERICA NT & SA	Mr. Nauman Dar
6.	BANQUE INDOSUEZ	Mr. Zakir Mahmood
7.	BASF PAKISTAN (PRIVATE) LTD.	Mr. Eric Jannssens
8.	BATA PAKISTAN LTD.	Mr. Farooq Ahmad
9.	BAYER PHARMA (PRIVATE) LTD.	Mr. F. J. Witasek
10.	BRISTOL-MYERS SQUIBB PAK (PVT) LTD.	Mr. Ausaf Ali Qureshi
11.	CITIBANK N.A.	Mr. Sajjad Razvi
12.	COMMERCIAL UNION ASSURANCE CO. PLC	Mr. Moin M. Fudda
13.	DADEX ETERNIT LTD.	Mr. Sikander Dada
14.	EMIRATES BANK INTERNATIONAL LTD.	Mr. Clive A. Sheward
15.	EQUITY INTERNATIONAL (PVT) LTD.	Mr. Safdar Rashid
16.	GESTETNER (PRIVATE) LTD.	Mr. F. A. Hashimi
17.	GILLETTE PAKISTAN LTD.	Mr. Amar Sferi
18.	GLAXO LAB. WELLCOME PAKISTAN LTD.	Mr. A. J. Anjum
19.	HABIB BANK AG ZURICH	Mr. Naz Alvi
20.	HINOPAK MOTORS LTD.	Mr. Hasan Irshad
21.	HUB POWER COMPANY LTD.	Mr. D. M. Woodroffe
22.	IBM SEMEA	Mr. Nisar A. Memon
23.	ICI PAKISTAN LTD.	Mr. Khalid B. Osmany
24.	INSURANCE CO. OF NORTH AMERICA	Mr. S. Umer Ali Shah
25.	LEVER BROTHERS PAKISTAN LTD.	Mr. I. S. Sangster
26.	LUCAS SERVICE PAKISTAN (PVT) LTD.	Mr. K. M. Saeed
27.	MACKINNON MACKENZIE & CO. OF PAKISTAN	Mr. S. H. A. Bukhari
28.	MASHREQBANK PSC	Mr. M .H. Khokhar
29.	MERCK SHARP & DOHME OF PAK LTD.	Mr. Shamshad Ali
30.	M-I OVERSEAS LTD.	Mr. M. R. Monem
31.	OTSUKA PAKISTAN LTD.	Mr. Mehtabuddin Feroz
32.	OXFORD UNIVERSITY PRESS	Ms. Ameena Saiyid
33.	PAKISTAN INTERNATIONAL COMPUTER LTD.	Air Comm. (Rtd) V. A. Abdi

34. PAKISTAN PETROLEUM LTD.	Mr. H. M. Sohail
35. PAKISTAN TOBACCO CO. LTD.	Mr. J. B. Stevens
36. PARKE, DAVIS & COMPANY LTD.	Mr. S. M. Sarwar Ali
37. PROCTER & GAMBLE PAK (PVT) LTD.	Mr. Sadd A. Khan
38. RHONE-POULENC CHEMICALS (PVT) LTD.	Mr. Munawar Hussain
39. SHELL PAKISTAN LTD.	Mr. Thomas V. Higgins
40. SIEMENS PAK ENGINEERING CO. LTD.	Mr. Daud Ansari
41. SMITH & NEPHEW PAK (PVT) LTD.	Mr. Rehman Ghani
42. W. WOODWARD PAKISTAN (PVT) LTD.	Mr. Brian Janjua

PRESENT BY PROXY

1. CIBA-GEIGY (PAKISTAN) LTD.
2. GEC AVERY (PVT) LTD.
3. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
4. ITOCHU CORPORATION
5. KELLER GRUNDBAU GMBH
6. LAKSON TOBACCO CO. LTD.
7. NEW HAMPSHIRE INSURANCE CO.
8. NORWICH UNION FIRE INSURANCE CO.
9. PHARMATEC PAKISTAN (PVT) LTD.
10. ROCHE PAKISTAN LTD.
11. ROYAL EXCHANGE ASSURANCE
12. ROYAL INSURANCE PLC
13. STARPAK GROUP (PVT) LTD.

The President welcomed Members to the Extraordinary General Meeting of the Overseas Investors Chamber of Commerce & Industry. He stated that in addition to 43 Members present in person, we have received 13 proxies from Members as prescribed in Article 36 of the Chamber's Articles of Association. We, therefore, constitute the necessary quorum prescribed under Article 31 and can proceed to transact the business on the Agenda.

He informed the Members that at a meeting of the Managing Committee held on Wednesday 29th November, 1995 it was decided that a Special Resolution to amend the Articles of the Chamber be moved. Consequently the proposed changes were circulated to members vide Chamber Circular No. 243 dated 17th December, 1995. He also said that the Notice of the Extraordinary General Meeting dated 21st December, 1995 had already been circulated and proposed that it be taken as read. The proposal to change the Articles are documented in this notice.

President then invited discussion on the proposal. Mr. D. M. Woodroffe (Hub Power Company) enquired about the next election. Ms. Ameena Saiyid (Oxford University Press) expressed apprehension about getting a quorum at the Annual General Meeting if it was held in June. Vice President explained the need to change the Annual General Meeting to June, so as to extend the term of the Committee to coincide with the closure of the financial year.

Mr. Nisar Memon (IBM) enquired why venue of today's meeting was not the Chamber's premises and the need to hold meeting in a Hotel. He took exception to the change and did not agree with the Committee's decision. He suggested that Members views be solicited in this matter. The President asked the Members present to express their views. After hearing the members views, the President concluded that whenever possible venue of the meeting shall be the Chamber's own premises. Mr. Memon also opposed the proposed change and said that rules need not be changed, the conventions and traditions to be followed without changing the rules. He did not think that the Committee had given sufficient attention to this matter.

Several other Members spoke. Mr. Hasan Irshad (Hinopak), Mr. Moin Fudda (Commercial Union), Mr. V.A. Abdi (Pakistan International Computers) did not agree with the views expressed by Mr. Nisar Memon. They were all of the view that traditions and conventions should be protected and backed by rules. Mr. Nisar Memon sought permission to leave the meeting because of the bereavement of a friend, but asked for his views to be recorded.

Mr. H. M. Sohail (Pakistan Petroleum) suggested that the Vice President be renamed as the President Elect. Mr. M. R. Monem (M-I) supported ths suggestion. President explained that this calls for changes in many more Clauses of the Articles of Association. Mr. H. M. Sohail then withdrew his proposal. Mr. H. M. Sohail also suggested that the wording of the opening paragraph of the Resolution sounds very negative and this be reworded.

Several members spoke about the need to modify last proviso of Article 14(i) and expressed the view that a Vice President elected by the Committee should offer himself for election from among all the Members.

The President then asked for a show of hands for those who were <u>not in favour of changing the Election Rules in support of the traditions.</u>

There was none not favouring the change, except Mr. Nisar Memon who had earlier wished to be recorded as not in favour of the change. The vote for the change of rules was carried with all present in favour and Mr. Nisar Memon against.

The President then tabled the following Special Resolution for vote :

<u>Quote</u>

"RESOLVED as a Special Resolution that the existing Article 14 be and is hereby deleted and the following be substituted in place thereof:

"14 ELECTION OF COMMITTEE

The President will hold office for 1 Year. The retiring Vice President shall succeed to the office of the President. The Vice President and the eight members of the Committee shall be elected by ballot from amongst all the members of the Chamber before the Annual General Meeting of the Chamber in accordance with the following procedure :

(i) Not less than one month before the Annual General Meeting the Ordinary members shall be requested in writing to submit to the Secretary in writing the names of their representatives, if any, who are eligible and willing to serve as Vice President or a Member of the Committee for the ensuing year. Provided that the name of any such person may be withdrawn at any time before the issue of ballot paper.

Provided further that no Ordinary member shall be eligible to stand for election for more than one position.

Provided further that no member can hold the office of President or Vice President for more than one year.

Provided further that no member of the Managing Committee including the President and Vice President will be eligible to serve on the Managing Committee for more than THREE years in succession.

Provided further that the Vice President if elected in the third year of his membership on the Managing Committee shall have one extra year to serve on the Committee i.e. as President.

Provided further that no person who has been on the Committee for less than one year shall be eligible to contest for the post of Vice President.

Provided further that should the Vice President resign during his term of office, there shall be an election by ballot amongst all Members within 30 days for the position of the Vice President.

(ii) The ballot for the above two positions will be opened and closed at the same time and on the date fixed by the Committee not later than the date of the Annual General Meeting.

(iii) Previous to the date fixed for the opening of the ballots the Secretary shall send to each Ordinary Member the list of names of the candidates, who are eligible and willing to stand for election as Vice President and the eight other Members of the Committee respectively, and shall state the date on which the ballot will be opened and closed. No accidental error or omission in such list and no accidental omission to send such list to any Ordinary Member shall in any way invalidate the result of the ballot.

(iv) Signed voting papers shall be sent to the Secretary, and will be received up to the end of the published office hours of the Chamber on the date fixed for the closing of the ballot boxes, which shall be opened by two scrutineers appointed by the Committee who will communicate the result of the ballot in writing to the Secretary.

(v) In the event of an equality of votes preventing the due election of any Candidate, members shall vote afresh by ballot in respect of the candidates who have received equial number of votes.

(vi) The term of office of the Committee shall expire on 30th June each year. The new committee shall take office on 1st July each year. The Annual General Meeting of the Members shall be held at the end of June each year".

UNQUOTE

The Resolution was voted upon by a show of hands and carried.

In favour - all present
Against none

After the vote there was discussion as to when the changes would be effective. A question was asked if Mr. T. V. Higgins was an elected Vice President. Mr. T. V. Higgins, Vice President stated that he does not wish to be the beneficiary of these changes and he would be quite happy to offer himself for election for the position of the President for the next term. Members expressed the view that this was not necessary as he was an elected Vice President and appreciated the gesture from Mr. T. V. Higgins.

The business of the Extraordinary General Meeting been concluded, the President declared the meeting closed.

ZAHID ZAHEER
SECRETARY GENERAL

PRESIDENT'S REVIEW
1995

It is my pleasure to welcome you all to the 136th Annual General Meeting of the Chamber on behalf of myself, the managing committee and the secretariat of your Chamber.

The year has just flown past. I sometimes wonder if the period of one year for the President is really sufficient. At the same time, when I look back and take stock of the time management, stamina and efforts required to do a thorough job, I feel confident that at least I would not be able to do full justice for a longer period! This should not be so and reflects a weakness in the structure and process of management current in the Chamber. More of this later.

The year that has gone by saw many changes by the Government in the fiscal policy. These were aimed at meeting the macro economic targets set for the country significantly encouraged by the IMF and World Bank. The devaluation of the Rupee in October, 1995 and the imposition of the regulatory duty on all imports, soon after the Federal Budget came as a surprise to business and industry and contributed to increased inflation. As the Government attempted to tighten monetary expansion, the private sector got crowded out and escalation in interest rates occurred simultaneously.

These measures produced difficult business conditions which together with the continuing unsatisfactory law and order situation in Karachi, adversely effected trading and eroding business confidence. Investments levels will pick up if business confidence grows. Businessmen look for predictability and that is what needs to be created.

For your Chamber this year has also been one of significant initiatives. As a review I would see the Agenda as follows:

Review of the structure
Enhancement of the Image
Strengthening Communications
Re-directing government and business relationship
Managing the day to day issues

Let me take you through the salient features of the above.

Review of the structure

Vision / Mission

A clear macro direction updated with time is vital to any organization. With liberalization and deregulation and the need for Pakistan to accelerate the growth of foreign direct investment the Vision and Mission of the Chamber were revisited. These are also documented separately in the report.

Strengthening the Sub-Committees

The means available for the Chamber to play an effective role are its Sub Committees. An attempt was made to revitalize these. This meant establishing for the first time a clear Vision and Mission of the Sub Committees. The committees were empowered to take up issues directly and address these. I must admit that this met with partial success but most Sub Committees did provide the cutting edge support. In the Sub Committees eighty five representatives of our members were inducted, in addition to the members of the Managing Committee, to be able to increase the voice level of all members.

Establishing a Data Base

An accurate and updated data base is vital to efficient functioning of the Chamber. Last update had been done in 1992. This was updated early in 1995.

Greater interaction with Members, local and World bodies

Soon after I assumed office of the President in April, 1995 I represented the Chamber at the Private Sectors Investment Conference in Paris. This was organised by the World Bank. Details of this conference appear in the report. I have also recently represented your Chamber again at the Private Sector Investment Conference in Paris, which has just finished in April, 1996. These were excellent opportunities to make the presence of the OICCI recognized.

Earlier in December 1995 we also took the initiative to invite the Consul Generals of foreign missions located in Karachi to project the activities of the Chamber. We were indeed surprised when the Consulate of Korea and a couple of others indicated that they were not aware of the OICCI's existence.

We also had the pleasure to invite the Governor of Sindh, Mr. Kamaluddin Azfar for a Luncheon meeting in October 1995 at the Chamber's premises.

All meetings were open and purposeful and evoked frank discussion and created a better appreciation of the role of your Chamber. Press was not invited to any of these sessions.

Enhancement of the Image

The image of a Chamber is based on the nature of its activities and how its members, government and the world value its contribution. The Chamber is held in high esteem by the government for its ethics and sagacity of views and management expertise. This is unlike India where the foreign investors are in some ways even looked down upon. This is excellent and fertile ground to build upon and their is a lot more we can do to further strengthen our position. A modest improvement was made by ensuring participation, significant interaction and achieving membership of various committees formed by the government. For example, I represented the Chamber twice in Paris as said above, in the Environmental Committee, in the Resource Generation Committee, in Committees set up to review NEQSs, for review of Sales Tax, for generation of exports, etc. This is in addition to the usual representation on the Board of KESC, PIM, etc.

Some of the other relatively minor but important improvements in support of the image were the change in our stationery design. This has been modernized retaining continuity and tradition. The OICCI logo has been placed in the reception area, the air-conditioning has been authorized for replacement, the display of the photographs in the hallway being improved and the OICCI brochure has been redesigned to give the Chamber and its Sub Committees greater recognition.

We believe that the image of the Chamber has been further enhanced by undertaking the activities described above.

Strengthening Communications

One of the weaknesses in the Chamber as reflected by the 'corridor conversations' was that members were not fully aware of the efforts being made by the Chamber. This left the impression of a Chamber not as effective as it could be. To create such awareness we have initiated newspaper supplements in March, April and May 1996 which many of you will have read. Also as some of you may have noticed the communications to our members of 'what is going on' have increased. We also started a monthly meeting of all members to loud think issues an d developments. One such meeting was held on the eve of the departure of Mr. Shaukat Tarin from Pakistan. Unfortunately we could not hold more of these and that is one of the reasons for the need to strengthen our secretariat.

To further strengthen the communications and support to our members we attempted to make prompt responses to our member queries and problems. Some examples that stand fresh in my mind are those of Mobile Phones, Sales Tax issues, Import Duties levied on Books, Environmental matters, certain Corporate issues, relaxation in rules of Work Permit for Expatriates working, in the country, etc.

Re directing and Aligning Government and Business Relationship 'Partnership for GROWTH'

Whilst the OICC&I has always recognized the need to foster improved relationship between the Government and the Private Sector, this effort has now assumed a significant and enhanced dimension. The liberalization of controls and regulations now requires the OICC&I to develop relationship, much less to interact with the government to manage the regulatory issues and more to facilitate the 'Creation of a Future Together'. To this end the theme adopted by the OICC&I for the year is 'Partnership for Growth'. However before a true Partnership can be achieved to synergise progress, the mind sets paradigms must be aligned.

In November, 1995 I took the initiative of addressing the Finance Secretary on the above theme. Culminating out of this was the Workshop in Bhurban in March, 1996 titled 'Creating a Future Together'. This Workshop was attended by 9 top officials of the Central Board of Revenue and the Corporate Law and Monopoly Control Authority and 20 Senior Representatives of Multinational Companies. The event was conducted by world renowned Professors Jack and Carol Weber.

To inaugurate this Workshop in March, 1996 at Islamabad, in which Mr. Makhdoom Shahabuddin, Minister of State for Finance was present, we invited foreign diplomats stationed in Islamabad and important government functionaries. This workshop was a great success and apart from providing learnings in management, served as a useful tool for a real paradigm shift and a real mind set change. I know that Mr. Tom Higgins is equally enthusiastic about pursuing this theme and further events are planned in 1996 and beyond. The Chamber must facilitate over the next two to three years, achieving a firm bonding and alignment between say a 100 government officials and say 200 senior MNC executives. The synergy and energy would be of tremendous mutual benefit.

Managing the day to day issues

As a first step towards this end, I led a seven member delegation to meet the Finance Secretary and other members of the Government in Islamabad in the month of May, 1995. An audio visual presentation was made in which members of the Central Board of Revenue also participated and the OICC&I

successfully demonstrated how these proposals will benefit the Government's policy and national economy. Several of the suggestions made at this meeting were reflected in the Budgetary changes that followed.

The Chamber's proposals for the Federal Budget and the trade policy are contained in the report. The Chamber of course as usual did participate in the Advisory Council Meetings of the Ministry of Finance and Ministry of Commerce convened to discuss the 1995/96 Budget proposals.

The Chamber's view on the 1995/96 budget were duly released in the form of a press release on 15th June, 1995 and this can be seen in the report. On 25th July a Chamber's delegation visited Islamabad and met the Chairman, Central Board of Revenue and other Ministers to discuss the ramifications of the Federal Budget.

Every effort was made to assist our various members in addressing the issues that they faced. In many cases this meant my taking special trips to Islamabad. Some were successful and it is for the 'customers' of the Chamber to say if they found these helpful or not.

There are a few thoughts that I would like to leave for the Members and the new Managing Committee.

Research

As we all know the days of making half baked proposals are gone. Such proposals infact undermine the credibility of the Chamber. We must pursue the setting up of a research cell in the Chamber with outside specialist support to work on issues during the year and come up with well worked out proposals in support of what the sub committees are pursing.

Sub Committees

The Sub Committees must become significantly more active to share the workload more evenly which in turn would make the Chamber more effective.

Secretariat

Our Secretariat needs to be strengthened to provide more active, fast and proactive support to the Sub Committee.

Pharma Bureau

The issue of the Pharma Bureau, if it remains unresolved by the AGM in June 1996 must be firmly resolved. The exposure of the OICC&I in this respect is *unacceptably high*.

In the end I wish to express my deepest gratitude and thanks to all Members of the Managing Committee for their support, help and guidance in steering the Chamber through a difficult period and one where a change in direction was being made. Partnership for Growth was a radical concept and it did need a new Paradigm. Mr. Ben Stevens and Mr. Martin Sulger during the course of the year were coopted to serve on the Managing Committee and I wish to acknowledge their contribution and thank them for their support. I would also like to record my sincere appreciation and thanks to Mr. Khalid Rafi of A. F. Ferguson & Company for providing advice and active support specially on matters relating to the change of Income Year announced by the Government.

I would also like to thank and acknowledge the efforts made and support provided to me by the Chairmen and Co-Chairmen and Members of the various Sub Committees. Without this help the Chamber can never be effective.

Many of you must be aware that in January, 1996 at an Extra Ordinary General Meeting, the Articles of Association of the Chamber were changed to limit the office of the President to a one year term. I will now be stepping down and as per the revised Articles, the Vice President, Mr. T. V. Higgins succeeds me as your new President. I would like to congratulate him on this appointment and wish him and the Chamber under his able leadership all success. I also congratulate all those who have been elected to the Managing Committee and beseech them to give their best support to the Chamber. This Country has great potential and it is our moral and professional responsibility to contribute to its rapid development. The forum of the OICC&I is a great opportunity to do this.

I thank all of you, and those Members who are not present here today, for providing me and the Chamber their support. Unless you come up with responses to queries, carefully worked out examples and proposal the Chamber will remain insufficiently effective. Its your input for your benefit!.

I also wish to thank Mr. Zahid Zaheer, Mr. Mohammad Aslam and all Members of the Staff of the OICC&I Secretariat for their dedication, some of whom have indeed worked beyond the call of duty.

TARIQ IKRAM

REPORT OF THE COMMITTEE OF THE OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

FOR THE YEAR 1995

THE MANAGING COMMITTEE SUBMITS TO MEMBERS THEIR ANNUAL REPORT UPON THE MORE IMPORTANT SUBJECTS DEALT WITH BY THE CHAMBER DURING THE YEAR ENDED 31ST DECEMBER, 1995.

REPORT OF THE COMMITTEE
FOR THE YEAR 1995

INDEX

REPORT OF THE COMMITTEE
FOR THE YEAR 1995

INDEX - (Continued)

PAGE

CHAMBER
MANAGING COMMITTEE

▸ MANAGING COMMITTEE

At the 135th Annual General Meeting of the Chamber held on Tuesday, 11th April 1995, the following were elected :

PRESIDENT	MR. TARIQ IKRAM
VICE PRESIDENT	MR. THOMAS VICTOR HIGGINS
MEMBERS OF THE MANAGING COMMITTEE	MR. S. NASEEM AHMAD MR. TARIQ MOHAMMED AMIN MR. MOIN M. FUDDA DR. M. S. HABIB MR. M. YOUNAS KHAN MR. SYED ALI RAZA MR. I. S. SANGSTER MR. SHAUKAT TARIN

▸ CHANGES IN THE MANAGING COMMITTEE

During the course of the year several members of the Managing Committee were granted leave of absence and Messrs. M. Sulger, and J. B. Stevens were co-opted to fill leave vacancies on the Managing Committee. Mr. Shaukat Tarin on being transferred resigned from the Managing Committee in November, '95.

▸ SUMMERY OF ACTIVITIES OF THE MANAGING COMMITTEE 1995

• Mr. V.A. JAFAREY'S VISIT TO THE CHAMBER

Mr. V.A. Jafarey visited to the Chamber on 7th February, 1995. A gist of the discussions of the meeting can be seen in the Aide Memoire attached in Appendix '1'.

• VISION & MISSION STATEMENT.

The following was adopted as a Vision / Mission statement :

VISION:

Promote and protect the business interestes of foreign investors engaged in Commerce & Industry, in Pakistan.

MISSION IS TO:

1. Interface with the Government of Pakistan to help develop a positive business environment which would encourage existing and new foreign direct investment, leading to the development of the economy of Pakistan.

2. Uphold business ethics and establish just and equitable principles in trade.

3. Ensure that all members views are heard.

4. Work towards the removal of regulatory inequities which create uneven playing fields.

5. Act as a forum to provide information and advise to potential investors, including trade delegations, etc.

- **CHAMBERS REPRESENTATION AT PRIVATE SECTORS INVESTORS CONFERENCE HELD AT PARIS ON APRIL 21, 1995.**

Mr. Tariq Ikram, the President, attended the World Bank sponsored Private Sectors Investors meeting held at Paris on April 21, 1995. A summry of the meeting can be seen in Appendix '2'.

- **CHAMBER'S REPRESENTATION - Advisory Council for Ministry of Finance**

A meeting of the advisory Council for Ministry of finance to discuss proposals for the forthcoming Federal Budget was held at Islamabad on 19th March 1995. The Secretary General represented the Chamber in the meeting. A copy of his remarks, delivered in the meeting in support of the proposals sent earlier, can be seen in Appendix '3'. The budget proposals can be seen in Appendix '4'.

- **ADVOCATING THE PROPOSALS FOR THE FEDERAL BUDGET 1995-96**

The following accompanied the President to the meeting with Finance Secretary at Islamabad on 28th May to advocate to the Government of Pakistan the Chamber's Budget proposals:

Mr. Naseem Ahmed
Mr. Tariq Amin
Mr. Munawar Hamid
Mr. Fuad Hashimi
Mr. Younas Khan
Mr. Ian Sangster
Mr. Zahid Zaheer

Officials of CBR and Ministry of Commerce were present at this meeting. A formal presentation was made.

- **CHAMBERS REPRESENTATION IN SECOND MEETING OF THE ADVISORY COUNCIL OF THE MINISTRY OF FINANCE.**

The Second Advisory Council meeting of the Ministry of Finance was held at Islamabad on 17th May, 1995. The Secretary General attended the meeting on behalf of the Chamber. A summarised note on the proceeding of the meeting can be seen in Appendix '5'.

- **CHAMBERS REPRESENTATION IN THE ADVISORY COUNCIL MEETING OF THE MINISTRY OF COMMERCE AT ISLAMABAD.**

Mr. Shaukat Tarin representing the Chamber attended the meeting of Advisory Council of the Ministry of Commerce held at Islamabad on 2nd May, 1995. The draft proposal of the Chamber of the Trade Policy of 95-96 was tabled for discussion. Chambers proposals can be seen in Appendix '6'.

- **CHAMBERS PRESS RELEASE ON FEDERAL BUDGET 1995-96.**

Commenting on the Federal Budget, a Press Release on 15th June, 1995 was issued. Details can we seen in Appendix '7'.

- **RAMIFICATION OF FEDERAL BUDGET FOLLOWED BY A MEETING WITH CHAIRMAN CBR**

Mr. Tariq Amin, member of the managing committee led a delegation to discuss issues related to Tax and Finance Act 1995, with Mr. Alvi Abdul Rahim, Chairman, Central Board of Revenue at Islamabad on 25th July, '95. Outcome of the meeting can be seen in Appendix '8'.

- **CHAMBER DELIBERATIONS IN MONOPOLY CONTROL AUTHORITY CONFERENCE AT ISLAMABAD**

On behalf of the Chamber, the Secretary General was asked to attend the above conference held at Islamabad on 7th December, 1995.

The comments made on this occassion can be seen in Appendix - '9'.

- **INFORMAL LUNCH MEETING WITH OICC&I MEMBERS**

On 3rd December, 1995 an informal lunch meeting with OICC&I Members was held to exchange information and invite suggestions. This meeting also bid farewell for

Mr. Shaukat Tarin who has so ably led the Banking Sub Committee and served on the Managing Committee for two years.

- **VISITORS TO THE CHAMBER**

JANUARY 26, 1995 - VICE PRESIDENT OF WORLD BANK.
Mr. Hiroo Fukui, Vice President, Co-financing and financial advisory services of World Bank, Washington, paid a visit to the Chamber, accompanied by Mr. Philippe Nouvel, Chief Resident Mission, Islamabad.

President briefed them on the investment environment in Pakistan and discussed measures needed for further enhancement.

MARCH 21, 1995 - ASSISTANT SECRETARY TO AUSTRALIAN GOVERNMENT
Mr. John G. W. Oliver, Assistant Secretary, Department of Foreign Affairs and Trade, Govt. of Australia, Canberra, along with Mr. Ian Mc Cenville, Second Secretary of the High Commission of Australia in Islamabad called on the Chamber. The President and Secretary General briefed them about the investment climate in Pakistan.

MARCH 28, 1995 - DELEGATION FROM KOMPLEK KEWANGAN MALAYSIA BERHAD
A two man delegation consisting of Mr. Abdul Wahid Oman, Head Corporate Services and Mr. Abdul Hamid Sh. Mohammed Senior manager of above organization from Kualalumpur paid a visit to the Chamber alongwith Mr. A. Razak Adamjee, Director of Adamjee Group of companies, Karachi. The delegation discussed the investment environment in Pakistan with the President. (Mr. Nisar A. Memon)

APRIL 6, 1995 - REPRESENTATIVE OF DANISH NEWS PAPER
Ms. Lise Tajik representing Danish Newspaper "BERLINGSKE TIDENDE" of Coppenhegen, paid a visit to the Chamber and had discussion with the Secretary General, on Investment Opportunities in Pakistan.

MAY 7, 1995 - REPRESENTATIVE OF PSI COMPANIES.
In connection with the persistent complaints of members of the Chamber, a meeting was arranged with the following representatives of the two PSI Companies with the Secretary General.

Representing SGS. SA

1. Mr. Michael Lysewyez,	Executive Manager
2. Mr. Michael Worrow,	Operation Manager

Representing Cotecna Inspection S.A.

1. Mr. J. H. Moffet	Vice President
2. Mr. John A. Broadhurst	Manager

The Complaint of eight members of the Chamber was discussed. PSI companies agreed to address the complaints brought to their attention. Mr. Lysewyez of SGS was requested to meet with Mr. W.S. Zerr and Mr. Zafar Mooraj for the Complaints relating to the members of Pharma Group.

July 7, '95 - Consul General of Switzerland
Mr. Alexender Kabli, Consul General of Switzerland called on the President of the Chamber and discussed matters of mutual interest.

August 28, '95 - Representative of European Union
Mrs. Jeannette G. Hasan - Economist and one of the members of the delegation of the European Commission to Pakistan, along with Mr. Kaisar Shakeel of the European Union Office in Islamabad paid a visit to the Chamber and discussed matters of mutual interest with the Secretary General.

September 14, '95 - Minister Councellor of the Federal Republic of Germany
Mr. Erich Riedler, Charge-de Affair and Minister Counsellor of the German Embassy in Islamabad discussed matters related to business and regulatory environment in Pakistan with the Secretary General

September 24th '95 - NVQ Mission to Pakistan
Mr. James Paice, M.P, and Under secretary of State of Education & Employment in U.K. Government, along with a team of experts in vocational education system visited the Chamber.

Welcoming the delegation, on short visit to Pakistan, President Mr. Tariq Ikram briefed the under secretary about the existing education enviornment in Pakistan with reference to Vocational and Techinical education facilities that are available for the industrial sector in particular.

In reply the Undersecretary said that, National Vocational Qualification (NVQ) Programs offer employers a frame work for training and development of their employees.

October 22 '95 - Mr. Kamaluddin Azfar, Governor Sindh
Mr. Kamaluddin Azfar, Governor Sindh attended a luncheon meeting in Chamber premises to meet the members programme. A press release is issued in this respect can be seen in Appendix '10'.

November 15th '95 - Chairman Corporate Law Authority
Mr. Shamim Ahmed, Chairman Corporate Law Authority, Islamabad, visited the Chamber to discuss pertinent issues with the Managing Committee members of the Chamber. A synopsis of discussion can be seen in Appendix '11'.

November 15th '95 - Dutch Investment Delegation
A delegation from Holland headed by Mr. Piet Van Zanten General Manager ING Bank, Amsterdam with his team of representing different faculties of Trade, Industry & Services group visited the Chamber to explore and discuss issues related to

Investment environment in Pakistan. A press release issued in this respect can be seen in Appendix '12'. Mr. T. V. Higgins Vice President received the delegation.

November 27th '95 - Consul General of Japan
Mr. Ishikawa, Consul General of Japan visited the Chamber to have a brief discussion with the President of the Chamber on Foreign Investment Environment.

President also explained the many opportunities that are available for investors in Pakistan today & outlined ten congent reasons why investment in Pakistan is desireable.

November 27th '95 - Sussex Chamber Mission to Pakistan
A five member team of Sussex Chamber mission headed by Sussex Chamber mission secretary, Mr. Colin Melhuish visited the Chamber.

President, Mr. Tariq Ikram briefed the team about the Chamber's activities and explained the many opportunities available for investors in Pakistan today and outlined why investments in Pakistan are desireable. The President was supported by the Secretary General in this meeting.

December 10th, '95 - Luncheon meeting with Members of Diplomatic Corps at Karachi.
Members of Diplomatic Corps, posted at Karachi were invited by the Chamber at a luncheon meeting, it was a close door meeting with no press coverage. The President briefed in few words about the activities of the Chamber, overall economics of the country remained in past and is expected to continue, with special reference to the development taken place in the country during past four years. Inspite of the fregile law & order situation prevailing in Karachi few problems which foreign investors are encountering were also discussed briefly.

The meeting ended with a lively question and answers session.

December 3rd, '95 - High Commissioner and Deputy High Commissioner of U.K.
Sir Cristopher McRae and Mr. Eric Callway High Commissioner and Deputy High Commissioner of U.K. respectively called on the Chamber and had useful discussion about investment opportunities in the country. President, Vice President and the Secretary General attended the meeting.

December 11th, 1995 - Bank Analyst from Cyprus
Mr. Kyriakos Pialas, Bank Analyst, of Capital Intelligence Ltd, Cyprus visited the Chamber and had useful exchange of discussion about business and investment opportunities prevailing in Pakistan with the Secretary General.

CHAMBER MEMBERSHIP

CLASSIFICATION OF THE MEMBERS

The Membership of the Chamber as on 31st December 1995 stand to 168. List of Members in alphabetical order appearing at page 10.

Classification of Membership as per geographical order and activities is as follows :

COUNTRYWISE

BRITISH	55	
AMERICAN	37	
SWISS	13	
GERMAN	12	
JAPANESE	14	
DUTCH	7	
FRENCH	7	
BELGIAN	3	
U.A.E.	3	
HONGKONG	3	
CANADIAN	2	
SAUDI	2	
SWEDISH	2	
BANGLADESH	2	
AUSTRALIAN	1	
DOHA	1	
BAHRAIN	1	
CAYMAN ISLAND	1	
KENYA	1	
GREEK	1	

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CATEGORYWISE

BANKING	18	
PHARMACEUTICAL	28	
CAPITAL GOODS & INDUSTRIAL PRODUCTS	19	
OIL / GAS / FERTILIZER & CHEMICALS	20	
OTHER MANUFACTURING (CONSUMER PRODUCTS)	24	
TRADING SERVICES	47	
INSURANCE	6	
AIR LINES & SHIPPING	7	
	-------	169

Note : Forty four members are quoted at Karachi Stock Exchange

ADDITION / DELETION / ALTERATION IN MEMBERS REGISTER IN 1995

(i) **New Members enrolled during the year :**

The following new members have been enrolled during the year.

(1) AST RESEARCH INC.

(2) A. D. MARKER (PRIVATE) LIMITED

(3) GENERAL ELECTRIC INTERNATIONAL OPERATIONS CO. INC.

(4) B.H.P. MINERALS INTERNATIONAL EXPLORATIONS INC.

(5) CARR MASHRIQ (PVT) LTD.

(6) INTERNATIONAL HOUSING FINANCE LTD.

(7) CADBURY PAKISTAN LTD.

(8) PAKISTAN CREDIT RATING AGENCY (PVT) LTD.

Restoration of Membership

Ratifying the previous decision of the Managing Committee, members of the Chamber resolved to restore membership of following three outgoing members as at the Annual General Meeting held on 11th April, 1995.

(1) PAKISTAN CABLES LTD.

(2) GENERAL TYRE & RUBBER CO. OF PAKISTAN LTD.

(3) EXIDE PAKISTAN LTD.

(ii) **Resignations**

Membership of the following members were relinquished during the year, of reasons given thereagainst.

	Name of the Members	Reason
(1)	NEI INTERNATIONAL LTD.	Ceased to operate.
(2)	PAN AFRICAN BANK LTD.	Operation in Pakistan taken over by State Bank
(3)	RALLI BROTHERS & CONEY	Curtailed activities in Pakistan.
(4)	THE BRITISH METAL CORP. PAKISTAN (PRIVATE) LTD. CO. OF PAKISTAN LIMITED	Suspended activites in Pakistan.
(5)	AERADIO PAKISTAN (PVT) LTD.	Change in ownership of the Company

(iii) **Change in Name**

On their request names of following members have been changed in the records of the Chamber :-

PREVIOUS NAME	PRESENT NAME
VOLKART PAK (PVT) LTD.	P&O CONTAINERS PAK (PVT) LTD.
BOOTS PHARMACEUTICALS LTD	KNOLL PHARMACEUTICAL LTD.
ATLAS BOAT LEASING CO. LTD.	ATLAS LEASE LTD.

List of Members as on 31st December, 1995

1. A.D. MARKER (PRIVATE) LTD.
2. ABBOTT LABORATORIES (PAKISTAN) LIMITED
3. ABN AMRO BANK N.V.
4. AEG PAKISTAN (PRIVATE) LIMITED
5. AGREVO PAKISTAN (PRIVATE) LIMITED
6. ALCATEL PAKISTAN LIMITED
7. AMERICAN EXPRESS BANK LIMITED
8. ANZ GRINDLAYS BANK PLC
9. AST RESEARCH INC.
10. AT&T GLOBAL INFORMATION SOLUTIONS CO.
11. ATLAS LEASE LIMITED
12. ATTOCK CEMENT PAKISTAN LIMITED.
13. ATTOCK INDUSTRIAL PRODUCTS LIMITED
14. ATTOCK OIL COMPANY LIMITED (THE)
15. ATTOCK REFINERY LIMITED.
16. BANK OF AMERICA NT & SA
17. BANK OF TOKYO LTD.
18. BANQUE INDOSUEZ
19. BASF PAKISTAN (PRIVATE) LIMITED
20. BATA PAKISTAN LIMITED
21. BAYER PAKISTAN (PRIVATE) LIMITED
22. BEECHAM PAKISTAN (PRIVATE) LIMITED
23. BERGER PAINTS PAKISTAN LTD.
24. BHP MINERALS INTERNATIONAL EXPLORATION INC.
25. BLACKWOOD HODGE (PAKISTAN) (PVT) LTD.
26. BOC PAKISTAN LIMITED
27. BOEHRINGER MANNHEIM PAKISTAN (PVT) LTD.
28. BRINKS INCORPORATED
29. BRITISH AIRWAYS PLC
30. BRISTOL-MYERS SQUIBB PAKISTAN (PVT) LTD.
31. BROOKE BOND PAKISTAN LIMITED
32. BURMAH OIL COMPANY (PAKISTAN TRADING) LTD.
33. BURSHANE (PAKISTAN) LIMITED
34. CADBURY PAKISTAN LIMITED
35. CALTEX OIL (PAKISTAN) LTD.
36. CARR MASHRIQ (PVT) LTD.
37. CASTROL LTD.
38. CIBA-GEIGY (PAKISTAN) LIMITED
39. CITIBANK N.A.
40. COCA-COLA EXPORT CORPORATION (THE)

41. COMMERCIAL UNION ASSURANCE COMPANY PLC
42. COMMONWEALTH DEVELOPMENT CORPORATION
43. COX & KINGS (AGENTS) LTD.
44. CYANAMID (PAKISTAN) LIMITED
45. DADEX ETERNIT LTD.
46. DAWOOD HERCULES CHEMICALS LIMITED
47. DEUTSCHE BANK A.G.
48. DOHA BANK LIMITED
49. DOMESTIC APPLIANCES LTD.
50. DOWELANCO B.V.
51. DU PONT FAR EAST INC.
52. EMIRATES BANK INTERNATIONAL LIMITED
53. ENGRO CHEMICAL PAKISTAN LIMITED
54. EQUITY INTERNATIONAL (PRIVATE) LIMITED
55. EXIDE PAKISTAN LTD.
56. FAYSAL BANK LIMITED
57. GEC AVERY (PRIVATE) LIMITED.
58. GENERAL ELECTRIC INTERNATIONAL OPERATIONS CO. INC.
59. GENERAL TYRE & RUBBER CO. OF PAKISTAN LTD (THE).
60. GESTETNER (PRIVATE) LIMITED
61. GHANDHARA NISSAN DIESEL LTD.
62. GILLETTE PAKISTAN LIMITED
63. GLAXO LABORATORIES (PAKISTAN) LIMITED.
64. HABIB BANK AG ZURICH
65. HINOPAK MOTORS LIMITED
66. HOECHST PAKISTAN LIMITED
67. HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE)
68. HUB POWER COMPANY LTD. (THE)
69. IBM SEMEA - PAKISTAN BRANCH
70. ICI PAKISTAN LTD.
71. ICI PAKISTAN POWERGEN LTD.
72. INDUS MOTOR COMPANY LTD.
73. INDUSTRIAL PROMOTION SERVICES (PAKISTAN) LTD.
74. INSURANCE COMPANY OF NORTH AMERICA - A CIGNA CO.
75. INTERNATIONAL FINANCE INVESTMENT AND COMMERCE BANK LTD.
76. INTERNATIONAL HOUSING FINANCE LTD.
77. ITOCHU CORPORATION
78. J. & P. COATS PAKISTAN (PVT) LTD.
79. JAMES FINLAY PLC.
80. JOHNSON & JOHNSON PAKISTAN (PVT) LTD.
81. JOHNSON & PHILLIPS (PAKISTAN) LIMITED
82. JUMA HAJI & COMPANY (PVT) LIMITED
83. KELLER GRUNDBAU GmbH
84. KHADIM ALI SHAH BUKHARI & CO. LTD.
85. KLM ROYAL DUTCH AIRLINES

86. KNOLL PHARMACEUTICALS LIMITED
87. KODAK LIMITED
88. KSB PUMPS COMPANY LIMITED
89. LAKSON TOBACCO COMPANY LTD.
90. LASMO OIL PAKISTAN LIMITED
91. LEVER BROTHERS PAKISTAN LIMITED
92. LEVER CHEMICALS (PVT) LTD.
93. LUCAS SERVICE PAKISTAN (PRIVATE) LIMITED
94. LUFTHANSA GERMAN AIRLINES
95. M-I OVERSEAS LTD.
96. 3M PAKISTAN (PRIVATE) LTD.
97. MACKINNON, MACKENZIE & CO OF PAKISTAN (PVT) LTD.
98. MASHREQBANK PSC
99. MERCK SHARP & DOHME OF PAKISTAN LIMITED
100. MITSUBISHI CORPORATION
101. MITSUI & CO. LTD.
102. MONOTYPE SYSTEMS LIMITED
103. MULLER & PHIPPS PAKISTAN (PRIVATE) LIMITED
104. NATIONAL CARBON COMPANY PAKISTAN (PVT) LTD.
105. NESTLE MILKPAK LIMITED
106. NEW HAMPSHIRE INSURANCE COMPANY
107. NICHIMEN CORPORATION
108. NISSHO IWAI CORPORATION
109. NORWICH UNION FIRE INSURANCE SOCIETY LTD.
110. OERLIKON-WELDING LTD. - ZURICH
111. ORGANON PAKISTAN (PRIVATE) LIMITED
112. ORIX LEASING PAKISTAN LTD.
113. OTSUKA PAKISTAN LIMITED
114. OXFORD UNIVERSITY PRESS
115. P&O CONTAINERS PAKISTAN (PVT) LTD.
116. PAKCOM LIMITED.
117. PAKISTAN CABLES LTD.
118. PAKISTAN CREDIT RATING AGENCY [PRIVATE] LIMITED
119. PAKISTAN GUM & CHEMICALS LIMITED
120. PAKISTAN GUM INDUSTRIES (PVT) LTD.
121. PAKISTAN INTERNATIONAL COMPUTERS LIMITED
122. PAKISTAN OILFIELDS LIMITED
123. PAKISTAN PETROLEUM LIMITED
124. PAKISTAN TOBACCO COMPANY LIMITED
125. PAKTEL LIMITED
126. PARKE, DAVIS & COMPANY LIMITED.
127. PEPSI-COLA INTERNATIONAL (PRIVATE) LIMITED
128. PFIZER LABORATORIES LIMITED
129. PHARMATEC PAKISTAN (PVT) LTD.
130. PHILIPS ELECTRICAL COMPANY OF PAKISTAN (PVT) LTD.

131. PHILIPS ELECTRICAL INDUSTRIES OF PAKISTAN LTD.
132. PROCTER & GAMBLE PAKISTAN (PVT) LTD.
133. RAFHAN MAIZE PRODUCTS CO. LTD.
134. RAY SHIPPING ENTERPRISES LTD.
135. RECKITT & COLMAN OF PAKISTAN LIMITED
136. RECKITT & COLMAN PHARMACEUTICALS (PVT) LTD.
137. REUTERS LTD.
138. RHONE POULENC (PRIVATE) LTD.
139. RHONE POULENC CHEMICALS (PVT) LTD.
140. RHONE POULENC RORER PAKISTAN (PVT) LTD.
141. ROCHE PAKISTAN LIMITED
142. ROYAL EXCHANGE ASSURANCE
143. ROYAL INSURANCE PLC.
144. RUPALI BANK LIMITED
145. SANDOZ (PAKISTAN) LIMITED
146. SAUDI PAK INDUSTRIAL AND AGRICULTURAL INVESTMENT CO. (PVT) LTD.
147. SCHERING ASIA GmbH (Pakistan Branch)
148. SGS PAKISTAN (PRIVATE) LIMITED
149. SHEIKHOO SUGAR MILLS LTD.
150. SHELL PAKISTAN LTD.
151. SIEMENS PAKISTAN ENGINEERING CO. LTD.
152. SINGER PAKISTAN LIMITED
153. SINGER SEWING MACHINE COMPANY
154. SKF SOUTH EAST ASIA & PACIFIC (Pte) LTD.
155. SMITH & NEPHEW PAKISTAN (PVT) LTD.
156. SMITH KLINE & FRENCH OF PAKISTAN LIMITED
157. SOCIETE GENERALE
158. STANDARD CHARTERED BANK
159. STARPAK GROUP (PVT) LTD.
160. TEAM S.A. (LUXEMBOURG)
161. TETRA PAK PAKISTAN LTD.
162. TOMEN CORPORATION
163. UNION TEXAS PAKISTAN, INC.
164. UNISYS PAKISTAN (PVT) LTD.
165. UNITED LINER AGENCIES OF PAKISTAN (PVT) LTD.
166. UPJOHN PAKISTAN (PRIVATE) LIMITED
167. W. WOODWARD PAKISTAN (PRIVATE) LIMITED
168. WELLCOME PAKISTAN LIMITED
169. WYETH LABORATORIES (PAKISTAN) LIMITED

CHAMBER REPRESENTATIONS ON VARIOUS BODIES FOR THE YEAR 1995 / 96

The recommendations of the Administration Sub Committee's for Chamber's representation on various bodies were discussed and the following agreed upon:

1.	Managing committee of Federation of Pakistan Chambers of Commerce & Industry		President of the Chamber
		(Alternate)	Vice President of the Chamber
2.	Board of Trustees - Karachi Port Trust		President of the Chamber
3.	Board of Directors - Karachi Electric Supply Corporation		President of the Chamber
4.	Board of Governors - Foreign Trade Institute of Pakistan		President of the Chamber
5.	Board of Governors - Pakistan Institute of Management		Mr. Ian Sangster
6.	National Engineering Manufacturers Export Council		Mr. S. Naseem Ahmed
7.	Sindh Industries Facilities Board		Chairman of the Standing Sub-Committee on Industrial Policy Dr. M. S. Habib
		(Alternate)	Mr. Tariq Amin
8.	Sindh Social Securities Board		Chairman of the Standing Sub-Committee on Labour
		(Alternate)	Co- Chairman of the above
9.	Advisory Council for the Finance Division		Mr. Tariq Ikram
10.	Advisory Council for the Ministry of Commerce		Mr. Tariq Ikram
11.	Advisory Committee for the Regional Commissioner of Income Tax and Wealth Tax		Chairman of the Standing Sub-Committee on Taxation - Mr. S. Ali Raza
		(Alternate)	Co-Chairman of the above

12.	Karachi Port Trust Council		Chairman of the Standing Sub-Committee on Port Trust & Communication
		(Alternate)	Co-Chairman of the above
13.	Karachi Dock Labour Board		Chairman of the Standing Sub-Committee on Port Trust & Communication
14.	Merchant Navy Club		Mr. Moin Fudda - Member Managing Committee
15.	Managing Committee of the Employers Federation of Pakistan		Mr. I. A. Malik - Pakistan Tobacco
		(Alternate)	Mr. Jehangir Bashir - ICI
16.	The Institute of Chartered Secretaries and Administrators UK (Pakistan Chapter)		Mr. Moin Fudda - Member Managing Committee
17.	Member of governing body-workers Welfare Fund		Chairman of the Standing Sub-Committee on Labour
18.	Avvisory Committee on Customs & Sales Tax		Chairman of the Standing Sub-Committee on Commercial Matters
		(Alternate)	Co-Chairman of the above
19.	Consultative Committee on Industrial Research		Chairman of the Standing Sub-Committee on Industrial Policy
		(Alternate)	Mr. Ian Sangster
20.	Export Processing Zone Authority		Chairman of the Standing Sub-Committee on Commercial Matters
		(Alternate)	Co-Chairman of the above
21.	Managing Committee of Pakistan Banks Association		Chairman of the Standing Sub-Committee on Banking & Finance
		(Alternate)	Co-Chairman of the above
22.	Valuation Advisory Committee (ITP) of Collector of Customs Valuation		Mr. Sarfrazuddin - Philips Mr. Moonis - Pakistan Tobacco Mr. Tony Crouch - Lever
23.	Govennment of Sindh Labour Advisory Board		Chairman of the Standing Sub-Committee on Labour

24. NOMINATIONS OF CHAMBER'S REPRESENTATIVE TO FPCC&I MANAGING COMMITTEE & GENERAL BODY FOR THE NEXT TWO YEARS TERM BEGINNING 1ST JANUARY, 1996.

- MANAGING COMMITTEE OF FPCC&I	President of the Chamber Vice President of the Chamber
- GENERAL BODY OF FPCC&I Representing Trade:	Mr. Tariq Amin - Member Managing Committee Mr. Ian Sangster - Member Managing Committee
Representing Industry:	Dr. M. S. Habib Mr. S. Naseem Ahmed Member Managing Committee

- Representation of Zonal Offices of FPCCI :

On request from the Federation of Pakistan Chamber of Commerce & Industry to nominate Chamber Representative for Zonal Office of FPCC&I, the Managing Committee agreed that a representative of ICI Pakistan or failing which a representative of Nestle Milkpak be nominated to be the Chambers representative for Zonal Office of the FPCC&I at Lahore.

CHAMBER STANDING SUB COMMITTEES 1995 - 96

- **ROLE OF CHAMBER STANDING SUBCOMMITTEE - 1995 / 96.**

The following proposal was adopted by the Manging Committee as the ROLE OF THE SUB COMMITTEE:

Specifically they will be:

a) Keep Managing Committee abreast of all the impending changes in policies, laws and regulations and ensure that the President and the Managing Committee are promptly advised on this.

b) On a proactive basis making suggestions for policies, laws and regulations which are in the interest of the Members.

c) Ensure that such impending changes do not compromise the interest of the Members and for the purpose proactively interact with the appropriate authorities preparing changes in the policies, laws and regulations.

d) Take up with the relevant authorities cases of anomalies and mal-administration of the laws and regulations.

e) Take up issues with those concerned on behalf of the OICC&I Managing Committee which are of general applicability to the Members and where principles of law are involved.

f) Try to meet on a once every two months basis, and more frequently on a need basis.

g) To help identify and quantify by end February each year the proposals to be made to the Government by the OICC&I for development of the National and Provincial Budgets.

The above should form the basis for each of the Standing Sub Committee's objectives.

- **REVIEW OF THE ACTIVITIES OF THE CHAMBER STANDING SUB COMMITTEES**

The managing committee in its meeting, held on 30th October, reviewed the activities of all standing sub committees. A brief summary can be seen in Appendix - 13.

In order to develop well thought out proposals for the year 1996/97 budget and any other matter which need to be addressed by the Chamber, a meeting of Chairmen & Co-Chairmen of Standing Sub Committee with members of the Managing Committee were held on 31st October. Details can be seen in Appendix - 14.

Chairmen & Co-Chairmen of each Sub Committee identified the issues which need to be tackled on a priority basis.

List of the Members of Chamber Standing Sub Committees. Refer Appendix - 15.

➤ PARTICIPATION AND ACTIVITIES OF CHAMBER STANDING SUB COMMITTEES FOR 1995 - 96.

♦ ADMINISTRATION SUB COMMITTEE

Chambers Standing Sub Committee for ADMINISTRATION held its meetings on July 30th, October 24th and November 23rd. Salient features of the business transacted are:-

- **Chamber's Representations**
  To finalise Chamber's representations on various Government Semi Government and antonomus bodies for approval of managing committee. The final list can be seen on pages 14 to 16.

- **Restructured Plan for 1995**
  The restructured Plan for 1995 adopted by the Sub Committee was finally approved by the Managing Committee. Managing Committee's resolution No. 236 of meeting No. 22 held on 30th October, 1995 has already been circulated to the members. Refer Appendix - 16.

- **Enhancement of Data Base**
  A working Group was founded under Mr. Tariq Amin for the enhancement of Data Base.

- **Suppliment in Local Press**
  The Committee outlined final programme to publish Suppliments in four news papers in 1st week of March. Managing Committee resolution No. 246 of Meeting No. 23 dated 29/11/95 has already been circulated to the members.

- **Change of Income Year of the Chamber**
  The Committee discussed the issues related to change of financial year, with auditors & legal experts. Recommendation were finally submitted to the Managing Committee and are documented in Managing Committee's resolution No. 254 of Meeting No. 23 dated 29/11/95 already circulated to the members.

  OICCI's position paper on change of Income Year can be seen in Appendix - 17.

- **Programme of "CREATING A FUTURE TOGETHER"**
  Details related to the leadership programme entitled "Creating a future together" at Bhurban on 5th, 6th and 7th of March was agreed for final approval of the Managing Committee. Details can be seen in resolution no. 246 of Managing Committee's meeting no. 23 dated 29/11/95. Refer Appendix - 18.

♦ BANKING & FINANCE

A meeting of the Chamber Standing Sub Committee for Banking & Finance was held on June 7th, '95. Minutes of the meeting can be seen in Appendix - 19.

Based on the discussion held in this meeting the Chairman, Mr. Shaukat Tarin, raised following matters with the Governor of State Bank of Pakistan through his letters, all dated July 10, '95 :

- " Withholding Tax on Securities under Section 50(2). "
- " Banks being used as Tax collectors without any compensation."
- " Option to adopt Calender year as Income year be withdrawn. "
- " Decrease in the return on Capital of Banks in Pakistan due to higher tax rates as compared to other countries."
- " Contingency plan for all financial institution."

Text of the above letters can be seen in Appendices - 20, 21, 22, 23 and 24 respectively.

Through his another letter dated 6th July, 1995 addressed to Mr. Alvi Abdul Rahim, the Chairman of the Sub Committee pointed out following anamolies in the Federal Budget of 1995-96.

- " Interest on Securities under Section 50(2). "
- " Option to adopt Calender year as income year withdrawn. "
- " Excise duties on Banks Cheques. "
- " Compensation on Advance Payment of Income Tax "

- " Powers to initiate prosecution delegated to the commissioners."
- " Filing of Statements under Sections 139 to 143 of the Income Tax Ordinance"

Details can be seen in Appendix - 25.

The Sub committee also hold meetings on August 23, October 10 and December 11, 1995. Minutes of the meeting can be seen in Appendices - 26, 27 and 28.

♦ COMMERCIAL MATTERS

Chamber Standing Sub committee for Commercial Matters held its meetings on 7th August, 23rd October and 4th December. Issues broadly discussed on the meeting pertain to :-

- Role of the Sub Committee
- Problems related to Pre-Shipment Inspection.
- Rationalization of levies.
- Review on last year proposals submitted to the Advisory Council of Ministry of Commerce
- Plans for submission of proposals for Current year.

Details can be seen in Appendices - 29, 30, and 31.

♦ CORPORATE LAW

Chambers Standing Sub Committee for Corporate Law held its meetings on 10th July, and October 8, 1995. The following issues were discussed :

- Impact of the budgetary measures on Capital Market. Note prepared by Secretary General can be seen in appendix - 32.

- Significant amendments in the Finance Bill of 1995 related to Corporate Law. Note by Secretary General on amendments in the Finance bill can be seen in Appendix - 33.

- After the repeal of the Capital Issues Act 1947 guidelines from the Corporate Law authority need to be issued.

- The closure of the year for the purpose of Companies Ordinance 1984.

- Absence of guidelines required to be issued by Corporate Law Authority for investments that can be made by Pension Fund and Provident Fund Trustees in instruments other than Government Securities. Although this was permitted in last year's Finance Bill, no guidelines have been issued.

- Committee's views and recomendation on the Draft of the Cost Accounts Audit Report Rules 1995 - duly approved by the Managing Committee text can be seen in appendix - 34.

- Formation of Working Group of following members to submit their views on the CLA'S proposed Rules on issue of Share Capital.

1. Mr. Muhammad Aslam	Convenor	BOC
2. Mr. Azhar Malik / Mr. Sheikh Aslam	Member	ICI
3. Mr. Andalib Alvi	Member	Engro

- At the initiative of the Chairman of the Sub Committees a meeting was held with the Chairman Corporates Law Authority at Islamabad on 25th July 1995. Minutes of the meeting can be seen in Appendix - 35.

♦ INDUSTRIAL POLICY

Chamber standing sub committee for Industrial Matters held its meeting on February 26, '95. Details of the discussion held can be seen in Appendix - 36.

Further Meetings of the Committee were held on 17th July and 13th of August and on 28th November '95. The deliberation were as follows:

i) Meeting of 17th July 1995
Formation of a Task Force to comment and recomend suggestions on the Second draft of the Pakistan Enviornmental Protection Act 1995., for onward submission to the Government of Pakistan by the Chamber.

1. Mr. Zaffar Khan	Leader	Engro
2. Mr. Saeed Mirza	Member	Glaxo
3. Mr. Rashid Ali	Member	Rafhan
4. Mr. Akhtar	Member	Phillips
5. Dr. Mahmood Saeed	Member	I C I
6. Mr. Mujib ur Rahman	Member	Lever

ii) Meeting of 28th November,1995
Minutes of the meeting can be seen in Appendix - 37.

iii) Meeting of 13th August,1995
Recommendations of the Committee, duly approved by the Managing Committee were forwarded to the Pakistan Enviornmental Ptotection Agency, Government of Pakistan Islamabad. Text of the recommendations can be seen in the above Appendix.

♦ INSURANCE

The Chamber Standing Sub Committee for Insurance held its meeting on June 20th, '95. Minutes of the meeting can be seen in Appendix - 38.

The Secretary General raised the issue of "Excessive Insurance Premium Rates" to the Controller of Insurance through his letter dated 20th June, '95, as appearing Appendix - 39.

The Committee held its another meeting on December 12th, '95. Outcome of the meeting can be seen in Appendix - 40.

♦ LABOUR

A meeting of the Chamber standing sub committee for labour was held on February 20, '95. A copy of the minutes and a list of sixteen recommendations of the Prime Minister Task Force on Labour along with the views of the sub committee are appearing in Appendix - 41.

The Labour Sub Committee held its next meetings on 23rd July, 14th September and November 22nd, '95. Minutes of the two meetings can be seen in Appendices - 42 & 43.

- **Meeting with Mr. Sher Dil, Federal Labour Secretary.**

  On the initative of the Chairman of the Committee a meeting was arranged with Mr. Sher Dil, Federal Labour Secretary at Islamabad on 18th October. Issues raised in the meeting are as appearing in Appendix - 44.

♦ PORT TRUST & COMMUNICATION

Minutes of the Committee's meeting held on 26th July and on October 17th, '95 can be seen in Appendix - 45 & 46.

♦ TAXATION

The Standing Sub Committee for Taxation & Corporate Law held its meeting on 9th, 22nd and 27th February. The primary objective of the meetings was to finalize the Chamber proposal for the Ministry of Finance on Federal Budget of 1995-96. A copy of the proposal submitted can be seen in Appendix - 47.

The Committee also finalized its recommendation & proposals pertaining to the proposed amendments in Companies Ordinances 1984. A copy of the recommendations (already submitted to the Corporate Law Authority), can be seen in Appendix - 48.

MEETING WITH CENTRAL BOARD OF REVENUE AT ISLAMABAD.

On the request from Central Board of Revenue a meeting of the OICC&I with CBR was held at Islamabad on 15th May, 1995. The participants were :

OICC&I	***CBR***	
Mr. Zahid Zaheer	Mr. Riaz A. Naqvi	- Member Custom
Mr. Fuad A. Hashimi	Mr. Riaz A. Malik	- Member Central Excise & Sales Tax
Mr. Moin Fudda	Mr. Salman Nabi	- Secretary Taxes

The Object was to review and explain OICC&I's Budget Proposals. Summary of the meeting can be seen in Appendix - 49.

The Committee, in its subsequent meeting held on 27th August classified different business sectors of the members in eight groups. Each group to have team leader out of the committee. Every leader to interact with members pertaining to his group and to tabulate and clerify the views so collected for discussion & deliberation for the Sub Committee, with intention of formulating Chambers final recomendation in respect of Taxes & Federal Budget for 1996 - 97. Related minutes of the Sub Committee's meetings held on 27th August & 27th November '95 can be seen in Appendix - 50 & 51.

OTHER ACTIVITIES OF THE CHAMBER

➤ SOME SIGNIFICANT CORRESPONDENCE

- *Chamber's letter dated 2nd January 95 addressed to the Member (Income Tax) CBR.*

  Asking for exempting the Chamber of Commerce from paying Income Tax under clause no. 89 Second schedule of part I. Text of the letter can be seen in appendix - 52.

- *Chamber's letter of 23rd January addressed to the CBR.*
  In matters related to comprehensive. Import Supervision Scheme. Details can be seen in Appendix - 53.

- *Chamber's letter of 24th January to Member (Custom) CBR.*
  On exemption from payment of custom duty at 70% of the ad-valorem value on PVC compound - Text of the letter is appearing in Appendix - 54.

- *Letter to the Chairman CBR dated 31st January, 1995*
  Chamber highlighted the concerns to various issues related to the rules and modes operandi of Income Tax, an detailed in Appendix - 55.

- *Chamber's letter dated 6th February '95 to Mr. Syed Asad Ali Shah, Advisor to Chief Minister Sindh.*
  Chamber's elucidated it views on application and administration of Octroi in Sindh. Text of the letter can be seen in Appendix - 56.

- *Chamber's letter of 9th February to Mr. Mohibullah Shah, Chairman, Board of Investment.*
  Perusing the matter, further the Chamber, once again, drew the attention of authorities on the issue of Work Permit for Expatriates. Text of the letter can be seen in Appendix - 57.

  In response of the said letter, the Prime Minister's Secretariat forwarded a copy of minutes of the meeting held on 17.01.95 of the Board of Investment, wherein the issue was discussed in detail. A copy of the minutes can be seen in Appendix - 58.

- *Chamber's letter dated 13th March '95 to Mr. Riaz Naqvi Member (Customs) CBR.*
  Sub : Concessionery tariff under SRO 893(1)/94 dated Sept. 13th, '94 and Duty Drawback on Export. Details can be seen in Appendix - 59.

- *Chamber's letter of 22nd March to the Chairman Pakistan Telecommunication Corporation*
  Sub : Chamber once again lodged its protest on arbitrary disconnection of telephone lines in the city under the wrong plea of "NON PAYMENT OF BILLS". A copy of the letter can be seen in Appendix - 60.

- *Chamber's letter dated 10th April '95 addressed to Mr. Alvi Abdul Rahim, Vice Chairman CBR.*
  Chamber's letter addressed to the Vice Chairman CBR on applicability of withholding Tax provision of section 50(3) of the Income Tax Ord. 1979 to foreign investors operating in Pakistan. Details can be seen in Appendix - 61.

- *Chamber's letter of 2nd May on Tax Exemption for Education Expenses.*
  Chamber's letter addressed to Mr. Iqbal Fareed Member (Tax) CBR. Text of the letter can be seen in Appendix - 62.

- *Chamber's letter of 17th May addressed to Mr. M.B. Anjum, CBR.*
  Chamber's letter addressed to Mr. M.B. Anjum, Secretary withholding Taxes CBR, on matters related to section 50(3) of Income Tax Ordinance 79. Appendix - 63.

- *Chamber's letter of 30th May addressed to Mr. Iqbal Fareed Member (Income Tax)*
  Chamber's letter addressed to Mr. Iqbal Fareed Member (Income Tax) CBR on Prescribing of Gross / Net Profit rates for Different Trades. Text of the letter is appearing in Appendix - 64.

- *Chamber's letter dated 4th July '95 addressed to Mr. Alvi Abdul Rahim, CBR.*
  Voicing members views on withdrawing option of 'Income Year' in the Finance Act 1995, the Chamber addressed Mr. Alvi Abdul Rahim, Vice Chairman CBR through letter dated 4th July. Text of this letter can be seen in Appendix 65.

- *Issues related to Finance Act 1995.*
  Chamber's letter dated 6th August addressed to Chairman CBR on various issues related to Tax and , Protection to Local Industries etc. Text of the letter can be seen in Appendix - 66.

- *Cellular Telephone Service Disconnection*
  Chairman issued following letters to respective authorities requesting for the restoration of all mobile telephone connections in Karachi and Islamabad :

  Letter dated July 19, '95 addressed to Mr. Ahmad Sadiq, Principal Secretary, Prime Minister's secretariate . Text can be seen in Appendix - 67.

  Subsequently followed up through letter dated August 3, 95 as reminder to the above letter. Text can be seen in Appendix - 68.

  Letter dated September, 27, '95 addressed to Major Gen. (Rtd.) Naseerullah Khan Babar. Text can be seen in Appendix - 69.

  Letter dated November 2nd, '95 from President to Mr. Ahmed Sadiq Principal Secretary Prime Minister as a further follow up can be seen in Appendix - 70.

- *Position paper prepared by Secretary General on change in Income Year.*
  Secretary General passed on a copy of Chambers memorandum on O.I.C.C.&.I position paper on change in Income Year to Mr. Alvi Abdul Rahman, Chairman CBR, as a follow up of the discussion held by the President at Islamabad with the Chairman CBR. - Appendix - 17 may be refered.

- *Chamber's Comments on Draft companies (Issue of Share Capital) Rules, 1995*
  Chamber's letter dated 8th November, '95 carrying the comments on Draft companies (Issue of Share Capital) rules, 1995 addressed to Mr. Shamim Ahmed Khan Ex Chairman Corporate Law Authority. Details can be seen in Appendix - 71.

- *Clearance of material imported under concessionary notifications.*
  Chamber's fax dated 9th October addressed to the member (Chief Survey & Rebate) CBR, Islamabad can be seen in Appendix - 72.

- *Remittances of Surplus Funds by Foreign Insurance Companies*
  Chamber's Letter dated 16th November '95 addressed to the Director Foreign Exchange Department State Bank . Refer Appendix - 73.

- *5% Regulatory Duty on Imports of Books.*
  President drew the attention of Mr. Javed Talat Federal Secretary Finance through his letter dated 30th November, '95 regarding the hardship importers of Books are facing as a result of the 5% Regulatory Duty imposed by the Government. Details can be seen in Appendix - 74.

➤ ADMINISTRATION AND OTHER MATTERS

♦ ANNUAL GENERAL MEETING

135th Annual General Meeting of the Chamber was held on 11th April, '95. Forty three members attended the meeting while 28 through proxies. Minutes of the meeting have already been circulated to the members and reproduced on pages vi to xii.

♦ EXTRA ORDINARY GENERAL MEETING

To inculcate changes in the procedure and rules of the election and to fix a date for the Annual General Meetings of the Chamber the committee proposed to consider the matter at the Extraordinary General Meeting on Monday 15th January, 1996 at 12 Noon followed by lunch at Marriot hotel.

a) The term of office for both the President and Vice President be limited to one year.

b) There should be no election for the Office of the President and the retiring Vice President will succeed to the office of the President.

c) No person who has been on the Committee for less than one year shall be eligible to seek election for the position of Vice President.

d) The Vice President to be elected by ballot from amongst all the Members of the Chamber. The Vice President so elected shall be eligible to serve for two more years (inclusive of the year of Vice Presidency).

e) Should the Vice President resign during his term of office, the Committee will elect a Vice President for the remaining period from among itself, and the person so elected as Vice President shall then continue to serve as the President for the next succeeding term.

f) The term of office of the Committee to expire on the 30th June every year. The new Committee to take office on the 1st July each year. The Annual General Meeting of the Members be held end June each year.

A copy of the minutes of the meeting can be seen on pages xiii to xvii.

♦ INFLATION / COST OF LIVING SURVEY

Ferguson Associates were commissioned to conduct survey on behalf of the Overseas Investors Chamber of Commerce and Industry and determine the trend of prevailing prices of various consumer items prevailing at Karachi, Lahore and Islamabad and to assess their impact on household belonging to various income groups based on their respective expenditure pattern. This report, incontinutation of the series, documents the finding of the survey carried out in November 1995 and attempts to view them in perspective with those in previous years.

♦ MEASUREMENT DEPARTMENT

In the year 1995 the Measurement Department earned a revenue of Rs. 938,000. Comparative figures for earlier years stand as follows:

1989	-	Rs. 355,000/-
1990	-	Rs. 327,000/-
1991	-	Rs. 727,000/-
1992	-	Rs. 967,000/-
1993	-	Rs. 958,000/-
1994	-	Rs. 993,000/-

Programme for further enhancement in the activities for 1996 is in hand and the Chamber expects further improvements.

♦ BUSINESS TRAVEL - FOREIGN EXCHANGE & VISAS

The Chamber continued to endorse Certificates attached to T-2 Forms of the State Bank of Pakistan to the representatives of Member companies who went abroad on business. Under the de-regulation policy of the Government the need for exercising control on travel needs to be reconsidered by the Government.

The Chamber also issued recommendatory letters to its members for the purpose of obtaining Visa for visits to foreign countries.

♦ KARACHI MERCHANTS GOLF CUP COMPETITION 1995

As per practice, prevailling since 1923, the Chamber organised the Golf Cup Competition on January 27, 1995 at the Karachi Golf Club.

Mrs. Nisar Memon, wife of the then President handed over the prizes to following recipents and thanked the participants and audience.

CHAMPIONSHIP CUP	:	Mr. Zaffar A. Khan and Mr. Sajid Ahmad
RUNNERS UP	:	Mr. Haroon R. Kahloon and Master Azhar Haji
BOOBY PRIZE	:	Mr. Agha Ahmad Shah and Mr. Richard Rath
HOLE-IN-ONE	:	Master Khurram Niazi

This followed a lunch hosted by the Chamber.

♦ KARACHI CHAMBER HOSPITAL ASSOCIATION

The Association's affairs are handled by the Managing Committee elected annually. The Chairman of the Association is nominated by the Chamber Managing Committee. Mr. S. H. A. Bokhari of Mackinnon Mackenzie was nominated as the Chairman of the Committee and the Association for 1995. The Deputy Secretary of the Chamber acts as Secretary of the Association. The Secretarial Services provided by the Chamber. This association has its own Annual General Meeting.

♦ REMEMBRANCE DAY - 1995

Mr. Zahid Zaheer, Secretary General of the Chamber attended the ceremony on Sunday 12th November, 1995 and wreaths were laid on behalf of the Overseas Investors Chamber of Commerce & Industry at the Karachi War Cemetery.

♦ OBITUARY

The Committee observed one minute silence to record the sad demise of Mr. J.F.C Gallaher, CBE, DSO, DFC, Ex-President of the Chamber. The Committee resolved to record the outstanding services rendered by Mr. J.F.C. Gallaher to the Chamber and to Pakistan. He served on the Board of many multinational companies. Mr. T.V. Higgins has already written to Mrs. Gallaher as Vice President of the Chamber.

25th March, 1996

COMMITTEE REPORT ON THE ACCOUNTS FOR 1995

The audited accounts of the Chamber for the year ended 31st December 1995 together with Auditor's Report thereon, are attached.

The current year's working has resulted in excess of income over expenditure amounting Rs. 3,042,970/- as compared to Rs. 2,513,703/- for last year.

After providing for Income Tax for the year amounting to Rs.1,000,000/- this surplus is reduced to Rs.2,042,970/-.

The income of the Chamber increased by Rs.1,339,905/- compared to previous year. This was mainly due to increase in the income from membership subscription, investments and increased rent realised from the office building.

The expenditure for the year compared to last year increased by Rs.810,638/-. The major increases have been in repair & maintenance of A.C. plant, printing and stationary, travelling expenses, legal & professional charges. There are also increases in personnel cost and also in the cost of utilities and lease rental charges for the Photocopier, reflecting the increased activity of your Chamber arising out of the desire of the Committee to promote the image of your Chamber.

The accounts relating to the activities of the Bureau of Information & Statistics, Pharma Group, have not been incorporated in the Chamber's accounts for 1995.

TARIQ IKRAM PRESIDENT	ZAHID ZAHEER SECRETARY GENERAL	MEMBER

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT:
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING I-C
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P. O. BOX 4716
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(021) 242 7938 Tax
Telex : 21155 AFFCO

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Overseas Investors Chamber of Commerce and Industry as at December 31, 1995 and the related income and expenditure account together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and income and expenditure account together with notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and income and expenditure account together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 1995 and of the surplus for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

0 3 JUN 1996

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

BALANCE SHEET AS AT DECEMBER 31, 1995

	Note	1995 Rupees	1994 Rupees
SURPLUS ACCOUNT			
Balance at January 1		5,991,538	4,327,835
Surplus for the year		2,657,402	1,663,703
		8,648,940	5,991,538
SURPLUS ON REVALUATION OF FIXED ASSETS	3	1,169,659	1,169,659
DEFERRED INCOME	1(c)&2	62,800	75,360
DEFERRED LIABILITY			
Provision for staff gratuity		1,083,741	944,693
CURRENT LIABILITIES			
Creditors		435,873	166,429
Accrued liabilities		2,609,032	2,326,552
Provision for taxation		1,823,631	1,702,113
Subscription received in advance		1,442,718	1,191,055
Rentals received in advance		2,270,980	1,975,166
Other liabilities		360,904	285,605
		8,943,138	7,646,920
		19,908,278	15,828,170

	Note	1995 Rupees	1994 Rupees
FIXED ASSETS	3	2,906,378	2,989,020
INVESTMENTS - at cost	4	4,100,000	7,632,000
LONG-TERM DEPOSITS		96,145	96,145
CURRENT ASSETS			
Spare parts and stationery - at cost		217,702	136,680
Sundry debtors - considered good		209,104	155,976
Accrued return		692,573	533,986
Short-term prepayments and other receivables		127,992	191,552
Cash and bank balances	5	11,558,384	4,092,811
		12,805,755	5,111,005
		19,908,278	15,828,170

The annexed notes form an integral part of these accounts.

President Secretary Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1995

	Note	1995 Rupees	1994 Rupees
INCOME			
Membership subscriptions and entrance fee		2,949,332	2,219,601
Fees for measurement, etc.		938,479	992,831
Secretarial fees		45,000	45,000
Commission on sale of publications		3,096	4,104
Building Fund Contributions		290,911	219,147
Surplus on compilation of cost of living index		8,000	49,500
Rent		1,778,302	1,653,154
Airconditioning charges		2,467,446	2,295,299
Return on investments		1,173,856	1,083,675
Deferred income	2	12,560	12,560
Exchange gain		313,448	-
Other income		85,055	150,709
		10,065,485	8,725,580
EXPENDITURE			
Salaries and allowances		2,737,080	2,661,451
Contributions to provident fund		143,897	131,422
Contribution to Employees' Old Age Benefits Institution		54,373	18,900
Medical expenses		172,794	141,875
Provision for staff gratuity		197,638	144,566
Cost of staff uniforms		31,040	35,350
Entertainment expenses		119,763	170,631
Insurance [net of recoveries Rs 15,205;(1994:Nil)]		179,448	163,492
Electricity and gas [net of recoveries Rs 35,970;(1994: Nil)]		599,900	534,365
Municipal taxes and ground rent [net of recoveries Rs 32,241; (1994: Rs 20,410)]		39,071	62,904
Repairs to building, furniture, equipment and airconditioning plant		516,115	354,696
Postage, telegrams and telephone		328,653	360,710
Printing and stationery		342,326	248,289
Books and periodicals		92,085	42,420
Subscriptions		55,500	38,000
Travelling expenses		179,120	55,593
General expenses [net of recoveries Rs 42,000; (1994: Rs 42,000)]		264,718	199,022
Motor car maintenance		98,310	74,818
Depreciation		144,141	156,583
Bad debts		3,113	-
Legal and professional charges		254,675	123,232
Audit fee		20,000	18,000
Golf Club competition		62,004	50,303
Lease Rentals[net of recoveries Rs 317,744;(1994:317,744)]		370,239	309,086
Exchange loss		-	111,570
Generator running expense		16,512	4,599
		7,022,515	6,211,877
SURPLUS BEFORE TAX FOR THE YEAR		3,042,970	2,513,703
Taxation - current		1,000,000	850,000
- prior year		(614,432)	-
		385,568	850,000
SURPLUS AFTER TAXATION FOR THE YEAR		2,657,402	1,663,703

The annexed notes form an integral part of these accounts.

Tariq Ikram

President   Secretary   Member

OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1995

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Overall Valuation Policy

These accounts have been prepared under the historical cost convention except that leasehold land shown under fixed assets has been included at revaluation referred to in notes 1(c) and 3 below.

(b) Staff Gratuity

The Chamber operates an approved unfunded gratuity scheme, covering all employees whose period of service with the Chamber is five years or more and provision is made anually to cover its obligation under the scheme.

(c) Fixed Assets

These are stated at cost less accumulated depreciation except leasehold land which includes a surplus on revaluation carried out on December 31, 1968.

Depreciation on all assets except leasehold land, is charged to income applying the reducing balance method. Cost of leasehold land is depreciated over the lease period using the straight line method. Full year's depreciation is charged on additions during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred; gains and losses on disposal of fixed assets are included in income currently.

Assets donated are capitalized at market value and corresponding credit is recognised as deferred income. Deferred income is credited to Income and Expenditure Account over a period of useful life of these assets.

(d) Spare Parts and Stationery

These are valued at cost using the first-in-first-out method.

(e) Revenue Recognition

Income from investments is accounted for on an accrual basis.

2. DEFERRED INCOME

	1995 Rupees	1994 Rupees
Balance as at January 1	75,360	87,920
Less: Credited to Income and Expenditure Account	12,560	12,560
	62,800	75,360

3. FIXED ASSETS

	Cost or valuation at January 1, 1995	Additions/ (disposals)	Cost or valuation at December 31, 1995	Accumulated depreciation	Net book value as at December 31, 1995	Annual rate of depreciation %	Depreciation charged during the year
Leasehold land	2,406,909	-	2,406,909	940,310	1,466,599	-	24,745
Building	457,958	-	457,958	192,003	265,955	2	5,400
Airconditioning plant	1,032,884	-	1,032,884	588,339	444,545	7.5	35,315
Electrical installations	355,272	-	355,272	235,089	120,183	7.5	9,547
Office furniture, fittings & equipments	1,075,532	61,500	1,137,032	527,936	609,096	5&15	69,134
Rupees	5,328,555	61,500	5,390,055	2,483,677	2,906,378		144,141
1994 Rupees	5,386,055	21,500 (79,000)	5,328,555	2,339,535	2,989,020		156,583

A revaluation of land and Chamber's Building was carried out on December 31, 1968 and the revaluation surplus of Rs 1,169,659 was determined as follows:

Cost to December 31, 1968		733,322
Accumulated depreciation to December 31, 1968		278,444
Net book value at December 31, 1968		454,878
Revaluation		1,624,537
Revaluation surplus	Rupees	1,169,659

4. INVESTMENTS - at cost

	1995 Rupees	1994 Rupees
Khas deposit certificates	-	1,432,000
Federal investment bonds	2,100,000	4,200,000
Defence saving certificates	2,000,000	2,000,000
	4,100,000	7,632,000

5. CASH AND BANK BALANCES

With banks		
on current accounts	1,416,816	510,760
on deposit account	305,145	-
on foreign currency savings account	2,898,780	-
on foreign currency deposit account	6,920,322	3,576,068
Cash in hand	17,321	5,983
	11,558,384	4,092,811

Tariq Imran.

President

Secretary

Member

APPENDICES

APPENDICES

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No.

APPENDICES(Continued)

CONTENTS

APPENDICES(Continued)

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AIDE MEMOIR

POINTS RAISED AT THE MEETING WITH MR. JAFAREY ON 7TH FEBRUARY, 1995.

BANKING & FINANCE MATTERS:

1. Although open market operations have commenced, the cosntrol on credit deposit ratio still continues. Moreover with inflation currently running at 13-14% per annum, the yields on treasury bills at 11.5% are unrealistic, they do not even cover the cost of funds.

2. The cap on mark up funds should be reduced, at least on longer term assets.

3. Foreign currency cover fee should be lowered, as these are hurting the foreign currency deposits being held in the country by foreign banks. The GOP bond is trading at 435 basis points (after tax) over the US treasury bonds. The banks in Pakistan should receive at least half of this for raising foreign currency deposits.

4. The withholding tax on securities should be removed as we are all bonafide tax payers.

5. Excise duty on outstanding loans adds to the cost of credit, and is a deterrent to investment.

INDUSTRIAL INVESTMENT MATTERS:

1. The last fiscal budget resulted in reduced net protection available to local industries. Although some of these issues have been redressed, there are others which need attention. The economies of scale for the local industry put it at a disadvantage when compared with external imports of products. Sudden withdrawal of protection to the local industry will stifle growth. The concept and level of protection should take into consideration total levies on local production and not import levies only. In the last budget import duties on finished products have been reduced considerably, while reduction in import duties on raw materials and components has been nominal. Moreover, sales tax on local production has been increased by making it applicabl4 to retail selling prices, and a fresh levy of excise duty has been imposted on some products of the local industry. Net level of protection to loca industry after taking into consideration all levies must be discussed and agreed with each industry, and a phased programme of implementation be developed over the next three years.

2. More effective measures need to be taken to prevent smuggling and misuse of Afghan transit trade.

3. A 15% tax credit for BMR which was available in earlier years should be restored to encourage industrial investment.

4. The restrictions on blorrowing on foreign companies imposed by the "L" form regime should be removed, as this tantamounts to discrimination.

5. Admissibility of tax holiday intended for expaning industrial undertakings vide Clause 118 # of Part I of the second schedule, has been made difficult for existing companies.

6. In relation to procurement of engineering goods locally manufactured, there is a directive encompassed in SRO 1083(1)/83, which is not being followed by the procurement agenices. Ministry of Commerce be asked to ensure implementation. Moreover the price preference allowed to local manufacturers is 15% on landed cost, this should be enhanced to 25%, as it is insufficient.

7. The following additional incentives to be granted to capital goods industry to secure export order. The domestic industry had a capacity utilization of 40 - 60% only.

a) Export credit financing to be at concessional rate of 6% instead of 12% per annum.

b) Although raw materials imported for expoprt of goods are allowed to be imported duty free under SRO 818(1)/89, this facility is not extended to component importts. We recommend that all raw materials and components be allowed for imports withiout payment of duties and taxes for export orders upto the extent of 50% of the FOB vaslue of the export order.

c) Complete corporate tax exemption should be available, on income received from export orders.

8. Special industrial zones ahve been allowed exemption of sales tax and excise duty. This will create uneven playing fields for existing indust6ries.

TAXATION MATTERS:

1. Wider powers to the Income Tax Officers enabling them to collect 15% of the tax demand before even the first appeal is yheard, and another 35% before the tribunal appeal can hardly be described as a confidence building measure. Trade and industry continue to suffer from the misuse of discretionary powers under Section 180 and under Section 79 of the income tax ordinance.

2. Deletion pf Clause 130 of the second schedule making expatriates liable to pay income tax on world income is causing concern and difficulties to expatriates working in Pakistan.

3. Imposition of a levy on imports by the Sindh government on the pretext of maintenance and development of the infrastructure without rendering any services tantamouns to a tax, and is not within the jurisdiction of the Provincial Government.

4. The charge of income tax, to the interest income of Provident Fund is excess of 16% and on interest amounts in excess of 1/3rd of the salary is encouraging employees to withdraw their balances from the Provident Fund.

5. The withholding tax on non resident insurance companies is discriminatory and should be withdrawn.

6. Recently the tax authorities for the first time in the history have issued notices to all the local and foreign companies intending to apply withholding tax on reinsurance cessions abroad. Even in cases where double taxation treaqty is available the tax officials are adamant to decline their claim on the contention that Exemption Certificates of the payee's were not available. The industry is much concerned on this issue and if consequential tax liabilities are raised then the entire reinsurance cessions abroad will be badly hit and as such it will be difficult for companies including PIC to arrange reinsurance treaties. Needless to mention that the reinsurers abroad do not deduct any tax on payments to companies operating in Pakistan.

7. Income Tax appellate tribunals ahve been transferred to the jurisdiction of the Ministry of Finance. It would be equitable if these continue to be under the administrative control of the Ministry of Law. In fact, we recommend that the Commissioner of Income Tax Appeals be also placed under the Ministry of Law.

LABOUR LAWS & WELFARE:

1. There is need to rationalize the overprotective labour laws, and multiple levies on employment, which inhibit business expansion and job creation. The utilization of funds collected in the name of employees welfare and participation in profits should be made more visible. The government must not interfere in the collective wage bargaining process by announcingf adhoc and untimely increase in wages.

IMPROVEMENTS IN WORKING OF THE PORT:

1. High cargo handling costs at the port need to be controlled. The Karachi Dock Labour Board has outlined its usefulness and contributes to high costs in the port. Karachi port has three times the cost of UAE ports.

2. Dredging of shipping channel to accommodate large vesselas, better port handling equipment and improved documentary procedures need urgent attention.

GENERAL MATTERS:

1. There is need to establish a forum for ongoing discussions between the private sector and government to enhance the investment environment even further. In this connection the Pakistan investment board should be a parastatal agency with OICC&I representation and should monitor the implementation of government policy.

2. One of the best ways of attracting foreign investment in the Country is to demonstrate success of exisiting companies. Restricting profitability of foreign and domestic companies by denying them price increase options in the face of continually increasing cosdt inputs, and other distortions in taxes does not auger well for the future and is not in conformity with the free market philosophy of the government. For the Pharma industry there is need for indexation of prices to inflation and to establish a code of conduct by the companies,

3. The present regime of restricting visas to expatriates for 3 months only and reporting to registration officer for resident permit, and also reporting departures arrivals each time, needs to be streamlined.

4. The imposition of import taxes on computers and books is a retroactive step in terms of advancing education. Royalties payable to publishers of books are unrealistic. The policy to restrict only books published by the Text boards in Schools is restrictive and detrimental to good education .

MEETING OF THE PAKISTAN CONSORTIUM AND PRIVATE SECTOR INVESTORS' CONFERENCE

Paris, April 20 and 21, 1995
Meeting Summary

A meeting of the Pakistan Consortium was held in Paris on April 20, 1995 followed by a Private Investors' Conference on April 21. A total of 27 governments and donor agencies were represented at the Consortium meeting while about 32 foreign firms and ten Pakistani firms participated in the Private Investors' Conference, with donor representatives attending as observers.

A. Consortium Meeting

The Consortium meeting opened with a discussin of Pakistan's macro-economic and structural reform program. As indicated by the Government delegation, growth was expected to fall short of the original target of 6.5% of GDP, owing mainly to weaker than wxpected performance in agriculture. However GDP, growht was still expected to exceed 5% . Progress in reducing the fiscal deficit would also be less than initially targeted, owing to the lower GDP growth and slower than expected progress in restructuring the tax system and tax administration constraints. Despite these difficulties, the Government remained fully committed to moving forward with the stabilization effort. The Government also reaffirmed it s commitment to protect the core public investment program and the Social Action Program from cuts. Consortium members welcomed the recent understanding between the Government and the IMF to continue the stabilization effort, with the aim of reducing hte fiscal deficit to 4% by the end of Fy96. They stressed the importance of continued tax reform to broaden the tax base, coupled with vigorous enforcement. On the expenditure side, consortium members urged continued restraint on non-development spending, especially defense, while noting the regional context of this matter.

The meeting also reviewed progress under the Social Action Program (SAP). The Government pointed to concrete quantitative achievements in carrying out the program as well as progress in building commitment for the program throughout all levels of Government. The Government also recognized the strong partnership that had been evolved between the Government and donors in developing and implementing the SAP. Donors complimented the Government on the substantial progress that we being made, while highlighting areas where continued efforts were needed. These included ensuring adequate resources, especially given the tight budget; further efforts to adjust composition of spending to provide adequate funding for supplies and other operating inputs needed to improve the quality of basic services; and the need to maintain technical criteria for site selection and fro the hiring of staff in order to minimize politicization of the program. Donors also stressed the continuing need for qualitative improvements in basic social services, to compliment the progress being achieved on the quantitative side.

Local donor representatives reported on the work of four Government-donor working groups that had been established to strengthen policy dialogue in four areas; institutional development; environment; women-in-development; and non-government organizations. The Government welcomed the enhanced local aid coordination carried out by the four groups; for their part the donor groups expressed their hope for a more prominent government role and active participation in the year ahead. All four working groups expressed some disappointment at the slow rate of progress in recent years on these four critical development areas.

The Bank presented the main findings of its agriculture and irrigation sector reports. Future growth in agriculture will have to come from increased productivity which in turn depends on making changesin the role of Government in the sector. Heigh priority needs to be given to trade policy reform, restructureing research and extension services, and to improving the irrigation system through operations and maintenance by user associations and through improved cost recovery. Donors supported the main thrust of the Bank's proposals and the Government indicated its willingness to continue discussing the institutional and policy changes proposed.

The meeting also reviewed the foreign assistance expected to be made available int he coming year. Consortium members expected to make aggregate commitments substantially in excess of the US$2.3 billion requested, reflecting hte special effort associated with the Ghazi Barotha power project. Aggregate disbursements were also expected to slightly excessed Government estimates and to be in the range of US$2.0 billion. These estimates exclude the US$450 million in anticipated frawings n 1994/94 under the ESA/EFF arrangements with the IMF.

B. Private Investors' Conference

The private investors' meeting provided an opportunity for private investors to review Pakistan's *investment climate and investment opportunities, as well as private sector financing requirements* and other policy and institutional issues which affect the quality and volume of foreign investment in Pakistan. There was a general consensus that the climate for foreign investment was quite positive due to the pro-business policy environment. There was particular appreciation for the Government's improved policies and procedures in the energy sector. However, there remained concerns about the law and order situation, especially in Karachi. Investors strongly supported the priority which the Government was giving to its economic stabilization program, but noted that high-level Government support for private investment had not yet filtered down fully to the middle and lower levels of the burcaucracy. Officials at these levels still placed unnecessary obstacles in the way of private investment. To address these and other concerns more systematicllay, there was general agreement on the need to increase the level of consultation between the Government and private business.

The meeting also discussed project finance issues. It concluded the Pakistan's financial systems was undergoing very positive changes, with many new institutions and new financing tools being developed. However, there was a clear need to increase low domestic savings and improve the availability of still limited long-term financing. This in turn underscored the importance of continuing the stabilization effort which would reduce the fiscal deficit, help increase domestic savings, and thus generate additional resources for private investement.

SECRETARY GENERAL'S REMARKS AT ADVISORY COUNCIL MEETING HELD IN ISLAMABAD ON 19TH MARCH, 1995

BHNR - AA I speak for the Overseas Investors Chamber of Commerce & Industry. Our Membership consists of 166 Multinational Companies operating in Pakistan representing every major Country in the World and all major sectors of the economy. Ours is the oldest Chamber in Pakistan and predates Country's inception. It was formed in the year 1860. Our members today contribute nearly 20% of the GNP of the Manufacturing sector and almost 1/6th of all the tax revenue collected by GOP.

The task of the budget makers is not envious. Resource mobilization even in developed economies is a daunting task, in less developed countries like Pakistan it is formidable.

There is no single solution to the problem. It has to be a three pronged approach. The Government must, resist the temptation to add more taxes on business as it is politically less inconvenient to do so. There is also a need to consider the other option also and that is curtailment of expenditure. There is need to adopt austerity as a code of life and political leaders must set an example. There is need to question public expenditure for its cost effectiveness, and questioning defence expenditure need not be taboo.

The third option to address the problem is to make the government investments more profitable. I am referring to the Rs.700 Billion of assets which remain underdeployed in the public sector. It is not too much to expect that these investments should yield to the government a return which is equal to opportunity cost of capital. If this was to happen, this would wipe out the entire deficit for the next two years. The answer is privitization of these assets. Although this has been the stated policy, what we have seen so far is small, peripheral and irrelevant privitization which has resulted in very little cash inflow to the government.

I submit to you again that we must resist the temptation to add on massive dosage of additional taxation as was done last year (I believe this was about Rs. 45 Billion). The collection has not been possible resulting in a shortfall of revenue. Adding additional indirect taxes in one year has resulted in price increases and led to excessive inflation in the country. Additional taxes on business in one year has also resulted in stagflation and led to lower growth. There must be no sacred cows. The agricultural sector must share the burden of taxation.

In our Chamber we support greater documentation of the economy which will result in better collection. If everyone pays sales tax, the rate can be brought down. We also feel that if business does not generate sufficient surpluses, there will be little new investment, resulting in little growth in the economy and little increase in employment.

It may be prudent to promote FDI in the country, but this should be seen in the proper perspective. Today FDI is less that 5% of the total Fixed Direct Investment in the country. Whatever you may do to enhance the enabling environment and to offer comparative advantage to foreign investments, the heroes and villains are not going to emerge from among the foreign investors, they are likely to emerge from among the local scene, where there is a struggle going on for domestic resources between a tenacious but dying public sector and a private enterprising culture.

The government by borrowing excessively at high cost has crowded out the private sector particularly small business, from much needed productive investment.

Honorable Ministers I would also like to emphasize the need to take effective measures to improve the depleting infrastructure, which apart from the law and order situation is the major impediment to investment today.

Our Chamber has submitted specific budget proposals and copies have been circulated. They are available for anyone who is interested. These proposals fall in four categories.

Eight suggestions have been made on matters that influence investment decision. I will only dwell upon one that is :

"Net protection to local industries after taking into account all levies should not be less than 25%."

The last fiscal budget resutled in reduced net protection available to local industries. Although some of thse issues have been redressed, there are others which need attention. The economies of scale for the local industry put it at a disadvantage when compared with external imports of products. Sudden withdrawal of protection to the local industry will stifle growth. The concept and level of protection should take into consideration total levies on local production and not import levies only. In the last budget import duties on finished products have been reduced considerably, while reduction in import duties on raw materials and components has been nominal. Moreover, sales tax on local production has been increased by making it applicable to retail selling prices, and a fresh levy of excise duty has been imposed on some products of the local industry. Net level of protection to local industry after taking into consideration all levies must be discussed and agreed with each industry, and a phased programme of implementation be developed over the next three years."

Four suggestions have been made on matters that diminish credibility and confidence. The one I would like to narrate is about the wider powers to the Income Tax Officers enabling them to collect 15% of the tax demand before even the first appeal is heard, and another 35% before the tribunal appeal can hardly be described as a confidence building measure. Trade and Industry continue to suffer from the misuse of discretionary powers under Section 144 and under Section 79 of the Income Tax ordinance. Similarly demands for payment of sales tax and excise duty should not be made where appeals are being heard".

We have also made eight suggestions on industry specific issues details are available in the presentation.

There are also ten suggestions on these matters which are discriminatory and impediment to efficiency. These are also listed in the presentation.

Time does not permit me to dwell on these any further. I thank you for listening to me so patiently.

ZAHID ZAHEER

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
A. THOSE THAT INFLUENCE INVESTMENT.				
1. Net protection to local industries, after taking into account all levies should not be less than 25%				
2. Admissibility of tax concessions to new projects under taking by existing cos. be made, easier under clause 118 of part I of second schedule.				
3. Clause 130 of second schedule be restored so that expatriates be taxed only in income in Pakistan.				
4. To encourage investments, initial depreciation be increased from 25% to 40%.				
5. Exemption of Sales Tax & Excise Duty allowed in Free Industrial Zones, create uneven playing fields and should be withdrawn.				
6. Effective measures to stop misuse Afghan Transit Trade are required.				
7. Rural Area investment incentive be allowed beyond 30-06-1995.				
8. Removal of duty and sales tax on import of capital goods(not manufacture in Pakistan)				

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY
BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
B. <u>THOSE THAT DIMINISH CREDIBILITY & CONFIDENCE</u>				
1. Payment of demand of income tax even before appeal is heard is hardly a confidence building measure. Same principle applies to Sales Tax and Excise Duty. Discretionary powers to Income Tax Officers u/s 79 & 144 of Income Tax Ordinance need to be reconsidered.				
2. Imposition of levy on imports by Sindh Government is inappropriate and should be withdrawn.				
3. Professional Tax rates under Sindh Finance Act, 1994 have been increased exorbitantly. Highest slab increase from 8,000/- to 500,000/- needs reconsideration.				
4. Commissioner of Income Tax Appeals and Income Tax Appellate Tribunal should function under Ministry of Law. This would make the appeal procedures more equitable.				
C. <u>INDUSTRY SPECIFIC ISSUES</u>				
1. Insurance Companies should also be allowed Head Office expenses in the same manner as done with branches of other foreign companies.				
2. Excise Duty on amber glass bottles used by Pharma Industry should be withdrawn.				

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY
BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
3. Sales Tax on locally manufactured goods if supplied to private power generation projects in Pakistan should be exempted against SRO 597(I)/90.				
4. Additional incentives to be granted to capital goods industries to improve present capacity utilization of 40 - 60% -				
(a) Export credit financing to be at 6% instead of 12% p.a.				
(b) Import of components used for goods manufactured for export should also be duty free as is done for raw materials SRO 818(I)/89.				
5. The 1% warehouse charge on imported goods including bulk liquids stored in bond should be withdrawn. Also the free period of storage before penal interest is charged should be increased to 90 days.				
6. Customs duties and import levies should not be charged on short landed quantities of bulk liquids. Certificates issued by KPT for short landing should be accepted for this purpose.				
7. In conformity with the goverments policy not to charge sales tax on food items, the sales tax on Baby cereals, Infant formula (Milk), Margarine and Ice Cream should be withdrawn.				

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY
BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
8. Excise duty is a tax on luxury consumption. It is anomalous to apply this to capital items and consumer goods. It should be withdrawn for paints, electrical wires and cables and detergents, toilet soaps and other hygiene items like powder, shampoos and creams.				
D. **DISCRIMINATORY AND IMPEDIMENT TO EFFICIENCY**				
1. Restrictions on local borrowing by foreign companies under Form 'L' regime be removed, as it is discriminatory.				
2. Withholding tax regime :-				
- Withholding Tax on re-insurance cessions abroad should be withdrawn.				
- Deduction of withholding tax under section 50(4) & 50(5) creates additional work for companies. They should be given compensation for services rendered.				
- Withholding Tax deduction of tax from payment to non-resident u/s 50(3) is discriminatory.				
- Rate of compensation paid on advance tax under section 53(4) is insufficient and unrealistic. It should be enhanced				
- The requirement to withhold tax on mark up payments to banks should be withdrawn.				

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY
BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
3. Capital Value Tax (CVT) should not be applicable to tax paying companies.				
4. Limit of maximum value for depreciation on Motor cars be increased from Rs.600,000 to Rs. 1,000,000. All locally produced vehicles irrespective of the cost should enjoy depreciation on full value of the vehicle.				
5. Turnover tax under 80(d) should be charged on net sales value by excluding indirect taxes.				
6. Limit of perquisites admissible under Section 24(1) should be increased to 75%.				
7. Tax exemption available to Chambers of Commerce under Clause 89 have been withdrawn. These should be restored.				
8. Sales Tax on raw and packing material used for manufacture of any product should be refunded in cases where end product is exempt from sales tax.				
9. Banking facilities on Saturdays for custom duty and sales tax payments at the ports and dry ports should be provided.				
10. Sales Tax and Excise duty documentations generated on computers should be accepted instead of insisting on maintenance of manual records. This adds to costs and does not improve efficency.				

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY
BUDGET PROPOSALS FOR 1995 - 96

SUMMARY

Description of Proposal	Direct 1	indirect 2	General 3	Personal 4
11. Minimum threshold for personal tax should be increased to Rs. 100,000/-				
12. Tax exemption should be given on mark up payments on housing loan.				
13. Surcharge should be applicable to personal earnings or income in excess of Rs. 200,000/- per annum.				
14. Income Tax on interest income on Provident Fund in excess of 16% and in excess of 1/3rd of salary is not conducive to savings. These limits should be removed.				
15. Wealth tax issues :-				
- Requirement to file statements of assets and liabilities should be on income above Rs. 300,000/- per annum.				
- Requirement to file Wealth Tax statement to be on taxable income above Rs. 300,000/-				
- Wealth Tax paid by assessee should be deducted from total income as practiced prior to Finance Act, 1994.				
- Limit of exemption from Wealth Tax should be enhanced to Rs. 2 Million on the grounds of erosion of Pak Rupee.				

DIRECT TAXES

A1. Net protection to local industries after taking into account all levies should not be less than 25%.

The last fiscal budget resulted in reduced net protection available to local industries. Although some of these issues have been redressed, there are others which need attention. The economies of scale for the local industry put it at a disadvantage when compared with external imports of products. Sudden withdrawal of protection to the local industry will stifle growth. The concept and level of protection should take into consideration total levies on local production and not import levies only. In the last budget import duties on finished products have been reduced considerably, while reduction in import duties on raw materials and components has been nominal. Moreover, sales tax on local production has been increased by making it applicable to retail selling prices, and a fresh levy of excise duty has been imposed on some products of the local industry. Net level of protection to local industry after taking into consideration all levies must be discussed and agreed with each industry, and a phased programme of implementation be developed over the next three years.

A2. Admissibility of tax concessions to new projects under taking by existing companies be made easier under clause 118 of Part I of second schedule.

Clause (118H) exempts from tax profits from expansion unit of an industrial undertaking set up between December 1, 1990 and June 30th, 1995 for the period specified and subject to condition in clause (118H) (118D) or (118E) as the case may be. The conditions common in clause (118C), (118D) and (118E) are that:

- the new undertaking should be owned and managed by a company formed <u>exclusively</u> for operating the said undertaking; and

- the said company should be registered under the <u>Companies Ordinance, 1984</u> and have its registered office in Pakistan.

The requirement relating to the undertaking being owned and managed by a company formed exclusively for operating the said undertaking appears to be totally irrelevant and illogical since clause (118H) relates to an <u>expansion unit</u>. An expansion unit can only be in a company already in existence. Furthermore, the reference to the said company being registered under the Companies Ordinance, 1984 is also illogical, since this would exclude major companies which are registered under the Companies Act 1913.

A literal construction of the above defeats the obvious intention of the legislature which was to give a tax holiday for a specific period to an "expansion unit" in "any industrial undertaking". This intention is apparent from CBR Circular 31 of 1992 which inter-alia states :

Quote

- "--------- expansion units of an existing industrial undertaking ----------- are also eligible for tax holiday---------------.
- "There will be no restriction on the type of industry which can set up anexpansion unit. "
- " An expansion unit may be added to any industrial undertaking ----------- " (underlining is ours)

Unquote

There are many companies who have kept their expansion plans on hold only because of the aforesaid confusion in the law. Keeping in view the intention given in circular 31 of 1992, it is imperative that an appropriate amendment be made in clause (118H) to remove the aforesaid anomalies in respect of companies formed exclusively for the purpose of operating the said industrial undertaking and of the company being registered only under the Companies Ordinance, 1984.

A3. Clause # 130 of second schedule be restored so that Expatriates be taxed only in Income in Pakistan.

Through SRO 103(1)/92 dated February 15, 1992, clause (130) of the Second Schedule has been deleted with the result that the expatriates working in Pakistan are now required to declare for tax purposes, in addition to the income earned the Pakistan, their income accruing or arising outside Pakistan which is in no way related or attributable to their employment in Pakistan. The exemption, now withdrawn, was first introduced in 1939 in the statue then applicable to British India, was also available in the Income Tax Act 1922 (XI of 1922) and then incorporated in the income Tax Ordinance, 1979 as clause (130) of the Second Schedule to the Ordinance.

The aforesaid exemption available to expatriates for over 53 years has abruptly been withdrawn by the aforesaid SRO notification dated February 15, 1992. The reasons for the aforesaid withdrawal of the exemption is not apparent and could not have been done for generating more revenue due to the unilateral tax relief that would be available to such expatriates in terms of section 164 of the Ordinance. The withdrawal of the exemption allowed by the Government for over 53 years, would in no material manner increase the tax revenue or even if there is an increase in certain cases, the overall result would not be substantial and in no way commensurate with the problems which would be faced by the expatriates in collecting documents from their home bases and their home tax authorities.

Most of the expatriates working in Pakistan are involved in high level technical, advisory and managerial assignments which involve transfer of technology and expertise and it is feared that if the exemption is not restored, it may seriously damage Government's efforts to promote Pakistan as a country free of bureaucratic controls and would also adversely effect the flow of potential foreign and domestic investment.

A4. To encourage investments initial depreciation should be increased from 25% to 40%.

In Pakistan initial allowance has always been available and it has been periodically renewed . The only variation at renewed dates has been a change in the rates. In the recent past the rate of allowances have been 40%. which should be re-instated as against the existing rate of 25%.

B1. Payment of demand of Income Tax even before appeal is heard, is hardly a confidence building measure. Same principle applies to sales tax & excise duty. Discretionary powers to income tax officers U/S 79 & 144 of Income Tax Ordinance, need to be reconsidered.

Wider powers to the Income Tax Officers enabling them to collect 15% of the tax demand before even the first appeal is heard, and another 35% before the tribunal appeal can hardly be described as a confidence building measure. Trade and industry continue to suffer from the misuse of discretionary powers under Section 144 and under Section 79 of the income tax ordinance. Similarly demands for payment of sales tax and excise duty should not be made where appeals are being heard.

C1. Insurance companies also be allowed Head Office expenses on equitable basis, in the same manner as done with branches of other foreign companies.

The amount of Head Office expenses which foreign insurance companies are allowed to deduct is restricted to an upper limit of Rs.25,000/=. This was done in 1967 and has remained till date. Prior to 1967 the foreign insurance companies were permitted to show as an allowance against taxation a figure of 5% of their net written premiums. Since that date many approaches have been made by the foreign insurers to the Controller of Insurance but all in vain.

Since 1980-82 the rupee has depreciated against most major foreign currencies. The business activities and Head Office related expenses of foreign insurance companies have increased and the cost of services provided by Head Office has also increased. Hence, actual expenses incurred by foreign insurance companies are much higher today and the inability of foreign insurance companies to deduct their legitimate operating expenses materially increases their effective tax rate. It is suggested that Head Office expenses should be deducted at 5% of the earned premium which is allowed by other countries of the world.

C4. Additional incentives to be granted to capital goods industries to improve present capacity utilization of 40-60%.

Additional incentives to be granted to capital goods industries to secure export order. The domestic industry has a capacity utilization of 40-60% only.

D2. Withholding Tax

- Withholding tax on re-insurance cessions abroad should be withdrawn.

Recently the tax authorities for the first time in the history have issued notices to all the local and foreign companies intending to apply withholding tax on reinsurance cessions abroad. Even in cases where double taxation treaty is available the tax officials are adamant to decline their claim on the contention that Exemption Certificates of the payee's were not available. The industry is much concerned on this issue and if consequential tax liabilities are raised then the entire reinsurance cessions abroad will be badly hit and as such it will be difficult for companies including PIC to arrange reinsurance treaties. Needless to mention that the reinsurers abroad do not deduct any tax on payments to companies operating in Pakistan.

- *Deduction of withholding tax U/Section 50(4) & 50(5) creates additional work for* companies. They should be given compensation for services rendered.

The purpose of this tax was to bring into the tax net those who evade taxes. This purpose has been served well and this may now be discontinued. Since companies paying huge amount of taxes have been brought under the ambit, creating hardship in collecting & maintaining records of tax deducted at source, resulting in considerably increased work load. It is therefore suggested that a threshold level should be fixed for application of these sections and companies paying more that Rs. 5.0 million in taxes be exempted from deduction of tax under section 50(4) and 50(5). If this cannot be done, then a compensation be paid to the companies concerned @ 1 % of the amount collected & deposited in the government treasury as charges for services rendered.

- Withholding Tax deduction of tax from payment to non residents U/Section 50(3) is discriminatory.

As a non-resident assessee, a foreign company operating in Pakistan as a branch registered under the Companies Ordinance, 1984 is also subjected to the provisions of section 50(3) which are harsher and, therefore, more burdensome than those applicable to a resident company which could be in the same business as the non resident. It is, therefore, recommended that a foreign company operating in Pakistan through a branch registered under Companies Ordinance, 1984 should be exempted from the operation of sub-section (3) of section 50 but payments to such a company be subject to deduction of tax under section 50 as applicable to a resident company. This principle of equal treatment has been accepted by the legislature in respect of payments made by way of return of finance, to a branch in Pakistan of a non-resident banking company. In fact, payments on account of execution of a contract for construction, assembly or like project in Pakistan, to all non-resident persons have been exempted from the provisions of section 50(3) and such payment have been made subject to a withholding of 3 per cent under section 50(4).

We suggest the following amendments in the Ordinance :

In section 50, in sub-section 3, the second proviso should be omitted and the following new proviso be inserted.

" Provided further that nothing contained in this sub-section shall apply to any payment made to a branch in Pakistan of a non-resident company."

- Rate of componsation paid on advance tax under section 53(4) is insufficient and unrealistic. It should be enhanced.

Under Section 53(4) of the Income Tax Ordinance, 1979, the Income Tax Department not only pays the assesses a substantially lower rate of mark-up, i.e. 6% but also taxes the assessee on the mark-up deemed to have been received. Many assessees have paid millions of Rupees in advance tax and their cases are pending for years. We recommend that :

a) Mark-up on advance payment of Income Tax be increased from 6% to 10% in keeping with the rates offered by the Government on various Investment Schemes. This will compensate the ASSESSEES FOR THE MARK-UP BEING PAID ON ADVANCE TAX and it may also help expedite the decision on pending cases.

b) The "Tax deducted at source" is also a part of advance tax. Hence, mark-up should also be paid on it as in the cases of Advance Income Tax.

- The requirement to withhold tax on mark-up payments to banks be withdrawn.

D3. Capital value Tax (CVT) should not be applicable to tax paying companies.

Certificates of exemption be given for one whole year and not an each occasion as a presently being done.

D4. Limit of maximum value for depreciation on motor cars be increased for Rs. 600,000/- to Rs. 1,000,000/-. All locally produced vehicles irrespective of the cost should enjoy depreciation on full value of the vehicles.

D5. Turnover Tax under 80(d) should be charged on net sales value by excluding Indirect Taxes.

D6. Limit of perquisites admissible U/Section 24(1) be increased to 75%.

The ceiling of excess perquisites is 50% of salary as far as company taxation is concerned. However the individual can receive permissible exempt allowances of upto 75%. The employer is therefore restricted to give only 50% of the salary as perquisites. We understand that the above ceiling is not applicable to banking companies & financial institutions controlled by the GOP. This tantamount to discrimination.

We suggest that the limits of excess perquisites be increased to 75% of salary under section 24(I).

D7. Tax exemption available to Chambers of Commerce under clause 81 have been withdrawn. These should be restored.

Clause 89 has been deleted vide Notification No. SRO 1081(I)/93 dated November 1, 1993 withdrawing the exemption accorded to a Chamber of Commerce or Association of Commerce, Industry, and Trade recognised by the Federal Government on its income. This should be restored.

INDIRECT TAXES

A5. Exemption of Sales Tax & Excise Duty allowed in special industrial zones create uneven playing fields and should be withdrawn.

Uneven playing field must not be created by giving sales tax exemption to under developed areas examples are Hattar & Gadoon.

A7. Rural area investment incentive be allowed beyond 30.06.95

Exemption for custom duty and Sales Tax extended wide SRO # 1284(1)/90 as amended by SRO # 484(1)/92 on imported machinery required for setting up new units in rural area will expire on June 30th '95. It is suggested that this concession be extended for a further period of at least two years to encourage development in rural area.

A8. Removal of Duty & Sales Tax on Import of Capital Goods (Not manufactured in Pakistan)

Import duties and Sales Tax on manufacturing and packing machinery be abolished if such machinery is not manufactured in Pakistan. Such duties increase the cost of capital plant and restrict investment.

C2. Excise Duty on amber glass bottles used by Pharma industries be withdrawn.

To prevent the sale price of medicines being high, Excise Duty on amber glass bottles used by the Pharmaceutical industry be withdrawn as is done for vials and ampoules of amber glass.

C3. Sales Tax on Locally manufactured goods if supplied to private power generation projects in Pakistan be exempted against SRO 597(1)/90.

Sales Tax on all locally manufactured goods, if supplied to private power generation projects in Pakistan be exempted in terms of SRO 597(1)/90 dated 7.06.90

C4(b) Import of components also for goods manufactured for export should also be duty free as is done for raw material under SRO 818(1)/89.

Although raw materials imported for export of goods are allowed to be imported duty free under SRO 818(1)/89, this facility is not extended to component imports. We recommend that all raw materials and components be allowed for imports without payment of duties and taxes for export orders upto the extent of 50% of the FOB value of the export order.

C6. Custom Duties & Import levies should not be charged on short landed quantities of bulk liquids. Certificates issued by KPT for short landing be accepted for this purpose.

Customs duty and other import levies are charged on the weights noted on the suppliers invoices and the Bill of Lading, verified by on-ship surveys. Occasionally the quantity discharged from the ship to the shore tanks falls short. Customs should accept Karachi Port Trust short landing certificates when determining the quantity on which import duty and other levies is to apply.

C7. In conformity with the governments policy not to charge sales tax on food items, the sales tax on baby cereals, infant formula (milk), margarine and ice cream be withdrawn.

C8. Excise Duty is a tax on luxury consumption. It is anomalous to apply this to capital items and consumer goods. It should be withdrawn for paints, electrical wires and cables and detergents, toilet soaps and other hygiene items like powder, shampoos and creams.

Excise Duty is a tax on goods produced or manufactured in the taxing country and intended for home consumption. It is paid by the manufacturer or producer and is primarily considered a tax on consumption of luxury goods by the rich who can afford to pay such taxes. Thus it is anomalous to impose excise duty on capital goods and consumer goods of daily use viz detergents, toilet soaps and toiletries like powder, shampoos and creams. Therefore, it is proposed that excise duty should not be levied on the above capital & consumer goods which are essential items and cannot in anyway classified as luxury goods.

D8. Sales Tax on raw and packing material used for manufacture of any product be refunded in cases where end product is exempt from sales tax.

Sales tax paid on raw material and components manufactured locally cannot be adjusted where there is a fixed tax, and also where the final product is exempt from the levy of sales tax. Where the end product is exempt from levy of sale tax, the sales tax paid on raw materials & components manufactured locally should be refunded.

GENERAL

A6. Effective measures to stop misuse Afghan Transit Trade, are required.

More effective measures need to be taken to prevent smuggling and misuse ofAfghan transit trade.

B2. Imposition of levy on imports by Sindh Government is inappropriate and should be withdrawn.

Imposition of a levy on imports by the Sindh government i.e. "Sindh development and maintainance of infrastructure fee" on the pretext of maintenance and development of the infrastructure without rendering any services tantamount to a tax, and is not within the jurisdiction of the Provincial Government.

B3. Professional Tax rates under Sindh Finance Act, 1994 have been increased exorbitantly. Highest slab increase from 8,000/- to 500,000/- needs reconsideration.

The seventh schedule under the Sindh Finance Act 1994 prescribes the various categories of assessees, who are liable to pay tax on professions, trades, callings and employment. The rates mentioned in the schedule have been revised for the year 1994-95 and the forthcoming years. Until the year 1993-94 the assesses subject to tax even under the highest slab were required to pay Rs.8,000/- only whereas now that amount has been exorbitantly increased upto Rs.500,000/- which is very harsh on the assessees. The authorities should be requested to look into the issue and reduce the scale of professional taxes levied by the Government of Sindh.

B4. Commissioner of Income Tax Appeals and Income Tax Appellate Tribunal to function under Ministry of Law. This would make the appeal procedures more equitable.

Income Tax appellate tribunals have been transferred to the jurisdiction of the Ministry of Finance. It would be equitable if these continue to be under the administrative control of the Ministry of Law. In fact, we recommend that the Commissioner of Income Tax Appeals be also placed under the Ministry of Law.

C4(a) Export credit financing to be at 6% instead of 12% p.a. for export of capital goods.

To encourage the export of consumer goods export credit financing to be at concessional rate of 6% instead of 12% per annum.

C5 The 1% warehouse charge on imported goods including bulk liquids stored in bond be withdrawn. Also the free period of storage before penal interest is charged should be increased to 90 days.

The landed cost of bulk liquids increases due to the levies mentioned below and can be reduced by implementing the following ;

1. Abolish 1% warehouse charged on temporary storage in shore tanks of bulk liquid pending completion of custom formalities, as this surcharge operates almost like a penalty.

2. The free period allowed by customs before penal interest is charged should be extended from 30 days to 90 days.

D1. Restrictions on local borrowing by foreign companies under Form 'L' regime should be removed.

The restrictions on borrowing on foreign companies imposed by the "L" form regime should be removed, as this tantamount to discrimination.

D9. Banking facilities on Saturdays for custom duty and sales tax payment at the ports and dry ports be provided.

Custom collectorate and the Port Trusts operate six day a week; the banks on the contrary work five days. As a consequence duties cannot be paid on Saturday preventing, collection of govt. revenues and hampering the custom clearance of goods. To give impetus to govt. revenue collection and growth of national economy it is proposed that special arrangements be made at Banks in the dry ports, Port & Customs House for collection of duties and sales tax on Saturday enabling importers to clear their consignments without delay and demurrage.

D10. Sales Tax and Excise duty documentation generated on computers be accepted instead of insisting on maintenance of manual records. Manual records adds to the cost and do not improve efficiency.

It is suggested to exempt organisations from getting their computer generated invoices authenticated specially where the quantum of invoices is significant and the transport permit is raised after authentication. Further there are various in built controls in a computerized environment.

D11. Minimum threshold for personal tax be increased to Rs. 100,000/-

The minimum threshold limit needs to be raised upward with inflation. Thepresent level of Rs. 40,000 in insufficient. and was fixed many years ago. Considering the erosion in the purchasing power of the rupees, this limit should be enhanced.

D12. Tax exemption be given on mark up payments on housing loan.

To encourage house building the mark up payments on loans should be offset against income.

D13. Surcharge be applicable only to personal earnings or income in excess of Rs. 200,000/- per annum.

Income Tax Surcharge applicable to companies was deleted by the Finance Act 1992 and rates of income tax also correspondingly reduced for all companies over the following four years. However, the 10% surcharge on persons earning more than Rs. 200,000/= annually continues which is a burden particularly on salaried persons where take-home earnings are under pressure due to high rate of inflation.

D14. Income Tax on interest income on Provident Fund in excess of 16% and in excess of 1/3rd of salary is not conducive to saving. These limits should be removed.

The charge of income tax, to the interest income of Provident fund is excess of 16% and on interest amounts in excess of 1/3rd of the salary is not conducive to saving. These limits should be withdrawn, as they encourage employees to withdraw from the fund.

D15.
- Requirement to file statements of assets and liabilities to be on income above Rs. 300,000/- per annum.

  .The requirement for filling a statement of assets & liabilities should be applicable to only those assessees who have an income of more than Rs. 300,000/- per annum as the purchasing power of the rupee has eroded, since the time limit was fixed.

- Requirement to file Wealth Tax statement to be on taxable income above Rs. 300,000/-

  The requirement of filling statement of Wealth Tax alongwith the Return of Assesses whose taxable income exceeds Rs. 100,000/- be reviewed and this limit be raised to Rs. 300,000/- as the purchasing power of the rupee has eroded.

- Wealth Tax paid by assessee should be deducted from total income as practiced prior to Finance Act, 1994.

  The amount paid by an assessee by way of wealth tax was previously allowed as a deduction from the total income. This clause has been deleted by the Finance Act 1994. It is suggested that aforesaid clause should be reinstated in law and the assessees should get the benefit of allowable deduction as in being done for professional taxes and zakat paid.

- Limit of exemption from Wealth Tax to be enhanced to Rs. 2 Million on the grounds of erosion of Pak Rupee.

SECRETARY GENERAL'S REMARKS AT ADVISORY COUNCIL MEETING HELD IN ISLAMABAD ON 17TH MAY, 1995

BMR - Honorable Ministers and distinguished participants. I have had the privilege to address the Members of this Council earlier at the first meeting on 19th March, 1995.

It is not my intention to repeat myself today and I seek your forbearance if I do so inadvertently.

The task of the budget makers is not envious. Resource mobilization in Pakistan is a daunting task. I submit to you again that we must resist the temptation to add on additional taxes on trade and industry. The government must resist the temptation to add on more taxes on business as it is politically less inconvenient to do so. There must be no sacred cows. The agricultural sector which is more than 25% GDP must share the burden of taxation.

Our Chamber supports greater documentation of the economy which we feel will result in better tax collection. We also feel that business must be allowed to generate reasonable after tax profit, as from profit comes savings and from savings investment and employment and growth in the economy. Profit is not a dirty word.

The struggle for domestic resources which is going on between a tenacious but dying public sector and the private enterprise is going to influence the quantum and quality of investment in this Country. The Government by borrowing excessively at high rates, has crowded out the private sector, particularly small business from much needed productive investments.

Our Chamber has submitted specific proposals which have been circulated. There are Eight suggestions on matters that influence investment. Four on those that diminish credibility and confidence of tax payer, Eight on industry specific issues and Ten others on matters which are discriminatory and impediment to efficiency.

We have had the opportunity to talk to the Board of Revenue officials yesterday and have explained the rationale and ramifications of these proposals. Not much point will be served in going over these again. The Five key issues are :

1. Net protection to local industry must take into account all levies and additional cost which befall upon local industry and must be agreed upon by mutual discussion. We know the commitments made to GATT / IMF for duty reduction on imports are the compelling considerations, but we also understand that the GATT timetable for implementation is more flexible.

2. The burden of Sales Tax must be widened and shared by everyone and if done, the general rate of Sales Tax can be reduced.

3. The imposition of withholding tax a few years ago was done to enlarge the tax net to identify new potential tax payers. It has served that purpose. Since it is a presumptive tax, it must not be continued in perpetuity especially as in many cases it is being treated as a final discharge of total tax liability.

4. There is need to build credibility between the tax collecting agencies and the tax payers. This is not enhanced by demanding tax payments even before appeals are heard.

5. Sales Tax and Excise Duty concessions offered for development areas and free industrial zone create uneven playing fields for existing investors. There are others and better ways of supporting industry in backward areas.

I thank you Mr. Minister for your graciousness in allowing me to speak earlier than scheduled and for listening to me so patiently.

ZAHID ZAHEER
SECRETARY GENERAL

PROPOSALS FOR THE ADVISORY COUNCIL OF THE MINISTRY OF COMMERCE 1995 - 96

A. STREAMLINING THE PROCEDURES OF PRE-SHIPMENT INSPECTION (PSI) AND IMPORT TRADE PRICES (ITP)

PROPOSAL A01

Make PSI rules flexible to start the process as soon as inspection request has been submitted by the importer and to allow minor variations and amendments to be made during the process.

RATIONALE

Exporter who offers the goods expects immediate L/C and shipment within days. PSI rules requires submission of inspection order in duplicate for all imports in specific format which is to be treated as an intended declaration before customs and causes delays. PSI rules does not allow flexibility to seller / importer to adjust the supplies of new orders / replacement which in some cases is done almost on-line. PSI rules demand an amendment in the Inspection Order delaying shipment and imports.

PROPOSAL A02

Steps be taken to ensure that PSI inspection does not result in an extra charge to the importer.

RATIONALE

Although PSI rules require inspection and handling at sellers cost, it may result in refusal to bear cost or accept orders if there are delays in inspection, ensuring witnessing, sealing of the container. This can result in escalaltion of prices by the exporter, enven througn they may not declare it as an extra charge.

PROPOSAL A03

The pre-shipment inspection in case of materials for Agriculture Presticides and Pharmaceuticals be done away with.

RATIONALE

The Prices of finished drugs and raw materials for Pharmaceutical Prepartations are already being controlled by the Ministry of Health. The prices of agricultural pesticides are being controlle dby Plant Protection Department by way of issuing D.G. Health Clearance Certificate for each import and no custom clearance can take place without the above certificate.

PROPOSAL A04

Since regulating the valuation of imported goods has been entrusted to inspection companies, hence any other method of valuation e.g. ITP, loading, assessment by Customs Officer be done away with.

B. RATIONALIZATION OF LEVIES TO PROTECT LOCAL INDUSTRIES

PROPOSAL B01

To give adequate protection to local industry the rates of Duty, Sales Tax and Excise Duty be revised.

Cigarette Industry

Specific rate of duty on Acetate Filter Tow be withfrawn and duty on the basis of advalorem, adjusted within the rationalized slabs.

RATIONALE

The specific Duty and advalorem continued to rise every year. During 1994 - 95, the specific duty rate on TOW has increased to Rs. 18.00 per Kg. + 25% advalorem from Rs. 9.00 per Kg. + 10% advalorem. This has adversely effected the Tobacco Industry. Whereas the Textile Industry was given a special treatment and duty on imported fibre has been drastically reduced. This tantamounts to discrimination.

PROPOSAL B02

Pharma Industry

Duties on import of glass ampules and bottles in Pharma Industries be reduced.

RATIONALE

In view of the capacity constraints of manufacturers of small glass bottles most of the Pharmaceutical industries is dependent on one glass bottle manufacturer, resulting in monopolistic situation. Since the local industries cannot meet the entire requirement of glass packing material of Pharma industries, the excessive protective rate of duty be reduced.

PROPOSAL B03

Aluminum Foil used by the Pharma industry can only be imported duty free if it is printed with the name of the product. This concession should also be allowed if the name of the company is printed on one side, without printing the name of the product.

RATIONALE

It will reduce the investory carrying cost of the Pharma industry. Such foil may not be misused as they would carry the name of the manufacturer.

PROPOSAL B04

Electric Motor Manufacturing Industries

Misuse of facility to import electric motors be checked.

(a) If Motors are imported as "scrap", the normal rate of Custom Duty and Sale Tax should be levied on such Motors irrespective of their usage or utility.

(b) Hundred percent physical examination of imported Electric Motors mus tbe conducted by Customs Authorities if such Motors are imported in containerized consignments.

(c) Destuffing of containerized consignments of Electric Motors must be made compulsory and containers must not be allowed to shift from port to the importers premises / godowns.

(d) Some effective and practicable procedures should be adopted by Customs to stop mis-declaration in horse-power ratings of Electric Motors so that leakage of Government revenue is properly sealed and safeguarded.

RATIONALE

Domestic industries of Electric Motors are facing unfair competition in the local market as all types of Motors are freely importable. Moreover, commercial importers are using all possible unethical methods to import Electric Motors by depriving Government from Customs revenues.

PROPOSAL B05

Circuit Breakers Manufacturing Industries

Circuit Breakers of following types be allowed to import under Concessionary SRO No. 501(I)/94 dated 9.6.1994.

- Air Circuit Breakers
- Moulded Case Circuit Breakers
- Earth Leakage Circuit Breakers
- SF6 Gas Filled Circuit Breakers
- Parts of Vacuum Circuit Breakers

RATIONALE

Although some organizations are locally manufacturing small sizes of Circuit Breakers for very limited application, mainly for domestic appliances, other Circuit Breakers for industrial applications are not being manufactured locally.

Therefore it is suggested that Central Board of Revenue may please be approached to adopt a realistic attitude and allow import of listed types of Circuit Breakers under Concessionary SRO No. 501(I)/94 dated 9.6.1994.

PROPOSAL B06

Essential Consumer Goods and Capital Goods Industry

Excise Duty is a tax on goods produced or manufactured in the country and intended for home consumption. It is paid by the manufacturer of producer and is primarily considered a tax on sunsumption of luxury goods by the rich who can afford to pay such taxes. It is anomalous to apply this to capital items and essential consumer goods. It should be withdrawn for Paints, Electrical Wires and Cables and Detergents, Toilet Soaps and other hygiene items like Powder, Shampoos and Creams.

PROPOSAL B07

Food, Infant Formula Milk and Milk Food Industry

In conformity with the Government's policy not to charge Sales Tax on Food items, the Sales Tax on Baby Cereals, Infant Formula (Milk), Margarine and Ice Cream be Withdrawn.

RATIONALE

Raw material used for manufacture of Infant Formula Milk are subjected to Import Duty and Sales Tax ranging from 44% to 95% as per tariff schedule, whereas Infant Formula Milk when imported is only subjected to 20% Import Duty. This anomaly is seriously affecting the local industry and protecting the imported Infant Formula Milk and should be eliminated.

PROPOSAL B08

As is done for other raw materials used by the pharma industry Duties and Sales Tax on import of Beet Suger / Sucrose be removed.

RATIONALE

Beet Sugar / Sucrose used by the Pharma industry is white crystalline. EEC Cat-1 which is not manufactured in the Country. It attracts 35% Duty and 15% Sales Tax on import. It should be exempted for levy of Duty and Sales Tax like other raw materials, used by the Pharma industry.

PROPOSAL B09

As is done for other raw materials used by Pharma industry the Duties and Sales Tax on import of Sorbitol (liquid and powder) be removed.

RATIONALE

The local companies are not in a position to manufacture Sorbitol (liquid and powder) complying to BP specifications.

PROPOSAL B10

Custom Duties on import of flavours used by Pharma industries as raw material be reduced from the present 75%.

RATIONALE

It has been reduced from 75% to 25% fro Toothpaste, Shampoos, Hair and Skin Creams vide SRO 885(I)/94. The same facility be extended to Pharma Industry.

PROPOSAL B11

Agricultural pesticides and their ingredients for local formulation be allowed to be imported free of Duty and Taxes.

RATIONALE

This is done for all other agricultural imports like fertilizers and agricultural implements.

PROPOSAL B12

Industrial users can import Vinyl Acetate Monomer (VAM) on payment of 30% Import Duty. However bulk importers of chemical like PSO and Shell are required to pay 45% duty. Bulk importers of VAM be also allowed the reduced rate of duty for sales made to industrial consumers.

RATIONALE

Bulk purchases are cheaper and local industrial users are being denied the benefit.

PROPOSAL B13

Import of waste grade tin plate ITC # 7210.1100 results in production of poor quality tin containers, and poor packaging for all canned products. This item be placed on the negative list and only prime quality Tin Plate ITC # 7210.3100 be imported.

PROPOSAL B14

The import of finished packed lubricants should not be allowed. Duty structure needs to be raised if the imports cannot be put on the negative list.

RATIONALE

The Government is losing about Rs. 35 Million per annum on direct duties only by allowing this import.

C. IMPORT OF PHOTOCOPIERS

PROPOSAL C01

To allow import of Colour Photocopier by all registered importers. It is presently a banned item.

RATIONALE

To improve communication and presentation and be in line with rest of the world, import may be allowed.

D. COMPUTERIZATION OF DOCUMENTS

PROPOSAL D01

Simplification of Bill of Entry, as a prelude to computerization.

RATIONALE

We recommend a two step approach for simplification of Customs Bill of Entry currently used for clearance of imported goods as follows:

Step 1 : Bill of Entry from must be on the standard stationery using 8" x 22" paper or 8" x 14" paper with requested information to be in the format that can be easily used for data entry in computer.

Step 2 : Computerization process to be initiated which can help in the following manner :

i) Fast processing of data on values of imported goods.

ii) Immediate analysis of duties / taxes paid or evaded.

iii) Availability of reports / data that would allow better analysis based on which Government can formulate more meaningful import / export policies.

E. IMPORTS FROM INDIA

PROPOSAL E01

The list of machinery items permissible to be imported from India needs to be reviewed. It should be extended to included Plant and Machinery for the Dairy and Pharmaceutical and Chemical Industry, especially those items of machinery which are not manufactured in Pakistan.

RATIONALE

The price of machinery made in India are nearly 50% lower than European sources. Presently machinery is allowed to be imported from India for Tobacco, Beverage, Paper and Board and Textile Industries. Similarly the list of permissible items of import from India for raw and packing materials used by the Pharmaceutical Industry contains a few items only. This list should be enlarged.

PROPOSAL E02

Import of synthetic organic dyestuff from India be examined for dumping, and if found correct be banned.

RATIONALE

Since the Indian exporters are indulging in dumping, it is effecting local dyes industry.

F. UNREASONABLE RESTRICTION OF PHARMACEUTICAL RAW MATERIALS

PROPOSAL F01

Regulation on Shelf-life of imported raw material be enhanced.

RATIONALE

Some imported raw material list a SHELF-LIFE. In fact it is not a SHELF-LIFE but a revalidation schedule, assigned for purposes different from the purpose of defining finished products shelf-life. If a raw material reaches a shelf -life it does not mean that material has become useless.

No regulatory authority in the world requires that the raw materials pruchased must have a specified "Shelf-life" life. As long as the raw materials meets the specifications, it can be used. The official compendia do not even prescribe any"Shelf-life", these are given by the manufacturers of raw materials for reasons given above. The U.S. Code of Federal Regulation No. 211.87 specifies clearly that raw materials may be re-tested after storage for long periods, based on which may be approved for use in the finished products.

G. IMPORT OF PLANT & MACHINERY

PROPOSAL G01

At present foreign companies are required to obtain prior permission to import second hand and reconditioned plant. This restriction is discriminatory and inconsistent with Government policy to encourage foreign investment.

The import of refurbished spare parts and used gas cylinders is banned. Provision should be made to allow imports of used spares and gas cylinders and also return of defective spares.

Plant and its integral accessories are classified under separate PCT numbers attracting higher rate of duty. Main plant and its auxiliaries and accessories should be classified under same PCT as the main plant.

Period for replacement of machinery under BMR be reduced to 10 years instead of the present 12 years.

RATIONALE

Production machinery needs to be replaced in time to reduce manufacturing cost. Reconditioned plant reduces the cost of production.

PROPOSAL G02

Import of used plant and machinery is not allowed when supplied free of charge. It should be allowed

RATIONALE

It saves foreign exchange for the country.

PROPOSAL G03

Plant and equipment including spare parts imported for formulation of agricultural pesticidies and fungicides for safety and environmental protection be exempted from import duties.

H. EXPORT PROMOTION

PROPOSAL H01

Streamline procedure for export duty drawback for pharma industry products and fix a standard duty drawback rate.

RATIONALE

This is being done for other products for export.

PROPOSAL H02

For pharmaceutical product export on concessional air freight rate be introduced keeping the possibility of export to Central Asian States.

RATIONALE

These products are of high value and small volume and have limited shelf life.

PROPOSAL H03

Currently export of samples free of charge are limited to Rs. 25,000 per annum. This should be enhanced to 10% of the value of the exports.

RATIONALE

Medicines are expensive items and the continued erosion of the Rupee has resulted in very nominal samples being exported.

PROPOSAL H04

The current procedures governing the remittance of commission against exports are cumbersome and need to be simplified. Banks be allowed to make remittance of commission to foreign agents soon after receipt of payment from Overseas.

RATIONALE

Presently such remittances are delayed by several months, discouraging exports.

I. TRADE SAMPLES

PROPOSAL I01

The value of samples permitted to be imported should be in proportion to the total imports and not a fixed monetary limit.

RATIONALE

The present limit of import for import of free of charge trade samples is Rs.10,000 per annum, and is inadequate because of erosion in the Rupee.

J. STREAMLINING OF IMPORT PROCEDURES

PROPOSAL J01

The system of maintaining a Category Pass Book be abolished.

RATIONALE

Some Import Licences have been done away with, this has become redundant. Registration with CCI&E should suffice.

PROPOSAL J02

For the purpose of opening a Letter of Credit, the preparation of Annexure B referred under FE Circular No. 31 of 1991 be done away with.

RATIONALE

As the Import Licence fee order has been rescinded, this has become redundant.

PROPOSAL J03

Fungicides be treated the same as pesticides, as they have the same harmonized Code US Code 38.08. Customs authorities treat them differently.

PROPOSAL J04

Sometimes manufacturers require to send sophisticated equipment abroad for repairs. The procedure should be simplified and repair charges be remitted by the Bank. When equipment is returned because it is off specification, export/ import permits are granted on production of Bank Guarantees. The procedure for Cancellation of Bank Guarantees when re-import has taken place be simplified, and there should be no further import levies as these have already been paid at the time of the original import.

RATIONALE

Is self evident.

15th June, 1995

PRESS RELEASE

The President of the Overseas Investors Chamber of Commerce & Industry, Mr. Tariq Ikram described the budget as realistic and one which is supportive of foreign productive investment, promising reasonable levels of growth albeit from a low 1994/95 level. Success would largely depend upon the determination to keep expenditures within forecast levels and maximizing revenue collection.

The government plans to borrow Rs.30 Billion from the banking system which will leave Rs. 12 Billion for deficit financing. If these levels are maintained it should contain inflation.

All sectors of the economy need to share the burden of taxes, and this has not been done for the agricultural sector. The taxation of bearer instruments will widen the tax net, as will the enhancement of import stage sales and excise duty and will reduce the unfair advantage that the unorganized sector presently enjoys.

The need to withdraw protection to local industry gradually has been recognized as evidenced by the slower rate of reduction of import duties on finished product and reduction of excise duty on local production, and in some cases imposition of excise duty on imported products.

The reduction of import taxes for the engineering and electronic industry is also a welcome step.

The reduction of corporate tax rates and tax on banking companies has been continued and augurs well for the future.The discrimination to charge excessive withholding tax to branches of foreign companies has been addressed.

The Chamber is pleased to see that the Government has accepted many of the proposals made by this Chamber reflecting the desire to support industry for the benefit of both the Industry and the Country.

Presented for publication in the next issue of your esteemed newspaper.

ISSUED BY

ZAHID ZAHEER
SECRETARY GENERAL

7th August, 1995.

MINUTES OF MEETING HELD AT ISLAMABAD ON 25TH JULY, 1995 WITH CHAIRMAN, CENTRAL BOARD OF REVENUE, MR. ALVI ABDUL RAHIM

PRESENT :
Mr. Tariq Amin
Mr. Zahid Zaheer
Mr. Azhar Malik

LEAVE OF ABSENCE :

Mr. Mohammad Aslam	Boc
Mr. Hashim Ishaque	Shell

Mr. Tariq Amin, Chairman, Chamber Standing Sub Committee on Corporate Law led the delegation. The following issues were discussed :

1. Change in accounting year to calendar year.

2. Tax on capitalization of reserves tantamounts to double taxation to companies.

3. Discrimination in tax on interest income on securities under Section 50(2) where residents are taxed at 30% and non resident companies are taxed at 58%.

4. Tax on interest income of Provident Fund beyond 16% per annum.

5. Withdrawal of compensation at 6% per annum on advance payment of income tax.

6. Delegation of powers to Commissioner to initiate proceedings for an offense under Income Tax Ordinance 1979 may result in harassment.

7. To support local industry, the policy of the Government is not to allow imports of raw materials and components on concessionary rate of duty, where these materials are made in Pakistan. This policy should be strictly followed.

The Chairman, Central Board of Revenue's response to each of the above points was as follows :

ITEM 1 :

Exemptions will be considered for multinationals on a case to case basis.

ITEM 2 :

Tax on Bonus issues is now a settled issue.

ITEM 3 & 4 :

Chairman requested that the details of this issue be provided to him in a separate letter.

ITEM 5 :

Chairman said that this was also a settled issue.

ITEM 6 :

Chairman requested the Chamber to bring to his notice any case of harassment which may occur as a result of this delegation of powers.

ITEM 7 :

Chairman asked that details be provided to him where deviation have occurred in contravention of this policy.

ZAHID ZAHEER
SECRETARY GENERAL

SECRETARY GENERAL'S ADDRESS TO THE MONOPOLY CONTROL AUTHORITY CONFERENCE IN ISLAMABAD ON 7TH DECEMBER, 1995

BMR

Mr. Chairman, Ladies & Gentlemen,

I was requested yesterday to speak on the Relevance and Implications of competition laws in Pakistan as Mr. Kabraji who was the originally scheduled Speaker has been taken ill.

At the outset let me share with you that I am not a practitioner of company laws. I have had the benefit of sharing views yesterday with Mr. Ehsan Nomani and Ms. Nausheen Ahmed, both Corporate Lawyers, and I am grateful to them for sharing their insights. Most of my life I have spent managing Industry and I therefore consider myself to be a player. The views expressed herein are mine and not those of the organization I am associated with. I seek your indulgence if the presentation this morning has stortcomings as I have not had much time to prepare for this presentation.

You heard the Chairman, MLA yesterday stating that the Monopoly and Restrictive Trade Practices Ordinance enacted in February 1970 and made effectively on 17th August, 1971. For the sake of brevity I shall call it MRTPO.

In this period some of the senior economist in this Country were propounding that 22 Families in Pakistan were controlling 80% of all the assets, resulting form the unregulated private enterprise system of the Sixties. It was against this background that the MRTPO was enacted, the thrust of this legislation was to restrict the undue concentration of economic power. It also has measures to control unreasonable monopoly power and unreasonable restrictive trade practice.

Undue concentration of economic power is supposed to arise when the assets of an undertaking, which is not a public company exceed Rs. 150 Million. It also arises when an"individual" has a stake which carries more than 50% of the voting power in an"undertaking" which is a public limited company, with assets in excess of Rs. 150 Million.

Soon after the promulgation of the Act, a socialist government came into power in this country which nationalized all the major industries rendering the raison d'etre of the legislation redundant. The state become the owner of all major assets and since the law exempted the publc sector from the purview of this Act, the law for all practical purposes became inoperative.

What followed thereafter is a sad saga, the entire spirit of the MRTPO was violated in every conceivable form, because of the State Owned Enterprises (SOE's) were exempted from the purview of the MRTPO. I will use the term SOE's for State Owned Enterprises and not the public sector to avoid the confusion that it may cause with the use of the word public companies.

The abuse of this law by the SOE's alongwith the enactment of over protective labour laws that followed frightened away much needed productive investment in all sectors of the economy.

I will give you some examples of the violation of the spirit of the MRTPO.

The state was never short of economic resources and after nationalization there was a bonanza. The state used its economic power to invest $2.5 Billion in a Steel Mill which did not employ the state of the art technology, then continued to employ 18,000 people three times more than necessary and to produce the most expensive steel in the world. The consumers in Pakistan and the whole of the industry suffered as a result of it, and still has not recovered even today nearly fifteen years after the event. Since no other investors could enter this field, recently the abuse of absolute monopoly power was enjoyed by the state, as were the many unreasonable restrictive trade practices. Even today the Steel Mill practices tying arrangement, that makes you buy one product in order to obtain a different one. There are numerous other instances of flouting the spirit of the MRTPO by the SOE's.

I will breifly talk about the Banks. As mentioned earlier, the nationalization resulted in all Banks becoming SOE's and until recently no other entrant was allowed to enter this field. This was the case until recently with life insurance also. The Nationalized Commercial Banks the NCB's as they are called in this country, enjoyed 70% or more of the market share of deposits and then went on to employ people on political considerations and bestowed political patronage in the granting of loans for investments to projects which were not economically viable. This has resulted in a massive irrecoverable portfolio of about Rs. 100 Billion. The tax payer and the savers suffered. I cannot think to a better example of abuse of monopoly powers. Are you surprised that very few people save in this country.

One last example I wish to quote to illustrate a different trend of abuse, which resulted in the shattering of share holder's confidence and destroying what little equity culture we had in this Country.

I am referring to the National Shipping Corporation of Pakistan which was formed as a result of nationalization of shipping to the exclusion of all others. It started with a fleet of 71 ships which now is down to 15. The share of the Company at the time of inception was quoted nearly 4.8 times par value. Today the same share trades a less than 40% of its par value, a ten times erosion of capital of the share holders. The dividend payment record of this company is also pathetic despite several massive subsidies in the form of capital injection by the state which continues to be the major shareholder. Apart from providing a camping ground for Admirals waiting greener pastures elsewhere and a post-retirement home for other Naval Officers, this Corporation has done no useful service either to the Shareholders and has been a burden on the tax payer and has lost 90% of the shipping trade to foreign shipping companies. The outflow of foreign exchange to this account is over a Billion Dollars a year.

Ladies and Gentlement the damage has been done, invesors confidence eroded and the equity culture destroyed , the respect for the MRTPO has also been diluted. I must stop now lest you start thinking that I have an axe to grind and I am unnecessarily chastising the state sector.

Circumstances have changed. Today the Government wants the private sector to be the engine of growth and also wishes to privatize public sector assets. The country is desperately short of resources so much so that the revenue collected by the Government of Pakistan does not even meet the current expenditure, leaving nothing for capital expenditure and investment.

This country expects to achieve minimum economic growth of 5% GNP each year. This amount of growth is estimated to require a yearly investment of Rs.350 Billion. In actual fact in the year ending 94 / 95, the actual amount of investment was Rs. 328 Billion of which nearly half was in the public sector.

So you see even today despite the change in policy and the desire to make the private sector the engine of growth, nearly half the investments are still in the public sector. Since domestic savings in Pakistan are low (14.7% of GNP) and investments requirements are 19% GNP, there was a shortfall of 5% GNP nearly Rs. 90 Billion. The country is therefore dependent on Rs.90 Billion of foreign inflow of funds an amount of almost 3 Billion U.S. Dollars per year.

Having recognized this need, we must do all we can to encourage investment from both domestic and external sources. There is a desperate need for capital formation in this Country. The Karachi stock Exchange has a market capitalization of about $10 Billion which is considerably lower than smaller countries of the region.

With low savings rate and fierce competition for foreign inflow, the government focuses to attract foreign direct investment. All Government of Pakistan has succeeded in attracting is $ 329 Million of DFI's last year. It is in this background that the law for undue concentration of economic power has to be seen. In today's circumstances this is the last thing we need.

The total Direct Foreign Investment last year at $329 Million was only 3% of the total domestic capital formation in this country. The cumulative DFI in Pakistan is about US $ 2 Billion which is also about 3% of the cumulative investment in the country.

Ladies and Gentlemen I therefore submit to you that the heroes and villians are not going to emerge from amongst the foreign investors. They will emerge from the domestic scene where there is struggle going on for domestic resources between a tenacious but dying public sector and the private enterprise culture.

The public sector even today after five years of starting the privatization process continues to under deploy Rs.700 Billion of assets, which is almost 1/3rd of the total assets depolyed in the country today. The assets should generate for the GOP at least the opportunity cost of capital and if they do they will wipe out the entire fiscal deficit for two years.

Having quantified the desperate need for capital formation and investment, were must not frighten away potential investors by continuing with laws that restrict the concentration of economic power. Why should a company be asked to divest if its assets exceed Rs.150 Million. An investor who came to this Country say 20 /25 years ago or even a domestic investor and has built a successful business and retained earnings to increase assets to Rs. 150 Million, when the time comes to reap the benefit we expect him to share his prosperity with others who had no stake in the business and did not take any risks. Is this fair and reasonable?

I now come to the sections of the MRTPO which deal with unreasonable monopoly power.

Sections (5)a 5(b) and 5(c) of the MRTPO are the restricting clauses of the MRTOP.

A market share of 33% is considered to be unreasonable monopoly power. It does not stand to reason that any undertaking which enjoys 33% of market share will necessarily be able to manipulate prices. Even 50% market share may not be able to give the two undertakings the capability to manipulate prices.

The corrective action is visualized in Clause 12-1 (b) (i) of the Act where the MCA can pass an order asking the company to divest. How would this help to increase competition I ask you ?

Clauses 12-1(b)(ii) & (iii) of the MRTPO enable the MCA to direct a person to divest himself from office and the management of the company. Again how do these actions promote increased competition ?

I submit to you the fact that the assoicated undertakings between themselves enjoy 33% of market share does not necessarily prove collusion in price fixing or reducing competition.

The divestment order should only be passed when specific definitive evidence show that price manipulationhas taken place. Actions taken purely on the basis of achiveing 33% market share can discourage corporate investment. Methodology of determining market share also needs to be reviewed particularly where classification of goods is concerned. The methodology should be transparent and all concerned be informed.

Sections 12b (v) and (vi) of the MRTPO are Clauses of the MRTPO which restrict giving of loans on concessional terms to associated companies.

While we can understand the rationale of introducing such clauses in the prenatioalization period in today's environment when Section 208 of the Companies Ordinance regulates concessional loans to associated companies and the State Bank of Pakistan prudential regulations separately control the amount of loans to associated companies, there is no need for these power to be retained int he MRTPO.

Sections 12-1-b(iv) of the MRTPO controls the acquisitions and mergers.

Mergers and acquisitions are a recognized way of industrial investment and expansion all over the world. Corporate savings have to be channelled into productive investments without which there will be little growth in the economy. All mergers and acquisitions do not necessarily create a position where prices can be manipulated and competition lessened. It does not follow that in an acquisition or merger which results in more than 33% market share, price manipulation will take place. A company which does not have an associated undertaking but still has more than 33% market share, would escape the application of this section of the MRTPO. If the above logic was to be applied, then such company should also fall under the purview of the MRTPO. Another illustrative example is that of a company already enjoying 33% of the market share and is supposedlyin a position to manipulate prices. After making an asquisition and enhancing its market share say 40%; its ability to manipulate prices remains unchanged and is the same as before. The additional ownership does not necessarily enhance the power to manipulate prices.

In cases of acquisitions or mergers the authority should not institute proceedings and take the decision to prohibit merger, as such a merger may be desirable on the grounds of economies of scale and cost reduction and may result in lowering of prices, and may result in better utilization of underutilized capacity in the Country.

In such cases the remedial action called for is to monitor and investigate activities of the merged companies to estabish that this merger has led to price manipulation and only when such practice can be established beyond doubt the remedial action must be considered.

Sections 5(2) and 6(2) of the MRTPO
Allows the MCA to grant exemptions and leaves sufficient discretion to MCA to grant such exemptions in the public interest. The concept of public interest is sufficiently wide to include commercial and economic policy considerations, such as price reductions which may follow the acquisition or merger due to economies of scale. Also acquisitions and mergers may be the preferable route to attract investment both domestic and foreign, rather than install new capacity.

Restricted Business Practices (RBP) Section 6 1 (a)
Focuses on the formation of cartels and agreements between competitors for dividing share of the market, limiting production and / or technical development. This section needs to be focussed on more incisively by the MCA in their investigation and monitoring rather than relying on limiting asset ownership or restricting market share, with the aim of enhancing competition.

Section 6 1 (b) of the MRTPO
Is prohibitory for suppliers to direct distributors to sell at a minium specified price. This needs to be reconsidered and it should be left to the market forces, as an unscrupulous dealer in the absence of minimum selling prices may undercut and harm the business of other dealers.

In conclusion I would like to submit that the MRTPO should change its focus to directing itself towards measures that enhance competition. As it presently stands the emphasis is more so on restricting undue concentration of economic power or limiting market share, but neither of these by themselves inhibit competition.

I thank you Ladies nad Gentlemen for your patient hearing.

22nd October, 1995

PRESS RELEASE

The Governor of Sindh, Mr. Kamaluddin Azfar visited that Overseas Investors Chamber of commerce & Industry, and met the Office Bearers and Members of the Managing Committee.

The President of the Chamber in his address of welcome state that his Chamber which is the oldest in Pakistan today has one hunderd and sixty six Members representing investments from various countries in nearly all sectors of the economy. The total investment of all the members is nearly Rs. 25 Billion and the sales revenue of these members is nearly 8% of the GDP of the country and about 25% of that of the GDP of the manufacturing sector. They also contribute one sixth of the total tax revenue of the Government of Pakistan.

The Chamber has offered to work closely with the government to promote the needs of foreign investment. In the context of the government policies, the Chamber offered a partnership leading to mutual growth since the Chamber believes that what is good for the country is good for the business and vice versa.

The President stated that the investment environment can be enhanced further if the law and other situation si corrected, adequate steps are taken to improve the depleting infrastructure and the Government ensures that incentives to industry are implemented in letter and spirit.

The Governor responded by saying that he sppreciated the role of the Overseas Investors who have contributed to technology transfer employment and employee training and also promoted ethical practices in business.

He also responded to the OICC&I remarks about inadequate infrasture. The government is conscious of the need to improve the water and power shortages in Karachi and while the past cannot be changed there is need to look to the future more positively and constructively.

He also emphasized the need to address the unemployment problem in the educated youth and the need for vocational training.

He decried the politics of hate and violence and stated that the government was willing to resolve political matters and will continue talks with those who are in opposition.

The Governor also stated that he will arrange for a dialogue with the Board of Investment and Sindh Government Finance officials to address the specific issues which are an impediment to investment in Sindh.

Presented for publication in the next issue of your esteemed newspaper.

ISSUED BY

ZAHID ZAHEER
SECRETARY GENERAL

15th November, 1995

Minutes of Meeting held in the Chamber's premises on 31/10/95 at 11-30 AM with Chairman, Corporate Law Authority.

Mr. Tariq Ikram	Reckitt & Colman
Mr. Tariq Amin	Rhone Poulenc
Mr. I. S. Sangster	Lever Brothers
Mr. Aamer Aziz Saiyid	Lever Brothers
Mr. S. Ali Raza	Bank of America
Mr. M. Younas Khan	Deutsche Bank
Mr. Martin Sulger	Siemens
Mr. Tasleemuddin A. Batlay	Lakson Tobacco
Mr. Mohammad Aslam	BOC
Mr. S. H. A. Bukhari	Mackinnon
Mr. M. Moonis	United Liner
Mr. F. A. Hashimi	Gestetner
Mr. Ali Ahmad	ANZ Grindlays
Mr. Moin M. Fudda	Commercial Union
Mr. Andalib Alavi	Engro
Mr. A. A. Dani	Wellcome

President Tariq Ikram welcomed Mr. Shamim Ahmad. Since it was his first visit to the Chamber he gave a brief overview of the Chamber and its activities.

Mr. Tariq Amin, Chairman, Standing Sub Committee on Corporate Law introduced the visitor and highlighted the principal positions he had held in the government.

Mr. Shamim Ahmad, Chairman, Corporate Law Authority then gave an overview of the regulatory role, of the Authority.

(i) Regulation of Stock Market
(ii) Enforcement of Companies Ordinance 1984
(iii) Monopoly Control Role

He informed the meeting that the Monopoly Control Role has now been taken away and is now vested in a separate Monopoly Control Authority. The need for a good regulatory system was emphasized, and the need for Lawyers, Accountants and other professionals to contribute was emphasized.

Mr. Shamim Ahmad then reviewed all the changes made in the company law through the Finance Act 1995.

Section 50(7) - Only approved securities can be offered to the public.

Section 52 - Approval required for sale of securities outside Pakistan. This was not required for private placements.

Section 86 - Upto recently rights issue was only made available to increase capital of existing company.

Now companies can offer convertible bonds to public, based on 75% voting supporting a special resolution and approval of Corporate Law Authority.

Section 208 - Intercompany financing is now subject to more stringent conditions.

Section 506 - Enabling power to Corporate Law Authority to frame rules for Leasing and House Building Finance Companies.

Mr. Shamim Ahmad also talked about the repeal of Control of Capital Issues Act 1946, which was introduced as a war time measure.

This was long overdue, it was repealed in India in 1992. Upto 1995 Companies issuing Capital beyond Rs. 100 Million were required to go public.

Section 120 - The changes in the Corporate Debt Market were also discussed . Debentures based on mark up can now be issued (T.F.C.'S). The high rate of Stamp Duty has been reduced by the provinces and these have been made similar to Stamp Duty on equities.

Mr. Aslam (BOC Pakistan) Co-Chairman of the Committee then raised the issues relating to the Cost Accounting Rules, that have been recently introduced and gave a copy of the Chamber's formal submission in this respect.

The guidelines for the Issue of Capital promulgated recently were then discussed in detail. It was agreed that the Chamber would make a formal submission for the suggested changes.

The meeting closed with a vote of thanks to the visitors.

ZAHID ZAHEER
SECRETARY GENERAL

15th November, 1995

PRESS RELEASE

A ten members Dutch Investors delegation to Pakistan visited the OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY and met the Office Bearers and members of the Managing Committee, today.

Mr. T.V. Higgins, Vice President of the Chamber received the delegation on behalf of the Managing Committee. In his address of welcome stated that this Chamber which is the oldest in Pakistan today has one hundred and sixty six members representing investments from various countries in nearly all sectors of the economy. He also explained the many opportunites that are available for investors in Pakistan today and outlined ten cogent reasons why investment in Pakistan is desirable.

The Dutch delegation raised several questions about the investment environment in Pakistan. The success stories of the many investments in Pakistan were also discussed.

Presented for favourable consideration and publication in the next issue of your esteemed newspaper.

ISSUED BY

ZAHID ZAHEER
SECRETARY GENERAL

REVIEW OF ACTIVITIES OF CHAMBER STANDING SUB COMMITTEE BY MANAGING COMMITTEE HELD ON 30TH OCTOBER, 1995

Corporate Law Sub Committee

a) Cost accounting rules

Chairman informed the meeting that a suitable reply to the Chairman, Corporate Law Authority had been sent, based on discussions at the Sub Committee meeting. It was agreed that this letter be circulated to all Members of the Managing Committee.

b) The Sub Committee had met and considered the response to the draft capital issue guidelines issued by the Chairman, Corporate Law Authority. This would be discussed at a meeting with the Chairman, Corporate Law Authority on 31st October, 1995 when he is expected to visit the Chamber.

Industries Sub Committee

Environmental Protection Act

Chairman, Dr. Habib Suggested that he and the Task Force Members will meet Dr. Parvez Hasan and Zahid Hamid in Lahore. They will also seek Chamber's representation on Environmental Council.

Taxation Sub Committee

a) Change of Income year

President informed that a meeting has been set up with Chairman, Central Board of Revenue on 1st November, 1995 at 10:30 AM in Islamabad and the Finance Secretary. Chamber to write letter and fax modified position paper to Cental Board of Revenue. Delegation to include President, Mr. Khalid Rafi and Mr. Younas Khan.

b) Progress on budget proposals for 1996 / 97.

Secretary General informed the meeting that Taxation Sub Committee met yesterday. The response from Member was poor. However the initial findings / recommendations will be provided at the Managing Committee Meeting tomorrow specifically called for this purpose.

Commercial Matters Sub Committee

Pre-shipment Inspection Companies

Secretary General informed meeting about the Sub Committee meeting with PSI Companies saying that the audit promised was not done, as according to PSI Companies the information was not provided. Chamber to set up meeting again in the next Fifteen day with PSI Companies. Member to be informed by circular about meeting with PSI Companies. PSI Companies be asked to complete theaudit expeditiously.

The duality in the import price fixation system still persists and matter needs to be addressed.

Insurance Sub Committee

Tariff Rates

No discussion took place on this matter as these were planned to be discussed at the Special meeting on 31st October, 1995.

Banking & Finance Sub Committee

a) Corporate Tax rates for Banks
b) Regulation on rates on deposits
c) Banks seek a return on capital hedge
d) Foreign Banks be allowed to open new branches without discrimination.

No discussion took place on these matters as these were planned to be discussed at the Special Meeting on 31st October, 1995.

Labour sub Committee

A meeting was held in Islamabad with the Federal Secretary, Labour on 18th October, 1995. Issues raised at this meeting were tabled in the form of a note. Chamber to write to Federal Secretary on these issues and copy to be circulated to all Managing Committee Members.

Port Trust & Communication Sub Committee

a) Meeting with Federal Secretary, Communications
b) Reinstatement of Mobile Telephones in Karachi

No discussion took place on these matters, as they were planned to be discussed at the Special Meeting on 31st October, 1995.

Pharma Bureau

President informed the meeting that he had written a letter to Mr. W. S. Zerr. He had also spoken to Mr. Zerr again and was awaiting a reply.

14th November, 1995

Minutes of Special Meeting of all the Sub Committees held on Tuesday 31st October, 1995 at 9 AM in the Council Hall of the Chamber.

PRESENT :

MR. TARIQ IKRAM	PRESIDENT
MR. TARIQ AMIN	
MR. M. YOUNAS KHAN	
MR. S. ALI RAZA	
MR. I. S. SANGSTER	
MR. ALI AMIR (IN PLACE OF MR. AZHAR HAMID)	
MR. MOHAMMAD ASLAM	
MR. M. MOONIS	
MR. S. H. A. BUKHARI	
MR. F. A. HASHIMI	

LEAVE OF ABSENCE :

MR. THOMAS V. HIGGINS	VICE PRESIDENT
MR. S. NASEEM AHMED	
MR. MOIN FUDDA	
MR. M. S. HABIB	
MR. SHAUKAT TARIN	
MR. J. B. STEVENS	
MR. M. SULGER	
MR. I. A. MALIK	
MR. AZHAR A. MALIK	

The purpose of the meeting called by the President was to develop well thought out proposals for 1996 / 97 budget and any other matters which need to be addressed by the Chamber. Each Sub Committee was expected to prioritize the most important Five issues.

TAXATION SUB COMMITTEE

A summary paper (Appendix I) was presented at the meeting which classified issues under Four headings :

a) GENERAL - 17 Issues
b) PROCEDURAL - 5 Issues
c) INDUSTRIAL SPECIFIC - 7 Issues
d) PERSONAL TAXATION - 4 Issues

It was agreed that the above paper be circulated to all Members who should be informed that these are the broad policy issues which the Chamber feels should be taken up with the Government of Pakistan, and Member companies be asked to provide support information to the Taxation Sub Committee for these points to be researched and fine tuned. In particular the issues relating to net protection to local industries. It was further agreed that only macro policy issues be taken up at the Ministry of Finance. These were summarized as follows :

A. Encouragement to direct foreign investment in value added manufacturing sector.

- Net protection to local industries after taking into account all levies should not be less than 25%.
- Clause 130 of second schedule be restored so that expatriates be taxed only on income in Pakistan.
- Rural area investment incentive should be continued beyond June 30, 1995.
- Duty and Sales Tax on import of capital goods (not manufactured in Pakistan) should be removed.
- Sales Tax on raw and packing material used for manufacture of any product should be refunded in cases where end product is exempt from Sales Tax.

B. Inconsistent laws and practices not conducive to direct foreign investment.

- Imposition of levy on imports by Sindh Government is inappropriate and should be withdrawn.
- The change in Income Year will cause disruption and increased costs to multinational companies.
- Turnover Tax under 80(d) should be charged on net sales value by excluding indirect taxes.

C. Uneven playing fields and discrimination.

- Exemption of Sales Tax and Excise Duty allowed in Free Industrial Zones should be withdrawn.
- The rate of Tax for Banking Companies is higher than that applicable to Private and Public Limited Companies.

All other issues be taken up at lower levels in the Government.

PORT TRUST & COMMUNICATION SUB COMMITTEE

Chairman briefed the meeting about the operations of the Port. He said the Port employs about 12,500 people against a requirment of only 5,000 people.

Approximately 80% wage bill represents overtime paid to employees. As a consequence, Port dues and wharfage increase by 15% every year in Dollar terms.

Issues are :

a) Cargo handling cost are high in view of dock labour problem. A levy of Rs. 30 / Tonne is imposed on users. Since Pakistan freight handling costs are about 6% of the value of the total trade ($ 18 Billion) it is estimated to be nearly $ 1 Billion. Thus a Twenty percent improvement in these costs can represent a savings to Pakistan of U.S. $ 200 Million.

b) Karachi Port is no longer a cheap port, it is six times more expensive compared to Jabel Ali, three time more expensive than Colombo and twice as expensive as Bombay.

c) Channel is not dredged appropriately so that large ships cannot enter harbour.

d) Pilot boat service is inadequate.

e) The need to restore Mobile Telephone service in Karachi.

CORPORATE LAW SUB COMMITTEE

The three issues identified were :

a) Cost Accounting Rules

b) Guidelines for the issues of capital, which are necessitated after the repeal of the control of Capital Issues Act.

c) Need to issue guidelines for investment of Pension and Provident Fund monies in securities.

The meeting was informed that on the first issue the Chamber had addressed the Chairman, Corporate Law Authority and this memorandum will be circulated to all manufacturing companies.

With regard to the Chamber's views on guideline issued by the Corporate Law Authority, the Sub Committee has formulated the views and these would be discussed with Mr. Shamim Ahmed later today at a meeting scheduled in the Chamber's premises.

At this meeting the need to issue guidelines for Provident Fund and Pension Fund investments in securities will be also taken up.

BANKING & FINANCE SUB COMMITTEE

The three major issues that emerged were :

a) Discrimination in Corporate Tax rates when compared with other companies.

b) Criteria for opening new Branches for Foreign Banks.

c) Banks to be paid a return on Capital hedge.

LABOUR SUB COMMITTEE

The meeting was informed that the Chairman of the Sub Committee has led a delegation to meet the Federal Labour Secretary in Islamabad recently and the issues raised there have been summarized in a separate Memorandum.

INDUSTRIES SUB COMMITTEE

The two major issues identified were:

a) Proposed Environmental Protection Act.

b) Inadequate protection to local industry.

With regard to the proposed Environmental Protection Act, the Chamber has written to the agency concerned making appropriate suggestions. These have been documented in the form of a memorandum.

With regard to inadequate protection to local industries, Member companies who feel that this is so are invited to write to the Chamber giving details.

COMMERCIAL MATTERS SUB COMMITTEE

a) Pre-shipment Inspection Scheme to work more efficiently. Chamber to invite Cotecna and SGS for meetings to address issues.

b) The duality in the valuation system be removed.

INSURANCE SUB COMMITTEE

The only issue that needs to be addressed is the withdrawal of tariff rates.

The meeting closed with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

Attachments :

CHAMBER'S STANDING SUB COMMITTEES 1995- 1996

ADMINISTRATION SUB COMMITTEE

Mr. Tariq Ikram	President
Mr. T. V. Higgins	Vice President
Mr. S. Ali Raza	Member
Dr. M. S. Habib	"
Mr. Ian Sangster	"

BANKING AND FINANCE SUB COMMITTEE

Mr. Shaukat Tarin	Chairman	Citibank
Mr. Azhar Hamid	Co-Chairman	ANZ Grindlays
Mr. S. Ali Raza	Member	Bank of America
Mr. J. Dennis Dunn	"	American Express
Mr. Atif Bajwa	"	ABN Amro Bank
Mr. Takao Nakano	"	Bank of Tokyo
Mr. Zakir Mahmood	"	Banque Indosuez
Mr. M.Younas Khan	"	Deutsche Bank
Mr. Khawaja Zafarullah	"	Doha Bank
Mr. Clive A. Sheward	"	Emirates Bank
Mr. Muneer Kamal	"	Faysal Bank
Mr. M. Haroon Ahmed	"	Habib Bank AG
Mr. Gordon V. Jones	"	Hongkong & Shanghai Bank
Mr. Ashaf Ud Daullah	"	IFIC Bank
Mr. Mubashir H. Khokhar	"	Mashreqbank
Mr. Fasiar Rahman	"	Rupali Bank
Mr. Claude Delbos	"	Societe Generale
Mr. Farook Bengali	"	Standard Chartered Bank

COMMERCIAL MATTERS SUB COMMITTEE

Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. I. S. Sangster	Co-Chairman	Lever Brothers
Mr. S. A. Hadi	Member	BOC
Mr. Tariq Kirmani	"	Caltex Oil
Mr. F.A. Hashimi	"	Gestetner
Dr. Mahmood Saeed	"	ICI
Mr. Aziz Karachiwala	"	Lever Brothers
Mr. Sarfrazuddin	"	Philips Electric
Mr. Nasiruddin	"	Pakistan Petroleum
Mr. Aziz A. Vazir	"	Roche
Mr. D. Ansari	"	Siemens
Mr. A. A. Minai	"	Wellcome

INDUSTRIAL POLICY SUB COMMITTEE

Dr. M.S.Habib	Chairman	Wellcome
Mr. Martin Sulger	Co-Chairman	Siemens
Mr. M. Hamed	Member	AEG Pakistan
Mr. Tariq Gilani	"	ANZ Grindlays Bank
Mr. Rao Altaf Hussain	"	Pakistan Petroleum
Mr. M. Irfan Shaikh	"	Hinopak Motors
Mr. Isar Ahmad	"	Reckitt & Colman
Mr. Sarfrazuddin	"	Philips Electic
Mr. Javaid Anwar	"	BOC Gases
Mr. Saeed Mirza	"	Glaxo
Mr. Mujib-ur-Rahman	"	Lever Brothers

INSURANCE SUB COMMITTEE

Mr. Moin M. Fudda	Chairman	Commercial Union
Mr. Azhar A. Malik	Co-Chairman	ICI Pakistan
Mr. Mohammad Aslam	Member	BOC
Mr. K.M. Rahman	"	Engro Chemicals
Mr. A.J. Anjum	"	Glaxo
Mr. Farooq Nazir	"	Lever Brothers
Mr. Brian C. Murphy	"	New Hampshire Insurance
Mr. Javed Iqbal	"	Philips
Mr. K. M. Gresham	"	Royal Exchange
Dr. Mumtaz Ahmed Hashmi	"	Royal Insurance Co.

LABOUR SUB COMMITTEE

Mr. S. Naseem Ahmad	Chairman	Philips Electric
Mr. Iftikhar A. Malik	Co-Chairman	Pakistan Tobacco Co.
Mr. H. A. Ather	Member	Caltex
Mr. Tariq Feroz	"	Citibank
Mr. Salim Azhar	"	Engro Chemical
Mr. A. H. Rathore	"	Glaxo
Mr. Jehangir B. Nawaz	"	ICI Pakistan
Mr. A. Rauf Moughal	"	Johnson & Johnson
Mr. A.H. Memon	"	Lever Brothers
Mr. U. R. Usmani	"	Singer
Mr. M. Matin Khan	"	Wellcome

PORT TRUST & COMMUNICATION SUB COMMITTEE

Mr. M. Moonis	Chairman	United Liner
Mr. S. H. A. Bukhari	Co-Chairman	Mackinnon
Mr. S. A. Hadi	Member	BOC
Mr. Nadeem Jafarey	"	Caltex Oil
Mr. Sajid Ahmed	"	Engro Chemicals
Mr. A. H. Rathore	"	Glaxo
Mr. Furqan H. Qureshi	"	IBM
Mr. Khawaja S. Mahmood	"	ICI Pakistan
Mr. Aziz Karachiwala	"	Lever Brothers
Mr. Farooq H. Rahimtoola	"	Ray Shipping

CORPORATE LAW SUB COMMITTEE

Mr. Tariq Amin	Chairman	Rhone Poulenc
Mr. Mohammad Aslam	Co-Chairman	BOC
Mr. Fawad Palabo	Member	Abbott
Mr. Andalib Alavi	"	Engro
Mr. A.J. Anjum	"	Glaxo
Mr. K. M. Aminullah	"	Hoechst
Mr. Azhar Ali Malik	"	ICI
Mr. Tasleemuddin A. Batlay	"	Lakson Tobacco
Mr. Aamer Aziz Saiyid	"	Lever Brothers
Mr. A. A. Dani	"	Wellcome

TAXATION SUB COMMITTEE

Mr. S. Ali Raza	Chairman	Bank of America
Mr. F. A. Hashimi	Co-Chairman	Gestetner
Mr. Mohammad Aslam	Member	BOC
Mr. Munir K. Bana	"	Knoll
Mr. K. M. Aminullah	"	Hoechst
Mr. A. J. Anjum	"	Glaxo
Mr. Ferial Saleh	"	IBM
Mr. Azhar Ali Malik	"	ICI
Mr. Tasleemuddin A. Batlay	"	Lakson Tobacco
Mr. Ahmad Adil	"	Standard Chartered

RESTRUCTURED PLAN FOR 1995

REVIEW OF ACTIVITIES

CORPORATE LAW SUB COMMITTEE

a) Cost accounting rules

Chairman informed the meeting that a suitable reply to the Chairman, Corporate Law Authority had been sent, based on discussions at the Sub Committee meeting. It was agreed that this letter be circulated to all Members of the Managing Committee.

b) The Sub Committee had met and considered the response to the draft capital issue guidelines issued by the Chairman, Corporate Law Authority. This would be discussed at a meeting with the Chairman, Corporate Law Authority on 31st October, 1995 when he is expected to visit the Chamber.

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Environmental Protection Act

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a) Change of Income Year

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The duality in the import price fixation system still persists and matter needs to be addressed.

INSURANCE SUB COMMITTEE

Tariff Rates

No discussion took place on this matter as these were planned to be discussed at the Special meeting on 31st October, 1995.

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a) Corporate Tax rates for Banks
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PORT TRUST & COMMUNICATION SUB COMMITTEE

a) Meeting with Federal Secretary, Communications
b) Reinstatement of Mobile Telephones in Karachi

No discussion took place on these matters, as they were planned to be discussed at the Special Meeting on 31st October, 1995.

PHARMA BUREAU SUB COMMITTEE

President informed the meeting that he had written a letter to Mr. W. S. Zerr. He had also spoken to Mr. Zerr again last night and was awaiting a reply.

ADMINISTRATION SUB COMMITTEE

Restructured Plan for 1995

Restructured Plan for 1995 adopted at the Administration Sub Committee Meeting held on 24th October, 1995 was tabled for discussion and approved.

30th October, 1995.

OICC&I POSITION PAPER ON CHANGE IN INCOME YEAR

1. The Finance Act 1953 withdrew the option available to assessees to have the calendaryear as its income year in respect of income from business or profession.

2. The majority of the multinationals operating in Pakistan have maintained its accounts on calendar year basis to be in confirmity with the account year of the Overseas Company for consolidation purposes.

3. Prior to the change legislated by the Finance Act 1995 :

   - the accounts of such companies have been finalised and audited as required by the Companies Ordinance; and

   - The Annual General Meeting have been held.

4. The CBR has directed all such companies to have an eighteen month income year i.e. from January 1, 1994 to June 30, 1995 and the corresponding return of income for 18 months is due to be filed by December 31, 1995.

5. The aforesaid retrospective change would require an additional audit of the accounts for the six months ended June 30, 1995 since section 32A of the Income Tax Ordinance requires submission of "a copy of the Balance Sheet and Profit & Loss Account for that year and an auditors report for that year in Form 35A of the Companies (general Provision and Forms) Rules 1985 ....". The Said form 35A is the report of the auditors to the members of the Company. Consequently such accounts would also have to be approved by the members in Annual General Meeting entailing additional costs and incovenience to the companies.

6. This exercise of two annual audits and two AGM's would not only be for one year but for all years, since it is unlikely that the off shore holding company will change its worldwide income year for calendar to 30th June. This would inevitably result in two audits to be conducted in addition to holding of two AGM's which would be disruptive in running of the business and add to the costs.

7. A further adverse consequence of the change is that such companies would be subjected to a higher rate of tax on the income for the said six month period than what it would have been if the income year is not changed. This will be seen by present and potential investors as another example of reversal of declared policy however temporary. The corporate rates of tax are as under :

ASSESSMENT YEAR :	BANKING COS :	LISTED COS :	UNLISTED COS :
1995 - 96	60%	36%	46%
1996 - 97	58%	33%	43%
1997 - 98	55%	30%	40%
1998 - 99	50%	30%	35%

Becasuse of the 18 months income year, the profit for the six months ended June 30m 1995 would be taxed at 36% (listed company) which income normally would have been assessed in assessment year 1996 - 97 at the rate of 33%. All companies including Banking Companies would thus be adversely affected not only for assessment year 1995 - 96 but upto assessment year 1998 - 99.

8. The said consequence of change in the income year would be a case of taking away a substantive right of an assessee of being taxed at the lower rate of tax and is positivelyultra vires the statute on the doctrines of local poentitentiae, reasonable expectations, promissory estoppel and discrimination.

9. Corporate Law Authority (CLA) vide a clarification issued in the press have state that companies preparing accounts for half year to June 30, 1995 must hold a general meeting for approval of the said accounts by December 31, 1995.

   This is considered to be insufficient time for holding such meeting.

10. Banking Companies Ordinance 1962 (Section 34) requires all banks to prepare balance sheet and profit and loss account for the calendar year and have them audited. This means banks would require two audits.

PROGRAMME OF "CREATING A FUTURE TOGETHER"

ADMINISTRATION SUB COMMITTEE

President informed the meeting that a supplement has been planned for four newspapers which will be issued in 1st week March, then April and May, 1996. Members will be requested to contribute for advertisements. Certain Managing Committee Members will be contacted to write articles for the supplement.

President informed the meeting that he had approached Secretary Finance and the Government of Pakistan has agreed to participate in a joint seminar on "Creating a Future Together". The seminar is proposed for 5th, 6th and 7th March, 1996 at Bhurban and will be led by Jack & Carol Weber both Professors at the University of Virginia.

Eight nominees fo Central Board of Revenue will participate. All the Managing Committee Members be asked to participate and also all Chairmen and Co-Chairmen.

If thirty participants are not forthcoming, then Managing Committee will decide who to approach to make up the number.

President advised the meeting that he proposes to engage Mr. Omar Saquib for logistic support and implementation programme.

Prime Minister of Pakistan to be requested to inaugurate the Seminar on 5th March, 1996 at Bhurban.

14th June, 1995

Minutes of the meeting of Standing Subcommittee for Banking & Finance held on 7th June, 1995 at 11:30 A.M. in the Council Hall of the Chamber.

Present

Mr. Shaukat Tarin	Chairman	Citibank
Mr. Azhar Hamid	Co-Chairman	ANZ Grindlays
Mr. S. Ali Raza		Bank of America
Mr. J. Dennis Dunn		American Express
Mr. Shehzad Naqvi		ABN Amro Bank
Mr. Takao Nakano		Bank of Tokyo
Mr. Marc Dumetz		Banque Indosuez
Mr. M.Younas Khan		Deutsche Bank
Mr. Clive A. Sheward		Emirates Bank
Mr. Muneer Kamal		Faysal Bank
Mr. M. Haroon Ahmed		Habib Bank AG
Mr. Gordon V. Jones		Hongkong & Shanghai Bank
Mr. Claude Delbos		Societe Generale
Mr. Farook Bengali		Standard Chartered Bank

Leave of Absence

Mr. Khawaja Zafarullah	Doha Bank
Mr. Ashaf Ud Daullah	IFIC Bank
Mr. Mubashir H. Khokhar	Mashreqbank
Mr. Fasiar Rahman	Rupali Bank

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The Chairman welcomed the members to be first meeting of the Subcommittee for the year and wished to continue to receive their all out support in resolving the multifarious problems the foreign bankers are facing.

On his own behalf and on behalf of the Subcommittee the Chairman thanked Mr. Azhar Hamid for accepting the Co-Chairmanship of the Committee.

Following issues were highlighted by the members to be taken up during 1995-96 with the Government of Pakistan and State Bank of Pakistan :

1) Credit Deposit Ratio needs to be enhanced or eliminated

2) Withholding tax on securities income should be reduced

3) Corporate tax on banks should be equalized with public limited companies.

4) Banks should be paid a return on their capital hedge. Moreover, capital should be based on risk based assets and not on DTL.

5) Pakistan's policy frame-work towards foreign investment in financial institutions is being formulated under the WTO. We need to participate and manae it to protect our interests.

6) National Saving Centers have definite advantage over banks in terms of the benefits they can give be depositors. This needs to be rationalized

7) FIA, Income tax authorities are harrassing the foreign banks on various issues. This should stop and SBP should become a conduit for these enquiries / cases.

8) Banks are being used as tax collectors. This should be curtailed or due compensation should be afforded to the banks.

To achieve the above objective, Chairman emphasised the necessity of holding the Subcommittee meeting every month regularly.

2. Letter of Societe Generale on information requested by Income Tax authorities in respect of FEB Certificate, dated 04-06-1995.

Members unanimously opined that Income Tax authorities are not competent to demand information regarding foreign FEB deposits. Societe Generale may therefore inform the Income Tax Department accordingly on their own, in consultation with their legal counsellor.

3. SBP's call of meeting on 11-06-1995 to discuss "Non-payment of Government dues outstanding on account of Bank Guarantee furnished by Banks after arbitrator's decision".

Following members consented to represent the Chamber to SBP's call for meeting on encashment of Bank Guarantees by Custom:

1. Mr. Shaukat Tarin
2. Mr. S. Ali Raza
3. Mr. Clive A. Sheward

4. Prudential Regulations

The Chairman proposed to present a chart depicting what has so far been achieved and what has been denied in matters related to Prudential Regulations.

5. Aiwan-e-Tijarat-O-Sanat Hospital Trustees request for donation

Contents of the above Trustee's letter dated March 12, 1995 was discussed and resolved that the Trust may be asked to contact individual banks instead of expecting any collective donation. The Trust to be replied accordingly.

6. German Business Council

Mr. M. Younas Khan, Chairman, German Business Council appraised the members about his letter of 6th June, 1995 addressed to the Governor, State Bank on various Key issues the foreign banks are encountering.

At this point the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

July 10, 1995

Dr. Muhammad Yaqub
Governor
State Bank of Pakistan
I.I. Chundrigar Road
Karachi.

Re : Withholding Tax on Securities under Section 50(2)

Dear Sir,

Prior to Finance Act, 1992, tax on companies was levied under different heads i.e. Income Tax, Super Tax and Surcharge. The withholding requirements were also separately specified for Income Tax and Super Tax. In respect of interest on securities paid to residents there was only a requirement to withhold tax @ 30% and there was no requirement to withhold super tax. However in respect of non-residents, in addition to the Income Tax, Super Tax at the maximum rate was also required to be withheld. Through the Finance Act, 1992 the different heads of taxes were merged and a cumulative rate of Income Tax was fixed. However,the provisions relating to withholding tax were not amended so that deduction of Income Tax for all recipients including non-residents was fixed at 30%. But ananomaly existed as to whether Super Tax was also required to be withheld under Para D of part II of the First Schedule to the Income Tax Ordinance, 1979.

The Finance Act, 1994 removed this anomaly by deleting Para D altogether but State Bank of Pakistan continued to withhold tax on the old basis which was more than the amount legally required to be withheld under Part I of the First Schedule to Income Tax Ordinance, 1979.

Through Finance Bill 1995, an amendment is now proposed whereby the rate of withholding tax in respect of a resident will continue to be 30% but withholding tax for a non-resident company is 58%.

Keeping in view the rate applicable to a resident which is 30%, the rate of tax on a non-resident of 58% is unfair and unjust.

Further the banks are suffering financial losses as they end up paying more tax to Government treasury then their normal tax liability. In the year 1994 our bank suffered a financial loss of Rs.15.9 Million after tax for funding the above (see annexure).

Further on Advance payment of tax under section 53 the assessee was entitled to a compensation at 6% per annum. This compensation has been withdrawn through the Finance Bill, 1995. In veiw of the over-extended withholding tax regime and advance collection the rate should have been increased rather than eliminating a rate of compensation as low as 6%. We consider that there is need to increase the compensation and to extend its applicability to withholding tax under section 50 in cases where assessee is not subject to presumptive tax.

We would appreciate if State Bank of Pakistan can pursue central Board of Revenue on the above-mentioned matter.

Yours sincerely,

Shaukat Tarin
Chairman
Chamber Standing Banking & Finance Sub-Committee

July 10, 1995

Dr. Muhammad Yaqub
Governor
State Bank of Pakistan
I.I. Chundrigar Road
Karachi.

Subject : Banks being used as Tax Collectors without any Compensation

Dear Sir,

Under the Income Tax Ordinance, 1979 the banks have to perform the mandatory duty of collecting, depositing and reporting withholding taxes. Irony is that for default there is penalty but for fulfilling obligation there is no compensation. It is interesting to note that our bank collected approximately Rs.137 Million in the year 1994-95 and deposited the same in the Government treasury.

The estimated cost of tax collection and reporting in the above period was Rs. 1.2 Million. This cost is increasing with the introduction of new regulations every year.

The regime of withholding tax has already been enlarged and every year it is expanding which is evident from the number of sections (20 in number) which governs the overall withholding tax regime. The nature of tax ranges from deduction of tax on profit paid to the depositors to tax on clearance of cheques / drafts. Recently a new sub-section has been introduced through Finance Bill 1995 whereby banks are responsible for the deduction of tax on bearer securities.

More over, there is very high frequency of reporting which encompasses reporting on monthly, annually, and even on adhoc basis. Now through the Finance Bill 1995 the annual reporting has been proposed to be made on quarterly basis.

In view of the above, we suggest the following:

1. Further expansion of withholding tax regime should be curtailed and the existing enlarged regime should be restricted to a reasonable level.

2. Frequency of reporting in respect of withholding tax should be minimized and the adhoc reporting should be completely eliminated.

3. Compensation should be provided for collecting tax on behalf of Government treasury. Further the time limit for the reporting of withholding tax should be reasonable and harsh penalties on late submission should be deleted.

We would appreciate if State Bank of Pakistan could pursue Central Board of Revenue on the above-mentioned matter.

Yours sincerely,

Shaukat Tarin
Chairman
Chamber Standing Banking & Finance Sub-Committee

July 10, 1995

Dr. Muhammad Yaqub
Governor
State Bank of Pakistan
I.I. Chundrigar Road
Karachi.

Subject : Option to Adopt Calendar year as Income year Withdrawn

Dear Sir,

This refers to the amendment made through the Finance Bill 1995 whereby the option available to an assessee to have calendar year as an income year has been withdrawn. The proposed amendment now seeks to restrict income year to financial year in all cases except those for which special year is specified by Central Board of Revenue.

We feel that the change would cause the following problems:

1. Section 34 of the Banking Ordinance, 1962 requires every bank to prepare accounts on a calendar year basis and there is no option for any bank to adopt a different accounting year. As such Banks will have to get their books audited twice in a year.

2. Most of the multinational companies consolidate their accounts worldwide on December 31, accordingly, they will also have to get their books audited twice in a year.

3. Substantial amount of hardship for a number of assesses who have already closed their Income Year on December 31, 1994 and have finalized the Financial Statements for the Calendar Year.

4. It have eroded the flexibility in planning and handling the work load for assessing officers, auditors and analysts.

In view of the above discussion this amendment requires a reconsideration particularly in veiw of the fact that financial year or calendar year are generally considered as the most suitable income year and the option does help in the filing, assessment and collection process. Further it is impossible fro the banks to comply the mandatory provisions of Banking Companies Ordinance, 1962 and the above proposed amendment at the same time.

We will appreciate, if the State Bank of Pakistan could pursue the Central Board of Revenue to reconsider this amendment in the light of above facts.

Yours sincerely,

Shaukat Tarin
Chairman, Chamber Standing Banking & Finance Sub-Committee

July 10, 1995

Dr. Muhammad Yaqub
Governor
State Bank of Pakistan
I.I. Chundrigar Road
Karachi.

Dear Sir,

The return on capital of banks in Pakistan has significantly declined in the past few years as evident from the following table:

YEAR	CITIBANK'S RETURN ON CAPITAL %
1992	33.4
1993	23.3
1994	19.6

The above return is quite low when compared with other countries in our region. The following table shows the return in various countries:

COUNTRIES	RETURN ON CAPITAL %
Pakistan	19.6
India	16.0
Malaysia	24.0
Philippines	75.0
Singapore	36.0

Also, in Pakistan the banks are discriminated against by the imposition of a tax rate which is significantly higher than that for public limited Companies. Although a gradual decrease in tax rates has been initiated but the disparity in rates has not been removed.

A comparision of tax rates of countries in our region also highlights this disparity :

	Public Ltd. %	Banks %	
Pakistan	33	58	
India	40	40	LOCAL
		55	FOREIGN
Malaysia	30	30	
Philippines	35	35	
Singapore	27	27	

We feel that the lower return on capital and discrimination of statutory tax rates will discourage the new foreign banks to enter Pakistan's financial sector and existing ones and to expand their business operations in Pakistan.

Hence, we would request you to :

a) Consider our request to pay compensation on our Capital which is hedged with you,

b) Take up our case with the CBR / MOF to remove discrimination between the tax rate charged to the banks and Corporate sector, and

c) Abolish CDR so that the banks can deploy their funds optimally

Yours sincerely,

Shaukat Tarin
Chairman,
Chamber Standing Banking & Finance Sub-Committee

July 10, 1995

Mr. Sibghatullah Tahir
Deputy Governor
State Bank of Pakistan
I.I. Chundrigar Road
Karachi.

Dear Sir,

In light of the recent disruption of services in Karachi, including the State Bank foreign exchange and security settlement systems, contingency plans are a necessary for all financial institutions. Inasmuch as all the financial institutions are inexorably linked with the central bank's operations, the State Bank is a key feature of any contingency plan. As per our discussion on this issue last week, I have listed below the operations areas of the SBP that need to relocate in the event of disruption, assuming that the SBP will operate out of Islamabad in such a situation.

1. The central bank should ensure that it has an updated list of Authorized Signatories of all banks available to the Islamabad staff. This will not only make signature verification possible without access to records in Karachi but will also allow banks to call in their staff from their branches outside the troubled areas.

2. A backup of the 1.5% and 5% cash reserves requirements and current balances for Karachi banks should be maintained in Islamabad and updated daily.

3. Daily backups of the following data should also be sent to the contingency location:

   Securities Department:
   - SGLA balances of all primary dealers
   - Maturity profiles of all government securities, i.e., T-bills / FIBs and also open market operations.

   Foreign Exchange Department:
   - Details of FX contracts outstanding for principal and interest against all fcy deposits.
   - Details of FX contracts for long-term fx hedge transactions still outstanding.
   - Information on the availability of settlement risk for each bank based on their pledge of securities.

4. The State Bank will require a backup system to authorize tested telex message for operating its nostro accounts and handle the remittances as required by the banks.

5. An alternate arrangement for Karachi's interbank clearing should be established in the backup location.

6. Staff members will have to be designated for specific functions during the contingency. Either current SBP Karachi staff will have to be transported safely out to perform the duties or staff from one of the other SBP locations will have to be trained to handle the more complex Karachi transactions during the contingency.

This sets out a basis for what information will be required to be available in the contingency location. It will also be important that the banks in the market cooperate in case of a contingency. I would, therefore, recommend that the SBP discuss these issues in the next meetings with all scheduled banks and ask them to ensure tha they do have plans in case of such a disruption.

Very truly yours,

Shaukat Tarin
Chairman,
Chamber Standing Banking & Finance Sub-Committee

July 6, 1995

Mr. Alvi Abdul Rahim
Vice Chairman
Central Board of Revenue
Government of Pakistan
Islamabad.

Dear Sir,

We wish to highlight the following anomalies in the Federal Budget 1995-96 which you might wish to address to favorably impact business.

1. **Subject**

Interst on Securities Under Section 50(2)

Reference

Prior to Finance Act, 1992, tax on companies was levied under different heads i.e. Income Tax, Super Tax and Surcharge. The withholding requirements were also separately specified for Income Tax and Super Tax. IN respect of interest of securities paid to residents there was only a requirement to withholding tax @ 30% and there was no requirement to withhold super tax. However, in respect of non-residents, in addition to the Income Tax, Super Tax at the maximum rate was also required to be withheld. Through the Finance Act, 1992 the different heads of tax were merged and a cumulative rate of Income Tax was fixed.

However, the provisions relating to withholding tax were not amended so that deduction of Income Tax for all recipients including non-residents was fixed at 30%. But an anomaly existed as to whether Super Tax was also required to be withheld under Para D of Part II of the First Schedule to the Income Tax Ordinance, 1979.

The Finance Act, 1994 removed this anomaly by deleting Para D altogether but State Bank of Pakistan continued to wthhold tax on the old basis which was more than the amount legally required to be withheld under Part I of the First Schedule to Income Tax Ordinance, 1979.

Through Finance Bill 1995, an amendment is now proposed whereby the rate of withholding tax in respect of a resident will continue to be 30% but withholding tax for a non resident company is 58%.

Problem

Keeping in view the rate applicable to a resident which is 30%, the rate of tax on a non-resident of 58% is unfair and unjust. Further the banks are suffering losses as they end up paying more tax to government treasury than their normal tax liability.

Suggestion

We suggest that the rate applicable to non-resident should be equal to the rate applicable to a resident.

2. **Subject**

Option to adopt calendar year as income year withdrawn

Reference

The option available to an assessee to have calendar year as an income year has been wihtdrawn through the Finance Bill 1995. The proposed amendment now seeks to restrict income year to financial year in all cases other than those for which special year is specified by Central Board of Revenue.

Problem

It is considered that the change could cause following problems:

- Substantial amount of hardship for a number of assesses who have already closed their Income Year on December 31, 1994 and have finalized the Financial Statements for the Calendar Year.
- Under the Banking Companies Ordinance, 1962, the banks are required to prepare accounts on a calendar year basis.
- Eroded the flexibility in planning and handling the work load for assessing officers, auditors and analysts.

Suggestion

The above amendment requires a reconsideration particularly in view of the fact that financial year or calendar year are generally considered as the most suitable income year and the opton does help in the filing, assessment and collection process. Further it is impossible for the banks to comply the mandatory provisions of Banking Companies Ordinance, 1962, and the above proposed amendment at the same time.

3. **Subject**

Excise Duty on Bank Checks

Reference

The excise duty on bank checks being raised from Re.1 to Rs. 2 per check

Problem

On the one hand the Government wants to document all monetary transactions, on the other hand it levies tax on monetary document like checks and bank drafts. This amendment contradicts the declared policy of the government of having the whole economy in the accounting network, and would encourage the development of hundi system in the country with improved communication facilities being now available.

Suggestion

The excise duty has to be eliminated to encourage the documentation of the economy.

4. **Subject**

Compensation on Advance Payment of Income Tax

Reference

Every assessee who has been assessed to tax exceeding certain limits it required to pay advance tax for the forthcoming year in four equal installments and on such payments was entitled to a compensation at 6% per annum. This compensaton has been withdrawn through the Finance Bill, 1995.

Problem

In view of the over-extended withholding tax regime and advance collection the rate should have been increased rather than eliminating a rate of compensation as low as 6%.

Suggestion

We consider that there is need to increase the compensation and to extend its applicability to withholding tax under section 50 in cases where assessee is not subject to presumptive tax.

5. **Subject**

Powers to Initiate Prosecution Delegated to the Commissioners

Reference

Currently any proceedings for an offense under the Income Tax Ordinance, 1979 can not be initiated without the approval of the Central Board of Revenue. It is now proposed that this authority to sanction the prosecution procedure should be granted be the Commissioner of Income Tax.

Problem

In practice, the Commissioner of Income Tax is under extreme pressure to meet his budgetary targets which could result in arbitrary exercise of such powers.

Suggestion

We suggest that the powers to initiate proceedings for an offense under the Income Tax Ordinance, 1979 should remain with the Central Board of Revenue.

6. **Subject**

Failing of Statements Under Sections 139 to 143 of the Income Tax Ordinance, 1979.

Reference

The above statements are required to be filed by September 1, in each year showing payments made to various persons during the preceding financial year and the tax deducted therefrom. It is now proposed that instead of prescribing filing of only annual statements, periodic statements can also be prescribed. We presumed (indicated by the Finance Minister in his budget speech) that the amendment seeks filing of the above statements on quarterly basis rather that on annual basis.

Problem

In view of the extension of obligation to withhold tax on companies, the proposed amendment would prove to be a substantial burden.

Suggestion

We suggest that such statements should be on annual basis rather than on quarterly basis.

We hope you will find our suggestions useful. Please do not hesitate to contact us if you need any further clarification.

Yours sincerely

Shaukat Tarin
Chairman
Chamber Standing Banking &
Finance Sub Committee

CC : Mr. Sibghatullah Tahir
Deputy Governor, State Bank of Pakistan

24th August, 1995

**MINUTES OF THE MEETING OF
CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE
HELD ON 23RD AUGUST, 1995 AT 9 AM IN THE CHAMBER'S PREMISES**

PRESENT:

MR. SHAUKAT TARIN	CHAIRMAN	CITIBANK
MR. IAN DAVIES		ANZ GRINDLAYS
MR. S. ALI RAZA		BANK OF AMERICA
MR. ATIF BAJWA		ABN AMRO
MR. H. SASAKI / MR. MOHAMMAD ALI		BANK OF TOKYO
MR. HUZAIR SOOMRO		BANQUE INDOSUEZ
MR. BAHAUDDIN KHAN		DEUTSCHE BANK
MR. CLIVE A. SHEWARD		EMIRATES BANK
MR. RIAZ ALVI		HABIB BANK A.G.
MR. ASHAF UD DAULLAH		I F I C
MR. MASOOD KARIM SHAIKH / MR. REZA RAHIM		MASHREQ BANK
MR. FASIAR RAHMAN		RUPALI
MR. CLAUDE DELBOS		SOCIETE GENERALE
MR. AHMAD ADIL		STANDARD CHARTERED

LEAVE OF ABSENCE :

MR. J. DENNIS DUNN	AMERICAN EXPRESS
MR. KHAWAJA ZAFARULLAH	DOHA BANK
MR. MUNEER KAMAL	FAYSAL ISLAMIC
MR. GORDON V. JONES	HONGKONG &
SHANGHAI	

1. Minutes of the last meeting circulated previously to all Members were considered, read and approved. There were no comments from any Member.

2. **FLOOD RELIEF :**
Mr. Shaukat Tarin informed the Members about Government's expectation from Foreign Banks to contribute generously towards Prime Minister's Flood Relief Fund. He invited Members views in this respect :

Commenting on the proposal, Mr. Clive A. Sheward of Emirates Bank said that such arbitrary demands during the course of the year makes operatings very difficult. Mr. S. Ali Raza who also happens to be on the Board of PICIC quoted various examples of superfluous demands which Banks have to fulfil. IFIC's Representative, Mr. Ashaf Ud Daullah expressed his views that the present flood is not as damaging as in the previous years, hence he apprehended difficulties in convincing his Head Quarters to release the fund. The apprehension of Rupali Bank was same. Mr. Ian Davies of ANZ Grindlays opined that Flood Relief Fund being a sensitive matter, Foreign Banks should contribute particular when NCBS have already pledged large sums for the fund.

After listening to the views, the Chairman said that since Foreign Banks share 50% of the profit earned by Banking Industry in Pakistan, the group should not be left isolated in contributing towards the Fund. He therefore suggested the instead of fixing any figure to be paid by each Bank, the individual Banks should send contribution of their own choice, but not less than Rs. 3.0 Lacs, to the Citibank, so that a consolidated figure on behalf of all Foreign Banks be forwarded to the Government of Pakistan with a covering note. The dead line fixed for the contribution is August 28, 1995.

3. **OPENING OF NEW BRANCHES :**

Briefing the Committee about his recent meeting with Mr. Sibghatullah, the Deputy Governor of State Bank of Pakistan, the Chairman appraised the Members about State Bank of Pakistan and Government's intention to further relax restriction on the functioning of Foreign Banks. The present restriction of opening new branches may also be eased further. The Chairman suggested that before any parameter is determined by the Government in this respect, Members should formulate their suggestions. Members were requested to despatch their views to the Chairman latest by 1st week of September to discuss and finalize at the next meeting.

4. **ANY OTHER MATTER :**

a) Mr. Khalid Mahmood, Executive Director of State Bank of Pakistan informed the Chairman that CBR would be approaching the Prime Minister to complain that Foreign Banks are not cooperating with Customs in relation to the encashment of Bank Guarantees. The Chairman suggested that the respective Banks should review their lists and clarify the position with State Bank of Pakistan / Customs to preclude any action by the Prime Minister.

b) Regarding the latest State Bank of Pakistan's circular on Funds arrangement, it was suggested that each Bank should highlight their problems and pass on to Mr. S. Ali Raza who has offered to consolidate them in order to reply when approached by the Government. In view of its urgency, Members are requested to pass on the information to Mr. S. Ali Raza by 28th August, 1995.

c) Mr. Clive sheward asked about the Central Board of Revenue Circular demanding 0.2% Withholding Tax on all deposits. He enquired whether all Banks were doing this.

The Chairman suggested that the matter should be taken up with Central Board of Revenue by approaching them as well as the Ministry of Finance at Islamabad.

With no further points to discuss, the meeting ended with thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

11th October, 1995

MINUTES OF THE MEETING OF
CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE
HELD ON 10TH OCTOBER, 1995 AT 9.15 AM
IN THE CHAMBER'S PREMISES

PRESENT :

Mr. Shaukat Tarin	Chairman	Citibank
Mr. Azhar Hamid	Co-Chairman	ANZ Grindlays
Mr. Akbar Raza Khan		American Express
Mr. Atif Bajwa		ABN Amro
Mr. Takao Nakano		Bank of Tokyo
Mr. Zakir Mahmood		Banque Indosuez
Mr. Bahauddin Khan (Mr. Younas Khan)		Deutsche Bank
Mr. Muneer Kamal		Faysal Bank
Mr. Riaz Alvi (Mr. Haroon Ahmed)		Habib Bank A.g.
Mr. Gordon Jones / Mr. Nicholas Cherrill		Hongkong & Shanghai
Mr. Ashaf Ud Daullah		I F I C
Mr. Mubashir Khokhar		Mashreq Bank
Mr. Fasiar Rahman		Rupali
Mr. Sandy Gillio		Societe Generale
Mr. Andy Prebble		Standard Chartered

LEAVE OF ABSENCE :

Mr. S. Ali Raza	Bank of America
Mr. Khawaja Zafarullah	Doha Bank
Mr. Clive A. Sheward	Emirates Bank

The Chairman welcomed new Members to the Committee.

Minutes of the meeting held on 23rd August, 1995 which had been circulated earlier were confirmed.

The Chairman pointed out that four Banks have so far not sent in contributions for the Prime Minister's Flood Relief Fund. A list of thirteen Banks who have sent in contributions was tabled, amounting to a sum of Rs. 6.1 Million. Faysal Bank has contributed directly to State Bank of Pakistan a sum of Rs. 400,000. It was agreed to wait for another week to provide an opportunity to the four Banks to make a contribution, thereafter a Cheque to be sent to Mr. V. A. Jafarey. Chairman offered to write a suitable letter.

The criteria for sanctioning new Branches for Foreign Banks came for discussion. It was agreed that a working group consisting of the following :

1.	Mr. Azhar Hamid	ANZ
2.	Mr. Atif Bawja	ABN Amro
3.	Mr. Zakir Mahmood	Banque Indosuez
4.	Mr. Ali Raza	Bank of America

be constituted to develop a policy paper for the criteria that should be adopted for granting approval for new branches to Foreign Banks. The working group to make recommendations within two weeks.

Chairman and Co-Chairman informed the meeting about their discussions with the Governor nad Deputy Governor of State Bank of Pakistan. The Central Bank has advised Banks to exercise caution now that the CDR restriction has been removed, and not to exceed the overall credit paln for the Country.

Another point raised at State Bank of Pakistan meeting was about excessive charges by Foreign Banks and the variation in the scale of charges. Although the focus was on service charges, they were expecting review of all charges.

Chairman suggested that although we oppose such regulation in principle, a working group be formed to consider proposals for rationalization of charges and develop / establish a band or range fo charges for each type of service. It was agreed that the representatives of the following Banks :

1. Hongkong & Shanghai Banking Corporation
2. Faysal Bank
3. Standard Chartered Bank
4. American Express Bank

will meet to address the issue and arrive at some consensus proposal.

Chairman also suggested that a meeting with Deputy Governor (Mr. Sibgatullah) be arranged in the last week of October, 1995 to assure the State Bank of Pakistan that Foreign Banks will cooperate in containment of credit so that it does not go beyond the overall credit plan of the Government.

The Chairman then invited discussion on issues which should be receiving the Managing Committee's support and attention. The following Five emerged as the major issues :

1. Corporate Tax on Banks should be equalized with Public Limited Companies.
2. Regulation of rates on deposits to be removed.
3. Banks should be paid a return on their Capital Hedge.
4. Foreign Banks be allowed to open new Branches.
5. National Savings Centre enjoying advantages over Banks in terms of return they can offer to Depositors. This should be rationalized.

OTHER MATTERS.

a) The matter of encashment of Bank Guarantees needs to be addressed with State Bank of Pakistan

b) Some Foreign Banks have been refused exemptions of change in Income Year for tax purposes and the matter needs to be taken up with the Government.

Secretary General informed the meeting that an internal circular from the Central Board of Revenue was issued to all Regional Commissioners to grant the exemption to Multinational Companies. Chairman asked for a copy of this Circular.

Secretary General also informed the meeting that Insurance Companies have been granted such exemptions, on the grounds that they must comply with the Insurance Act. Extending the same logic that Banks have to conform to the stipulations fo the Banking Companies Ordinance, Banks should be granted exemptions from change in Income Year.

c) Mr. Shaukat Tarin informed the meeting that he will be relocating to Thailand shortly on a new assignment, and will therefore be relinquishing the Chairman's responsibility. He requested the Co-Chairman to chair the next meeting and for the rest of the term.

Mr. Azhar Hamid proposed a vote of thanks to the Chair and acknowledged the significant contribution made by Mr. Shaukat Tarin as Chairman of this Sub-Committee.

ZAHID ZAHEER
SECRETARY GENERAL

17th December, 1995.

MINUTES OF THE MEETING OF CHAMBER'S STANDING SUB COMMITTEE FOR BANKING & FINANCE HELD ON 11TH DECEMBER, 1995 AT 3 PM IN THE CHAMBER'S PREMISES

PRESENT :

Mr. Azhar Hamid	Chairman	ANZ Grindlays
Mr. Tariq Husain		ANZ Grindlays
Mr. Tawfiq A. Hussain		American Express
Mr. Atif Bajwa		ABN Amro Bank
Mr. Takao Nakano		Bank of Tokyo
Mr. Zakir Mahmood		Banque Indosuez
Mr. Clive A. Sheward		Emirates Bank
Mr. M. Haroon Ahmed		Habib Bank AG
Mr. Masood Karim Shaikh		Mashreqbank

LEAVE OF ABSENCE :

Mr. S. Ali Raza	Bank of America
Mr. Sajjad Razvi	Citibank
Mr. M.Younas Khan	Deutsche Bank
Mr. Khawaja Zafarullah	Doha Bank
Mr. Muneer Kamal	Faysal Bank
Mr. Nicholas Cherrill	Hongkong & Shanghai Bank
Mr. Ashaf Ud Daullah	IFIC Bank
Mr. Fasiar Rahman	Rupali Bank
Mr. Sandy Gillio	Societe Generale
Mr. Andy Prebble	Standard Chartered Bank

Chairman welcomed Members to the Meeting.

The Minutes of the last meeting held on 10th October, 1995 were confirmed. Some matters arising out of the last meeting were on the agenda and they would be discussed accordingly.

Chairman informed the meeting that at a meeting held with the Governor, State Bank of Pakistan this morning where most Foreign Banks were present, we were informed that :

1. All Banks would be required to keep 3.5% of their time and demand liabilities (except Foreign Exchange deposits) in a special deposit account with the State Bank of Pakistan, which will earn 9.2% per annum interest income. This is effective 19th December, 1995. The rationale given for the Special deposits is the failure of Commercial Banks to participate in the OMO where only 4 bids were received.

2. The State Bank of Pakistan has also decided that the REPO rate be increased from 16.5% to 17.0% effective today with a single rate for FIB's and T/Bills Repos.

Governor, State Bank of Pakistan pointed out in this meeting that two Foreign Banks have also been lending excessively. The above measures of the State Bank of Pakistan is expected to withdraw Rs. 23 Billion from all the Banks.

ITEM 1 - PROPOSED CRITERIA FOR FOREIGN BANKS NEW BRANCHES :

ANZ's letter of 27th November, 1995 addressed to Governor, State Bank of Pakistan was tabled for discussion. Chamber to check if original letter has been delivered to the State Bank of Pakistan.

ITEM 2 - RATIONALIZATION OF SERVICE CHARGES :

State Bank of Pakistan's letter of 20th November, 1995 freezing the service charges for next six months were discussed. It was agreed that Mr. Tawfiq A. Husain (American Express Bank) will call on Mr. Saeed Ahmed Bhatti, Director, State Bank of Pakistan to find out more about this matter and to understand what the State Bank of Pakistan really wants.

ITEM 3 - GOVERNMENT SECURITIES PRIMARY AUCTION :

It was agreed that Mr. Tariq Husain (ANZ) would draft a suitable letter to State Bank of Pakistan in consultation with Mr. Clive Sheward (Emirates Bank). This letter would express foreign banks concern with the restraint that each bank could only place one bid in the primary auction.

ITEM 4 - DEPENDENCY ON CALL (INTERBANK) DEPOSITS. :

It was agreed that Chairman would call upon Mr. Sibgatullah, Deputy Governor to take up this issue as this is effectively a funding strategy adopted by some banks. The restriction is an unnecessary constraint on banks especially as strict lending guidelines are also in force.

ITEM 5 - LENDING RESTRICTION :

Banks have been given credit guidelines and are expected not to increase credit beyond these limits. This is contrary to the degarelation policies of the Government and unduly penalises those banks that are growing their deposits.

ITEM 6 - FOREIGN CURRENCY DEPOSITS :

No action is warranted. It si expected as confidence restores these deposits are anticipated to return.

ITEM 7 - RETURN ON DEPOSITS (FEARS OF IMPOSITION OF MINIUM RATE) :

As the State Bank of Pakistan did not take action, this is a non issue.

ITEM 8 - OTHER MATTERS :

a) It was proposed that Banks be allowed to lend in foreign currency against foreign currency deposits. American Express Bank to draft out proposal for Deputy Governor, Mr. Sibgatullah.

b) Letter received by Habib Bank AG Zurich from State Bank of Pakistan seek information on what has been done on reporting suspicious transactions in relation to narcotic rules. Banks advised to reply on their own relating procedures followed.

Meeting closed with vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

9th August, 1995

Minutes of the meeting of Chamber Standing Subcommittee for Commercial Matters held on August 7, 1995 at 9:30 A.M. in the premises of the Chamber.

PRESENT

Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. Tariq Kirmani	Member	Caltex Oil
Mr. F.A. Hashimi	"	Gestetner
Mr. Aziz Karachiwala	"	Lever Brothers
Mr. Sarfrazuddin	"	Philips Electric
Mr. M. Nasiruddin	"	Pakistan Petroleum
Mr. Aziz A. Vazir / Mr. Darius Khan	"	Roche
Mr. A. A. Minai	"	Wellcome

LEAVE OF ABSENCE

Mr. I. S. Sangster	Co-Chairman	Lever Brothers
Mr. S. A. Hadi	Member	BOC
Dr. Mahmood Saeed	"	ICI
Mr. D. Ansari	"	Siemens

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1. **Minutes of Last Meeting**
   Minutes of the last meeting of the Subcommittee held on 31st October, 1994 circulated earlier, was considered read and approved.

2. **Role of the Subcommittee**
   The role of the Subcommittee, as approved by the Managing Committee, was circulated among the member.

   The Chairman invited discussion on the role of the Sub Committee for the current year.

   The Chairman also circulated the Vision and Mission Statement approved by the Managing Committee.

3. **Pre-Shipment Inspection**
   In response to a sample survey the Chairman has recently conducted from few members, on Pre-Shipment Inspection, it was agreed that a representative Working Group shall be formed, which after analysing the general nature of complaints of members shall discuss these in a joint meeting with the representatives of the two inspection Companies. The Chamber shall arrange the meeting. Deputy Secretary of Circulate a summary of the members complaints.

The Working Group shall consist of following members :

Mr. Fauad A. Hashimi	Leader	Gestetner
Mr. Tariq Kirmani	Member	Caltex Oil
Mr. Sarfrazuddin	"	Philips

The Working Group shall submit its findings to the Chamber Standing Subcommittee for Commercial Matters when it meets next.

4. **Rationalization of Levies to Protect Local Industries**
Any industry feels that the protection available is insufficient or less than 25% should make out a case and submit to the Chamber so that it may be considered by the Subcommittee before forwarding it to the Government.

To give protection to local industries, the rates of Duty, Sales Tax, and Excise may be proposed for revision.

5. **Proposals Submitted to the Advisory Council of Ministry of Commerce for 1995-96**
The Chairman reviewed the issues raised in the Chamber's proposals to Advisory Council of the Ministry of Commerce and requested members to put up in the next meeting the issues that remain un-addressed so that they be taken up again. The Chamber's proposal to be circulated to all members who had submitted their inputs.

6. **Next Meeting**
The next meeting has been fixed for 9th October, 1995 at 9:30 A.M.

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

ZAHID ZAHEER
SECRETARY GENERAL

30th October, 1995

MINUTES OF THE MEETING OF
CHAMBER'S STANDING SUB COMMITTEE FOR COMMERCIAL MATTERS
HELD ON 23RD OCTOBER, 1995 AT 9.30 AM IN THE CHAMBER'S PREMISES

PRESENT :

Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. I. S. Sangster	Co-Chairman	Lever Brothers
Mr. F.A. Hashimi		Gestetner
Mr. Aziz Karachiwala		Lever Brothers
Mr. Sarfrazuddin		Philips Electric
Mr. Nasiruddin		Pakistan Petroleum
Mr. Aziz A. Vazir		Roche

LEAVE OF ABSENCE:

Mr. S. A. Hadi	BOC
Mr. Tariq Kirmani	Caltex Oil
Dr. Mahmood Saeed	ICI
Mr. D. Ansari	Siemens
Mr. A. A. Minai	Wellcome

1. Minutes of the last meeting held on 7th August, 1995 already circulated to the Members were considered read and approved.

2. The following points arising from the said Minutes were discussed :

   a) **PSI COMPANIES**
   Mr. Faud Hashimi and the Secretary General gave a run down of meetings with Cotecna. It was suggested that a meeting be arranged with the Member (Customs), Central Board of Revenue to resolve the issue of dual valuation.

   b) **INSUFFICIENT PROTECTION TO LOCAL INDUSTRY**
   On the issue of insufficient tariff protection to local industry, Secretary General informed the Committee about the activities of the Sub Committee for Taxation and about the Sector Leaders who have been assigned the task of collecting data and information for the Chamber. Cases of Tariff protection can only be based on individual industries problems and not under a general formula. The Chairman of the Sub Committee to write letters to selected companies seeking information on inadequate tariff protection.

c) **PROPOSALS FOR ADVISORY COUNCIL**
Members of the Chamber should be requested to provide their suggestions and proposals for submission to the Advisory Council of Ministry of Commerce for 1996 - 97 for the trade Policy.

3. Lever's raised the issue of clearance at dry ports. The Chamber's letter of 9th October, 1995 addressed to the Member (Chief Survey & Rebate), Central Board of Revenue on clearance of material imported under concessionary notification at dry ports, has taken up the matter.

   The representative of Lever Brothers also stated that duty concessions allowed to specified zones under SRO 487 has become inoperative / withdrawn.

4. Lever Brothers also mentioned about the problems encountered in the release of Indemnity Bond even after installation certificates are issued.

5. Mr. Faud Hashimi highlighted the need for allowing general importers to use Bonded Warehouses, situated in Export Processing Zone.

6. Next meeting to be held on 4th December, 1995 at 9.30 AM in the Chamber.

There being no other point to discuss the meeting ended with thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

6th December, 1995

Minutes of the meeting of Chamber Standing Sub committee for Commercial Matters held on December 4, 1995 in the Chamber premises.

PRESENT :

Mr. F.A. Hashimi	In Chair	Gestetner
Mr. S. A. Hadi		BOC
Mr. Tariq Kirmani		Caltex Oil
Mr. Aziz Karachiwala		Lever Brothers
Mr. M. Nasiruddin		Pakistan Petroleum
Mr. Aziz A. Vazir		Roche Pakistan

LEAVE OF ABSENCE:

Mr. M. Younas Khan	Chairman	Deutsche Bank
Mr. I. S. Sangster	Co-Chairman	Lever Brothers
Dr. Mahmood Saeed		ICI
Mr. Sarfrazuddin		Philips Electric
Mr. D. Ansari		Siemens
Mr. A. A. Minai		Wellcome

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In the absence of Chairman and Co-Chairman, Mr. F.A. Hashimi was asked to Chair the meeting.

1. **MINUTES OF LAST MEETING**
   Minutes of the last meeting, circulated earlier to the members, were considered read and approved.

2. **MATTERS ARISING OUT OF THE LAST MINUTES**
   Minutes of the last meeting, circulated earlier to the members, were considered read and approved.

   - While discussing issues pertaining to pre-shipment, the Chairman drew attention of the members towards the morning news, published in local papers of 4th December 1995 regarding Government's decision to withdraw the immunity from pre-shipment inspection for import consignments valuing less than US $ 3,000/- in respect of which CRF value is not available with the Collectorate, and would not be released without joint destination inspection by the pre-shipment company's representative and the Collectorate examination staff, at the expense of the importers.

The Committee apprehended that, besides others, pharmaceuticals would be affected the most by withdrawing above concession because imports of samples are mostly within US $ 3,000/-.

Mr. Aziz A. Vazir of Roche Pakistan was asked to advise the Committee about the relative effects on pharmaceutical industries after consulting other members of the Pharma Group. This issue would be discussed in the next meeting of the Committee based on his findings.

- The Chairman appraised the Committee about Chamber's efforts in raising the issue of inadequate protection available to the industries. Individual information on the lines required by the Tariff Commission would need to be prepared for each proposal and an approach made to the Tariff Commission by the member concerned. This matter will be placed among other proposals the Chamber intends to take up with the Ministries of Finance and Commerce for the forthcoming Federal Budget 1996-97.

3. **ANY OTHER MATTER**

- Mr. Kirmani of Caltex Oil pointed out that due to a recent change in the laid down policy of the Government the Oil Industries are facing difficulties due to the delay in issue of requisite certificate by CBR on import of non blendable oil. Pertinent details to be provided by Mr. Kirmani for the Chamber to draw the attention of relevant authorities, for redressal of the problem.

- Next meeting of the Committee is proposed to be held on Monday, January 8, 1996 at 9:30 A.M.

There being no other points to discuss the meeting ended with a vote of thanks to the Chair.

Mohammad Aslam
Deputy Secretary

IMPACT OF THE BUDGET ON THE CAPITAL MARKET

Capital markets play in important role in the growth of the economy. Stock exchanges hekp in mobilizing resources and transferring funds from savers to investors. In Pakistan, the market for long-term capital is poorly developed, and the development financial institutions (DFIs) constitute the main source of long-term capital. These financial institutions have suffered a lot because of writign offs and issuance of unsecured debt.

The budget 1995-96 aims to rehabitliate and reinforce capital markets in Pakistan. The budget acts upon several fronts to bring about these improvements as described below.

1. **Debt-Equity Swap**

Concessions have been given for repayment of loans specially in case of sick units under a relief package which is based on debt - equity swap.

Problems of sick units are multiplying withthe passage of time. It is not possible to lighten the debt servicing load of sick units by giving concessions indefinitely. Some sceptical financial analysts consder debt - equity swap as a sugar coated pill to write off loans of sick units by exchanging loans of investment banks with workthless shares of sick untis.

The concessions may also be misinterpreted or mishandled. However, too much pessimism is not justified because debt - equity swap has been in vogue under the Companies Ordinance 1984. Section 87 of the Ordinance provides for such swaps upto the extent of 20 per cent of the non-interest bearing securities and obligations. Quite a few debt - equity swaps were realized since 1985 and some swaps yields high profits to the financial institutions when the companies bought back their own shares at a higher price.

If the said Section 87 is to be used extensively, the following issues may need to be resolved to produce useful results :

a) Currently, the debt - equity swap takes place at the par value of the stock of the sick unit while its market price may be very low. New provisions in the Act are required to allow for price negotiations between the financial institution and the sick unit. The debt - equity swap may take place at a negotiated price which is fair to both the parties.

b) In order to avoid dilution of owership, sick units have issued class B stock to the financial institutions in the debt - equity swap. This practice should be stopped. The performance of a sick unit may improve as a result of debt - equity swap if financial institutions are allowed to share ownership rights. These financial institutions may insist on hiring professional managers in the company. Thus, the dilution of ownership may lead to the turning around of sick units and improve their debt paying capacity under professional management.

The debt - equity swap will benefit sick units by sparing them the burden of mark-up and stuck up loan that accumulate on their outstanding loans while the banks and financial institutions will be able to transform their non-performing assets into shares.

2. **Withdrawal of Tax Exemption on Bonus Shares**

Exemption on bonus shares and bonuses issued by companies has not been extended. Therefore, bonus shares issued on or after 1st July, 1995 will be taxed at 15 per cent for private companies and at 10 per cent for public companies.

The tax on bonus shares may be interpreted as a withholding tax or as a tax on the companies. If it is a witholding tax, then it is a measure to increase the revenues of the government. Stock holders pay 10 per cent withholding tax on cash dividents which is simple. But, the withholding tax on bonus stock will complicate the problems of account keeping, collection and payment of tax in cash to the government. The effect on capital market will be negative.

If the tax on bonus shares is a tax on the company, it will act as a motivator to pay cash dividends. The government has already directed the modarba companies to pay cash dividends only. Consequently, the emphasis on the payment of cash dividend will encourage the group of stock holders who invest in stocks for income rather than for capital gain. The number of such stock holders may increase and may bring about stability in the stock exchange which is currently dominated by speculation. This will bring down the level of distributional profits. In the similar way capital formation is likely to suffer.

The levy of tax on dividends distributed by modarba (as they were exempt from this tax in the past) will have a negative effect on the overall investment climate. This is all the more disappointing because it has happened at a time when most of the modarba are already under the face value.

The requirement of the capital market is reinvestment of profits which will not be fulfilled by imposing a tax on bonus shares. It will also discourage private companies with reserve to increase capital and maek a public offering of equity.

The imposition of tax on bonus shares appears to be revenue generating step but it is going to affect the process of capital formation. Investors may not respond to it positively as more and more companies in past have resorted to stock dividends to avoid cash flow problems. Given tradeability and non taxability of bonus shares in the stock market, it was welcomed both by short term and long term investors. Cash dividents, although desirable, give a lower net return to shareholders after deduction of zakat and the 10 per cent withholding tax.

3. Repeal of Controller of Capital Issues Act 1947

The move to repeal the Controller of Capital Issues Act 1947 is a dynamic step towards deregulation and removal of red-tapism, thereby allowing more efficient operation of the corporate sector. It is deinitely going to curb speculation regarding right issues, bonus shares and new floatations and as such would contribute towards efficient functioning of the stock markets.

It will also provide a chance to local and foreign investors both to look for themselves economic opportunities offered by Pakistan and be a part of the development process without much involvement of the bureaucratic red-tapism.

The other aspect of the repealing of this act is the confidence and trust shown by the government in the corporate sector and other institutions. It is sincerely hoped that the corporate sector would take this step as an additional responsibility to self-discipline itself and refrain from hoodwinking the common man who contributes a lot to the economy through small savings. It also calls upon independent investment advisory bodies, financial analyst and experts to take-up the assignment of keeping the people informed of hazards of different financial proposals.

The greatest responsibility, however, lies with the stock exchanges to impose disclosure requirements and performance standards on the listed companies which should be strictly monitored. The amount and type of information given in the annual reports of most of listed companies is very inadequate, ambiguous and faulty. It is therefore, imperative that standards of the annual reports and accounting information contained therein should be improved by the listed companies otherwise their memberships should be discontinued.

The government should also ensure through the office of CLA that the feneral public's interest is not jeopardized by the free hand given to the corporate sector and in doing so care should be exercised that the functions of CCI are not delegated to the office of CLA in one form or the other. In this event, the whole purpose of repealing of the act will become meaningless.

In conclusion, budgetary measures related to the capital market are likely to move the economy of Pakistan towards open market operations domestically as well as internationally and stabilize monetary management and create as investment friendly climate. Companies in Pakistan will in future be expected to raise their own funds on the strength of their financial viability instead of borrowing funds from DFI's and banks.

ZAHID ZAHEER

Corporate Laws - Lists fo Significant Amendments

01 Repeal of Capital Issues (Continuance of Control) Act, 1947 — *Section 3 of the Finance Bill, 1995*

The Finance Bill seeks to repeal the Capital Issues (Continuance of Control) Act, 1947 and Captial Issues (Exemption) Order, 1967. The Minister in his budget speech explained that the intent of the Dederal Government by the repeal of the Act is to liberalise the issue of capital by allowing the companies to take decision in this regard by themselves and to abolish the control regime which was seen as a hindrance to the development of capital markets. He explained that the capital markets of the country have developed sufficiently to judge the merits of a new capital issue. The Corporate Law Authority will issue guidelines for the companies in this regard. The Bill provides that repeal would not affect the consents already given by the Federal Government nor the permissions and licences issued under the Act.

It is not clear subsequent to the repeal so to the status of the formation of new leasing companies, housing finance companies and venture capital companies, nor the matter relating to the issue of licence to such companies who have obtained the permission but have yet to commence business. Further, clarifications would be required, whether the formation of these specialised companies have been de-regulated or any other authority will be entrusted with this function.

Matters relating to issue of Bonus Shares, both for listed & un-listed companies. Free Reserves definition, requirements for providing depreciation and other issues which used to form part of Consent Order would need to be clarifed by the Corporate Law Authority.

The repeal of the Act in our opinion would eliminate the discretionary powers entrusted to the Controller of Capital Issues and should help in developing the capital markets. However, a check and balance system needs to be developed either under the Stock Exchanges or the Corporate Law Authority to ensure that such liberalisation is not misused.

02 Amendments of the Securities and Exchange Ordinance, 1969 — *Section 7 of the Finance Bill, 1995*

The Finance Bill seeks to amend the Securities and Exchange Ordinance, 1969 for the purpose of empowering the Corporate Law Authority with certain functions under the Ordinance.

A new sub-section is proposed to be inserted in Section 2 of the Ordinance to empower the Corporate Law Authority to determine the number and places for the establishment of Stock Exchanges.

Sub-Section 4 of the Ordinance proposed to amend the eligibility criteria for the registration of Stock Exchanges to include the concept of 'sustainabel economic viability'. This term in our opinion would require further clarification to ensure a proper interpretation when considering applications.

Clause (c) of Sub-section 2 of Section 4 is proposed to be amended to withdraw Federal Government's nomination from the governing body of the Stock Exchanges and to allow nomination from a class or classes of persons or professions' on the body. This amendment will enable the industrial, trade and professional bodies to nominate their representatives on the governing bodies of the Stock Exchanges.

The Bill seeks to amend Section 5 of the Ordinance, whereby a fee can be levied when application for the registration of the Stock Exchange is considered.

The most significant amendment in the Securities and Exchange Ordinance, 1969 is the proposed insertion of "Chapter III-A INSIDER TRADING ". Two new Sections 15A and 15B are proposed to be included in Chapter III-A.

Section 15A provides that a person who is or was during proceding six months associated with a company is prohibited to deal directly or indirectly or cause any other person to deal in listed security of that company or any other company if he has information which:

(a) is not generally available:

(b) would, if it were so available, be likely to materially affect the prices of those securities; or

(c) relates to any transaction (actual or contemplated) involving such company.

Person associated with a company has been defined as a person who :

i. Is an officer or employee of that company or an associated company; or

ii. Occupies a position which gives him access thereto by reason of any professional or business relationship between him or his employer or a company or associated company of which he is a director.

The dealing in the security of a company or any other company by associated persons in possession of information not generally available to the general investor which could have material affect on the value of security has been prohibited. The definition of"persons associated with a company" covers broad spectrum of persons having direct and indirect association with a company. The broad coverage of this Section could make its application even more difficult than the application of Section 224 of the Companies Ordinance, 1984 which provides a similar prohibition.

Section 15B stipulates mechanism of compensation to an aggrieved person who has suffered losses due to such dealings and also provides that in case a person who has suffered losses could not be determined such compensation is payable to the Federal Government. The Corporate Law Authority has been empowered to initiate proceedings under the provisions of this Section. However, it is not clear whether a person who is required to pay back any gain on sale or purchase of securities under the provisions of Section 224 of the Companies Ordinance, 1984 would also be liable to pay the compensation under the provisions of Section 15B.

A new Section 18-A has been proposed to deal with the menace faced by the companies issuing capital, of fictitious and multiple applications. This Section provides for the confiscation of application money of fictitous and / or multiple applications. This provision is a welcome relief to the genuine small investors who were hitherto deprived of their right to new shares by such persons making multiple and fictitous applications. This move will also encourage small investors who were deprived of shares and had withdrawn from the capital markets, to re-invest their savings.

03 Amendments to the Companies Ordinance, 1984 *Section 10 of the Finance Bill, 1995*

The Finance Bill seeks to amend Sub-Section (1) of Section 57 to include 'other persons' in addition to listed companies and companies making an application to the Stock Exchange for the listing of its securities to obtain approval of prospectus and 'offer for sale document' before its issue. Circulation or publication. The Corporate Law Authority, while granting approval would have power to impose any conditions they deem necessary. This amendment would enable the issuance of debt securities by companies and Modarabas and debt equity swaps by the banks and financial institutions as indicated as indicated in the budget speech.

A new Section 62A is proposed to be inserted to allow the companies, with the approval of the Authority, to issue shares outside Pakistan. This section will provide an equal opportunity to all Pakistani companies to raise capital from the foreign capital markets and will reduce the burden on the local capital markets. It will further assist capital intensive industries. Such as power generating and distribution companies and capital goods industries in exploring foreign capital markets to satisfy capital needs.

Section 86 is proposed to be amended to add a proviso to Sub-Section (1) to allow public companies on the basis of special resolution and with the approval of Federal Government to raise further capital without the issue of right shares. The amendment would facilitate local and foreign placements and induction of technical partners. The placements were being arranged on the basis of an overriding Consent Order under the Capital Issues (Continuance of Control) Act. 1947 which is now proposed to be repealed.

Sub-Section (7) has been substituted to enable the directors of a public company to allot shares in such manner as they deem fit, if any further issue of capital is not fully subscribed, Previously, if any such offer was under subscribed, the directors were required to offer these shares to such financial institution as specified by the Authority and if such institutions did not subscribe or partly subscribed, than only the directors were authorised to allot the unsubscribed portion in such manner as they deemed fit.

Investment in Associated Companies has been a controversial issue for a long time and various proposals were being floated to protect the interest of the minority shareholder. However, the investment in assciated concerns on the one hand has been instrumental in development of group structures and on the other there have been allegations of abuse and siphoning of funds of public company to other associated concerns. The Finance Bill proposes to amend the provisions of Section 208 to ensure that :

(a) such investments are under the basis of an authority of a Special resolution as against the approval of 60 percent of the shareholders present at a meeting.

(b) the aggregate investment, other than in wholly owned subsidiaries, would not exceed more than 30 percent of the capital and free reserves of the investing company.

(c) the return on investment in the form of loan shall not be less than the borrowing cost of the investing company.

(d) the investment has been defined to include loans, advances, equity, by what ever name called, or any amount which is not in the nature of normal trade credit.

The Federal Government cna relax the application of this Section in case of companies haveing foreign investment.

Section 506 has been amended to add a new Clause (aa) to Sub-Section (1) to allow the Federal Government to make rules for the establishment and regulating of the activities of any company or class of companies. This amendment was necessitated due to repeal of the Capital Issues (Continuance of Control) Act, 1947.

ZAHID ZAHEER
SECRETARY GENERAL

16th October, 1995

Mr. Nazir Ahmed Khan,
Deputy Chief (HQ),
Corporate Law Authority,
Government of Pakistan,
State Life Building,
7 Blue Area,
Islamabad.

Dear Sir,

CHAMBER'S VIEWS ON PROPOSED COST ACCOUNTS AUDIT REPORT RULES 1995

Further to our Fax dated 8th October, 1995, appended below are the comments of the Chamber on the draft of the Cost Accounts Audit Report Rules 1995.

The Chamber has gone through the "Draft of the Cost Accounts Audit Report Rules, 1995" in detail. Whilst our elaborate comments are given hereunder, these rules, being totally impracticable and perhaps beyond the mandate of the Authority are being totally rejected by this Chamber. The proposal as designed does not seem to add any value to management process. Rather it would interfere with it. It gives the Corporate Law Authority discretionary powers to unnecessarily concern itself with the operating efficiencies of the business and would needlessly place additional burden on the companies in terms of time and money.

GENERAL OBSERVATIONS :

The primary objective of the proposal is to provide the directors, information on the cost accounting records of the company, through the Cost Auditor's Report. The critical issue that should be considered is whether this report is likely to disclose material information that is either not captured in, or in possibly in conflict with the report of the auditors issued in compliance with Section 255(3) of the Companies Ordinance 1984 and the accompanying international Accounting Standards.

We believe that Cost Auditor's Report is unlikely to provide any additional material information to the directors or the shareholders of the company. It is also unlikely to have any bearing on the views expressed by the auditors appointed under Section 252 of the Companies Ordinance 1984, or provide to the Corporate Law Authority any material information for fulfilling its role as a regulatory body. This scenario would be true for the majority of the companies in manufacturing industry. Therefore, subjecting these companies to Cost Audit is an overkill situation, grossly superfluous and clearly against any norms of corporate governance. The Cost Audit Report contains data which in any event should be available with the directors on regular and timely basis to enable them to run the business efficiently. In our view, the check on the accuracy of this information, flowing from the books of accounts maintained under Section 230(e) should be the direct consequence of a sound system of financial management and controls in the company and the annual audit under the existing Companies Ordinance provisions and certainly not through a discretionary appointment of the Cost Auditors.

Therefore provisions of Section 258 should only be invoked as exception rather than a rule. The government may direct the audit of cost accounts where it has reason to believe that the management of the company has failed to look after the interest of the shareholders or the auditor's report is qualified and indicates serious weaknesses or omissions in the maintenance of costing records.

We believe it would be worthwhile for the Corporate Law Authority to collaborate with the Institute of Chartered Accountants and the Institute of Cost and Management Accountants in Pakistan on this issue and develop a consensus with the industry and with reference to international practice. This would be a more professional way of addressing the concern, if any, of the government which has prompted the S.R.O., instead of subjecting all the organizations left, right and center to separate audits by two independent auditors.

SPECIFIC OBSERVATIONS :

1. Some of the provisions of the proposed rules are clearly beyond the scope of the Companies Ordinance 1984 (" the Ordinance ").

   The word "Audit" has not been defined under the Ordinance but according to its dictionary meaning, and as the term is commonly understood in the accounting profession, it denotes examination and verification of Books of Account. In the context of the Ordinance, an audit would mean examination and verification of Books of Accounts of limited companies, as prescribed, and to report thereon in accordance with the provisions of the Ordinance, more particularly Section 252 to 260 read with Section 230, 233, 234 and Fourth and Fifth Schedules to the Ordinance, as applicable.

   Section 230(1) of the Ordinance prescribes the Books of Account to be maintained by a Company and its clause (e) specifies the type of companies which may be required to additionally keep certain particulars of cost.

   The powers and duties of an auditors are contained in Section 255 of the Ordinance. The most important provision of this Section is to require the auditor to determine if the Books of Account, including all prescribed particulars of cost, and the Accounts prepared by the company, give a true and fair view of the state of the company's affairs. The auditor is further required to state whether the expenditure was incurred for the purpose of the company's business and whether the business conducted, investments made and expenditure incurred were in accordance with the objects of the company.

The purpose of highlighting the aforesaid provisions is to stress the wide scope of the Annual audit. In the light of the duties statutorily assigned to the Auditor there is hardly any room for cost or any other audit.

It can never be the task of an "Auditor" to analyse, assess or comment on the performance of a company's management, its marketing strategy, its profitability, as to whether funds have been used in a particular manner, etc.

2. The only place where audit of cost accounts is maintained in the Ordinance is Section 258. For ease of reference, this section is reproduced below:

"Audit of cost accounts : - (1) Where any company or class of companies required under Clause (e) Sub-Section (1) of Section 230 to include in its Books of Account the particulars referred to therein, the Federal Government may direct than an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961) or a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act 1966 (XIV of 1966) : and such Auditor shall have the same powers, duties and liabilities as an Auditor of a Company and such other powers, duties and liabilities as may be prescribed".

Two points stand out from this Section read in conjunction with Section 230 :

a) That audit of cost accounts can only relate to "utilization" of material or labour or other inputs or items of cost as may be prescribed and that too where any Company or class of Companies as required under Clause (e) Sub-Section (1) of Section 230 to include in *its Books of Account the particulars referred to therein.*

b) That the such auditor shall have the same powers, duties and liabilities as a statutorily appointed auditor of a company and such other powers, duties and liabilities as may be prescribed.

The obvious conclusion to be drawn from the foregoing legal provisions is that cost audit is essentially to be confined to "utilization" of material or labour or to other inputs or items of cost, and cannot extend to matters connected with the management of the business or its relative performance. It certainly would not include an analysis or assessment of the level of efficiency of the plant and equipment, the adequacy or inadequacy of profit or the manner in which the company's funds have been used. Nor is such audit meant to make suggestions for improvement in performance. It is to be remembered that by virtue of Section 196 of the Ordinance, the management of a company is the responsibilities of the directors. Subject to such limitation on their powers as are by law prescribed, the directors alone can take business decisions, and their performance is to be judged by the shareholders alone.

For the above reasons, the provisions of paras 12, 13 and 14 of the draft rules are clearly beyond the provisions of Section 258 read with Section 230 of the Ordinance.

Subject to all that is stated above, our section wise comments on S.R.O. 735(I)/95 are as follows :

Rule (3) Appointment of Auditors: Sub-Section (1): We take exception to the provision that requires the company to appoint Cost Auditors with the prior approval of the Corporate Law Authority. We believe this letter approval is unnecessary particularly when the qualification of the auditor who can be appointed is already described in the succeeding paragraph. Therefore the S.R.O. does not serve any purpose here. The period of appointment of sixty is also impracticable.

Rule (3) Appointment of Auditors: Sub-Section (2): Paragraph 2: it is senseless to request a new set of auditors for the Cost Audit where the professional qualification of the auditor under Section 252 of the companies ordinance 1984, match with the professional qualification of the auditor required for the Cost Audit. Therefore, in our opinion, this paragraph is also redundant.

Rule (4) Cost Auditor's Report: There are several areas where the contents of the Cost Audit Report duplicate with the contents of the annual report published by the company. Therefore there are major overlaps which would tend to perpetuate inefficiency.

Moreover Rule 4(2) or any other rule, for that matter, does not seem to prescribe any time frame for submission of the Cost Auditor's Report.

Rule (5) Cost Auditor's Report: Sub-Section (1): There will be very few auditing firms who would be able to cope with the cumbersome and lengthy time consuming work suggested under the proposal and consequently the period of presentation of the Cost Audit Report to directors is largely insufficient and result would be an exercise in futility.

As stated earlier also under Section 196 of the Companies ordinance it is the responsibility of the directors to run the affairs of the company. As such it is the responsibility of directors to decide upon the type and level of information required by them to enable them to make business decisions. Moreover, it is also directors' responsibility to ensure that proper system of internal controls is operating in the Company. As a result this section will not be of much help either.

Rule (5) Cost Auditor's Report: Sub-Section (2): The discretionary powers assigned to the Corporate Law Authority to decide if the report be made available to members in whole or in part are unnecessary. Shareholders are already equipped with enough powers which they can exercise to learn about affairs of the Company and so is the Government.

Rule (6) Additional Matters: The section is irrelevant since no general report to the shareholders is envisaged under Section 5(2).

Rule (8) dealing with penalty includes "any other person". This can be a very tricky was of roping any body in, whereas Section 259 of the Ordinance confines the penalty to be imposed for violation of Section 258 to the Company and every officer of the company. In other words there should be no mention of "any other person".

3. Form " A "

The opening para states as follows :

> "I / We .... have examined the Books of Accounts and the statement prescribed under Clause (e) of Sub-Section (1) of Section 230 ....".

In reality, the Cost Audit as the rules themselves stipulate, is confined to the provisions of Clause (e) of Sub-Section (1) of Section 230 and the records in question are only a part and not the whole of the Book of Account. It is therefore incorrect for the Report to say that the Cost Auditor examined the Books of Account.

In para (3)(a), the words "and exhibit true and fair view of the Company's affairs" need to be deleted as the statement in question cannot by itself enable the Cost Auditor to form an opinion as to the company's affairs. In any events, under the companies ordinance. It is the auditor appointed under section 252 along who is required to give a certificate as to the true and fair view of the company's affairs. The proposed provision can lead to confusion and controversy if there is a difference of opinion between the auditor appointed under Section 252 and the Cost Auditor appointed under Section 258.

SCHEDULE I

4. In Para 2, in line 1, the last but one word is " or " and not " of ".

For reasons stated under A above, paras 12, 13, and 14 of the Schedule have no legal basis.

Para 15 does not specify what the so called "supplementary report" is intended to deal with. According to the heading, it is supposed to be a "reconciliation with financial accounts". If such be the case, there can be no justification for it as both the Annual Audit and Cost Audit reports will be based on the same Books of Account.

C. CONCLUSION

The draft Cost Accounts Audit Report Rules 1995 are beyond the legal scope and spirit of the Ordinance. They seek to assign powers and functions to the Cost Audit which are against the statutory provisions. The words "such other powers, duties and liabilities as may be prescribed" occurring at the end of Section 258 cannot be interpreted to mean that the CLA has unfettered authority or discretion to determine the Cost Auditor's powers, quite beyond the powers of the Auditors contained in Section 255 of the Ordinance. More particularly, since under the Ordinance the Cost Auditor is only required to examine and report in certain cases on the utilization of various cost inputs as prescribed, his scope of work and powers cannot by law be determined to include opinion (which is bound to be relative and subjective) on the conduct of business.

Your truly,

MOHAMMAS ASLAM
DEPUTY SECRETARY

7th August, 1995

MINUTES OF MEETING HELD AT ISLAMABAD ON 25TH JULY, 1995 WITH CHAIRMAN, CORPORATE LAW AUTHORITY

PRESENT:	LEAVE OF ABSENCE:	
Mr. Tariq Amin	Mr. Mohammad Aslam	BOC
Mr. Zahid Zaheer		
Mr. Azhar Malik		

The meeting was arranged at the initiative of the Chairman of Chamber Standing Sub Committee on Corporate Law.

The following issues were discussed :

1. The need for guidelines after the repeal of capital issues Act 1947.

2. Absence of guidelines required to be issued by CLA for investments that can be made by Trustees of Provident Fund and Pension funds in instruments other than government securities.

3. The status of the proposed changes in the Companies Ordinance 1984 and the Chambers suggestions made in this connection.

4. The closure of the year for the purpose of Companies Ordinance 1984 and its co-relation with the Finance Act 1995 in respect of change in income year to calendar year.

The Chairman, Corporate Law Authority responded as follows :

ITEM 1

Need was recognized. Draft for Companies (issue of capital) rules 1995 was under preparation and will be circulated for soliciting views, before finalization and promulgation. An unofficial copy of the draft rules was obtained and is available for consultation.

ITEM 2

The Chairman accepted that these guidelines are overdue and will be provided shortly.

ITEM 3

The proposed changes in the Companies Ordinance 1984, are not likely to be presented as a bill in the near future. The urgent issues have been addressed by bringing about changes in the Companies Ordinance through the Finance Act 1995.

He referred to Section 506 relating to rules for leasing and venture capital and Section 86 relating to preemption rights, Section 208 relating to intercompany financing, Section 57 relating to approval issue and registration of properties and 62A relating to issue of capital outside Pakistan.

He explained at some length why this route of the Finance Act 1995 has been followed to amend the Companies Ordinance 1984.

He also touched upon the changes made in the securities and exchange ordinance 1969, in particular Chapter IIIA and Section 15A relating to inside trading and Section 18A relating to prohibition of multiple applications for new issues. All these changes were necessary to regualte good corporate behaviour.

ITEM 4

Chairman, Corporate Law Authority commented that he was not consulted in the matter of change in income year to a calender year in the Income Tax Ordinance 1979. As far as the companies ordinance was concerned, there are no changes and companies may continue to close the year as before.

ZAHID ZAHEER
SECRETARY GENERAL

13th March, 1995

Minutes of Meeting of the Chamber's Standing Sub Committee for Industrial Matters held on 26th February, 1995 at 11.30 AM in the Committee Room.

PRESENT :

MR. SHAUKAT R. MIRZA	CHAIRMAN
MR. MARTIN P. SULGER	CO-CHAIRMAN
MR. S.A. MIRZA	GLAXO
MR. AZIZ KARACHIWALA	LEVER BROTHERS
MR. ASLAM	BOC PAKISTAN
MR. SARFRAZUDDIN	PHILIPS

LEAVE OF ABSENCE :

MR. M. HAMEED	AEG
MR. J.S.P. SINGHA	ANZ GRINDLAYS
MR. K.M. WOLF	BASF
MR. IRFAN SHAIKH	HINOPAK
MR. RAO ALTAF HUSSAIN	PAKISTAN PETROLEUM
MR. ISAR AHMAD	RECKITT & COLMAN

Chairman welcomed the Members to the Meeting.

He invited the Members attention to the note on Industrial Policy dated 24th November, 1992 which was tabled. Chairman invited Members for their respective suggestions in order to up date this document and to improve upon it. Chairman also informed Members that at a recent meeting with Mr. V.A. Jafarey on 7th February, 1995 several matters relating to industrial policy has been taken up.

Lever's representative on the Committee brought out the following points :

1. Control of smuggling and misuse of Afghan transit trade.

2. 5% charge on profits for Workers Participation Fund was too excessive.

3. The need for net protection to local industry after taking into consideration all levies with special reference to soap and other toiletries. Levers to provide details.

Philips's representative tabled a ten page memorandum. Chairman asked the member to summarize the key issues which were identified as :

1. Net protection to local industry.

2. Removal of the deletion programme.

Secretary General informed the meeting that Mr. Naseem Ahmed, Chairman, Philips in the recent meeting with Mr. V.A. Jafarey has raised the above points.

Glaxo's representative brought out the following points :

1. Price decontrol of pharma industry

2. Incentives for basic manufacture should include :

   a) duty protection

   b) Freedom to set prices

Representative of BOC Pakistan brought up the following issues :

1. The rate of duty on high pressure cryogenic industrial vessels and cylinders is too high and should be brought down to 10%.

2. There is sufficient capacity in the Country to manufacture electrodes. There are 10-12 manufacturers. Under these circumstances product should not be imported. Also the fixation of ITP for electrodes need to be more realistic.

Siemens's representative repeated the same points as were brought forward by Philips.

Chairman thanked the participants for their constribution.

ZAHID ZAHEER
SECRETARY GENERAL

30th November, 1995

Minutes of the meeting of Chamber Standing Sub committee for Industral Policy held on 28th November 1995 at the Chamber premises.

PRESENT :

Dr. M.S.Habib	Chairman	Wellcome
Mr. M. Hamed		AEG Pakistan
Mr. Rao Altaf Hussain / Mr. S. Tanzeem M. Zaidi		Pakistan Petroleum
Mr. Mujib-ur-Rahman		Lever Brothers

LEAVE OF ABSENCE :

Mr. Martin Sulger	Co-Chairman	Siemens
Mr. Tariq Gilani		ANZ Grindlays Bank
Mr. M. Irfan Shaikh		Hinopak Motors
Mr. Isar Ahmad		Reckitt & Colman
Mr. Sarfrazuddin		Philips Electic
Mr. Javaid Anwar		BOC Gases
Mr. Saeed Mirza		Glaxo

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Minutes of the last meeting held on August 13, 1995, circulated earlier to the members, were taken as read and approved by the Committee.

Discussing matters arising from the Minutes of the last meeting, on the subject of Chamber's comments on the draft of Pakistan Environmental Protection Act, 1995, forwarded to the Government of Pakistan on August 17, 1995, the Committee decided to pursue the issue with a reminder letter seeking status of our submission. Meanwhile the Secretary General to invite Mr. Pervez Hasan, Member of the Council, at Chamber for a meeting with the members in early January, 1996.

With no further point to discuss the meeting ended with thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

17th August, 1995

Mr. Asif S. Khan
Director
Government of Pakistan
Pakistan Environmental Protection Agencies,
44-E, Office Tower,
3rd Floor, Blue Area,
Islamabad.

Dear Sir,

In response to your letter no. 2(22)/95-DDI dated 4th July forwarding to us, a copy of the draft Pakistan Environmental Protection Act 1995, we take pleasure in forwarding to you our views / comments on the draft for your consideration.

Our comments are in two parts :

PART I - Comments on the draft Act 1995 consisting of five pages.

PART II - Comments on the National Environmental quality standards (NEQS) consisting of three pages.

This Chamber was founded in 1860 and represents the interests of foreign investment in Pakistan. At present we have 166 members representing investments from various countries, including USA, United Kingdom, Europe, Japan, Middle East and Far East, in many vital sector of the economy. Some of these sectors are: Banking, Insurance, Oil, Petroleum, Chemical, Fertilizer, Pharmaceutical and Engineering.

Our Chamber companies contribute one-sixth of the total tax revenues of the Government. Additionally, sales generated by the industrial unites of our members is 8% of the country's Gross National Product and 28% of the Gross National Product of the manufacturing sector.

We would welcome an opportunity to discuss our proposals with the concerned authorities.

ZAHID ZAHEER
SECRETARY GENERAL

Attachment :

CC: Mr. SALMAN FAROOQUI,
Secretary, Water & Power & Environmental & Urban Affairs Division
Government of Pakistan, Blue Area, Islamabad.

CC: Dr. Pervaiz Hassan
Member Environmental Protection Council
Hassan & Hassan Advocates
PAAF Building, 7-D Kashmir Egerton Road, Lahore.

PART I
COMMENTS ON THE DRAFT OF PAKISTAN ENVIRONMENTAL PROTECTION ACT, 1995

Chapter I	**Preliminary** No comments
Chapter II	**Pakistan Environmental Protection Council**
Section 3(i)(v)	The Government must appoint other knowledgeable & professional persons to the Council. At least 50% of such persons should belong to the private industrial& business sectors (if not more). Representation from the private sector should be offered to the established business Chambers including the Overseas Chamber (OICC). Participation from the private sector professionals will strengthen the deliberations of the Council and improve the prospects of successful implementation of Council policies.
Section 3(5)	Two organizations (the Council & the Agency) are being created at the Federal level and one each at the Provincial level. It is recommended that the powers to further delegate the functions of these two organizations to other Government Agencies (defined widely under 2(16) should be done away with or limited to such Government Agencies that posses the relevant technical competence to play a meaningful role. Wide delegation of powers as envisaged in the draft Act will almost certainly lead to duplication of effort, cause confusion, abuse of power and harassment.
Section 4(1)(a)& (g)	The Council should concern itself primarily with policy matters including policies that ensure monitoring of enforcement. The actual enforcement should be entrusted and executed through the Federal and Provincial Environment Protection Agencies. It is recommended that sub-clause (a) should be modified to read "formulate policies to ensure enforcement of this Act," and sub-clause (g) should be deleted.

Chapter III	**Pakistan Environmental Protection Agency**
Section 5(5)	Establishment of Advisory Committees should be made mandatory to maximize the involvement and support of all stake holders. Representation should be provided to all logical sub sectors of industry e.g. pharmaceuticals, textiles, tanneries, etc., in sub-committees or the main Advisory Committee. Persons nominated should have pertinent knowledge of the industry sub-sector they will represent and those belonging to the private sector should be appointed in consultation with the premier business chambers of the country including OICC.
(6)	The comments given for Section 3(5) also apply in this case. Wide powers to delegate the functions and power of the Federal Agency is likely to hinder rather than promote the cause of environment protection.
Section 6(1)(b)&(e)	The Advisory Committee(s) to be formed as per 5(5) should also be consulted in the preparation of national environmental policies and standards along with other appropriate Government Agencies.
(g)	Where exception to established standards (NEQS) are to be made, a due process must be followed which allows consultation to occur with the entities to be affected and also provides sufficient time for corrective action to be taken. The "different standards" should not necessarily be more stringent than the NEQS but may also be less stringent.
(2)(d)	The provision to recommend economic incentives including tax exemptions, subsidies and other allowances to help trade and industry achieve environmental objectives is fully endorsed. However, the fund raising provision shoud not be for the general purposes of raising revenues by taxing trade or industry to meet administrative costs and overheads of the Agency. As it is trade and industry ar expected to take on a significant financial burden to conform to the NEQS. Levy of taxes or other charges will further aggravate the situation.
Section 7(a)(i)(ii)(iii)	The proposed powers to be vested are indeed draconian and have the potential to be grossly misused leading ot corruption, victimization and harassment. It is strongly recommended that these be deleted or significantly modified to bring them in line with Chapter V section 19.
Section 8(2)(c)	Further to the comments under Section 6(2)(d), the levy of fees, rates and charges should only emanate out of a direct or a specific service rendered by the Agency when sought by trade or industry.

Section 9(2)(3)	The accounts of the Agency should be audited by independent auditors and the accounts should be published. This will help in achieving the purposes of this Act in a "cost effective" manner as desired in Section 6(2)(d).
Chapter IV	**Provincial Environmental Protection**
Section 10(5)	Comments made on Section 5(5) are also applicable here. Representation of industrial and business sectors in the Advisory Committees should be signigicant i.e. at least 50%.
Section 11(2)(c)	Comments made on Section 8(2)(c) are also applicable here.
Section 12(2)(3)	Comments made on Section 9(2)(3) are also applicable here.
Chapter V	**Prohibitory & Regulatory Provisions**
Section 14(2)	The review of IEE and/or of an EIA must take place within a reasonabel period that is stipulated (say 1 month). Should the Federal Agency not respond within the stipulated period the project should deemed to be approved. In case the Agency requires the EIA to be resubmitted after modifications, the subsequent review period should also be stipulated (say 2 weeks). The prescription of a time period(s) is essential to avoid undue delays in project implementation.
Section 17	Licensing from the Federal Agency should not be required in cases where handling of hazardous substances is already being regulated by designated Government agencies. In the rules that are to be framed, a list of all substance that fall under the definition of Hazardous Substance [Section 2(17)] should be specifically listed and the procedure for making additions to the list in future be spelt out. Rules for transportation of hazardous substances should also be issued alongside.
Chapter VI	**Penalties**
Section 20(1) & (2)	The provision for punishment through imprisonment is exceedingly harsh and should be deleted. Punishment through fines is appropriate with the level of fine linked to the seriousness of the contravention.

(3) The confiscation of the asset involved in the commission of the offence should only be resorted to after the offender has been given an opportunity to fix the equipment or to permanently shut it down but fails to comply.

Chapter VII	**Environmental Tribunals & Authorized Magistrates**
Section 30	The second paragraph needs to be amended. The words"sub-section (2) of Section 27 " should be inserted after the number"24". This will deter all types of false and vexatious complaints.
Section 35(2)(b)	The provision here should be made consistent with the reduced powers proposed in Section 7.

GENERAL COMMENTS

1. It should be made clear that the regulatory agencies on the environment shoudl concern themselves only with effluents, emissions, noise, etc., that impact the environment **outside** the battery limits of industrial or operating entity. Issues, if any, inside the battery limits of facilities are already sufficiently covered by labour and other laws to protect the workers.

2. The Government should designate and provide ladn fill sites for disposal of waste, incinerators and laboratories to facilitate compliance with the Act.

3. Aside from the punitive aspects of the Bill, consdieration should also be given to provide motivation by formally reorganizing industry and other entities that perform well and / or are making a meaningful contribution to the betterment of the environment in Pakistan.

PART II
COMMENTS ON THE GAZETTED
NATIONAL ENVIRONMENTAL QUALITY STANDARDS (NEQS)

There is considerable concern amongst the Overseas Chambers member companies and the industry in general on the NEQS levels determined by the Government and gazetted vide SRO 742(I)/93 dated August 24, 1993.

It is our considered view that if these standards are implemented as envisaged effective July 1, 1996, many industries will either have to shut down or will be operating in violation of the NEQS. There is an urgent need to take a pragmatic view to evolve standards that will on the one hand improve the Environment on the other allow industry to adapt and operate.

Our specific observation and recommendations are as follows :

1. OBERVATION

It is apparent that the process adopted in the development of the NEQS was arbitrary and did not give sufficient consideration to the inadequate infrastructure and resource base of our country. As a consequence, there is considerable apprehension and uncertainty linked to the gazetted NEQS.

RECOMMENDATIONS

1) The gazetted NEQS should be re-reviewed on priority.

2) A consultative process should be adopted whereby industry professionals and knowledgeable others should be inducted into the review process.

3) The effective date of July 1, 1996 for existing industry should be deferred pending completion of the suggested review.

The process if followed will significantly enhance the awareness level, confidence and the commitment of the business community towards attainments of the NEQS.

2. OBERVATION

The NEQS as published are extremely stringent and in some cases exceed levels prescribed by other countries including the developed economies. Bulk of our industrial units are based on relatively old technology and not readily able to adapt to the extremely tight standards.

RECOMMENDATIONS

1) For existing industry a phased approach should be adopted whereby the standards are progressively tightened.

2) For new units to be established a more stringent standard compared to exiting units but comparable to major competitor countries should be acceptable.

3. OBERVATION

It must be recognized that having one set of stringent standards that apply across the board to all industry and the entire geography of the country is likely to be wasteful or uneconomic use of our limited capital and technical resources. This will eventually burden both the consumers and the national economy.

RECOMMENDATIONS

1) Industrial units should be categorized based on the nature of their manufacturing processes and operations and standards be developed for each category of industry e.g. Tanneries, Textile, Cement, etc. Due recognition should be given to known and available technologies and could when adopted improve the performance of these industries to attain standards.

2) A key factor apparently not taken into consideration in the development of the gazetted NEQS is the absorption capacity of the "receiving source environment" wherein different standards are established for effluents that get discharged into say a municipal sewer as opposed to discharge into a river or the ocean. This concept should be given due consideration as is done in some countries.

4. OBERVATION

There is a confusion as to how the concentration of pollutants will be measured and monitored relative to standards. It is difficult to identify persons in the Government who can explain the technical aspects and considerations of the NEQS.

RECOMMENDATIONS

1) NEQS should be accompanied with detailed explanations of:

   a) Measurement and sampling points
   b) Acceptable sampling techniques
   c) Acceptable test methods and test laboratories.
   d) Frequency of analysis, etc., etc.

2) A cadre of government officials from the enforcing agencies should be trained and assigned the task to explain the procedures and techniques to be followed in measuring performance relative to standards.

25th June, 1995.

Minutes of the meeting of Chamber Standing Subcommittee for Insurance held in the Chamber premises on June 20, 1995.

Present

Mr. Moin M. Fudda	Chairman	Commercial Union
Mr. Azhar A. Malik	Co-Chairman	ICI Pakistan
Mr. Mohammad Aslam		BOC
Mr. K.M. Rahman		Engro Chemicals
Mr. Brian C. Murphy		New Hampshire Insurance
Mr. Javed Iqbal		Philips
Dr. Mumtaz Ahmed Hashmi		Royal Insurance Co.

Leave of Absence

Mr. Farooq Nazir	Lever Brothers
Mr. A.J. Anjum	Glaxo
Mr. K. M. Gresham	Royal Exchange

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Chairman welcomed the members to the first meeting of the year.

1. WITHHOLDING TAX UNDER SECTION 50(3) OF THE INCOME TAX ORDINANCE, 1979

   Discussing the ramifications of the Finance Bill 1995-96 the Chairman expressed his satisfaction over Government decision to exempt Resident Foreign Insurance Companies from deduction under section 50(3) of the Income Tax Ordinance, 1979.

2. PAYMENT TO RE-INSURERS

   Withholding tax on payment to re-insurers is a matter which has yet to be resolved. Tax Department is expected to grant exemption on case to case basis. The Insurance Association of Pakistan has approached the Regional Commissioner, Income Tax in this connection.

3. EXCISE DUTY ON COMMISSION PAID TO AGENTS

   Central Excise Duty now enacted on commission paid to agents was yet another issue which has to be resolved. The Insurance Association of Pakistan will be taking up this matter shortly, with the Central Board of Revenue.

4. INSURANCE OF NEW POWER PROJECTS

The Chairman informed the members that he had learnt through Ministry of Commerce that the new power project being established with foreign aid/loan are no longer required to insurance through National Insurance Corporation. The business is, therefore, now open to private sector.

5. NON-TARIFF RATES

The suggestion to abolish tariff rate has been discussed in Pakistan Insurance Association lately. Alternative suggested at this forum is to rationalise rates rather than to do away with tariff. Matters related to withdrawal to tariff rate in the country should be brought to the notice of Controller of Insurance. * The Chamber to write a letter to the Controller in this repect asking him to take necessary measures to rectify the position by withdrawal of tariff rates.

The meeting at this point ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

* Chamber's letter dated 20.06.1995 addressed to the Controller of Insurance, Islamabad, is attached herewith.

20th June, 1995.

The Controller of Insurance,
State Life Building No. 5,
Blue Area,
Islamabad.

Dear Sir,

EXCESSIVE INSURANCE PREMIUM RATES

A number of our affiliates have been drawing our attention from time to time to the excessive premium rates that are charged by the Insurance companies operating in the country on movements of goods in general and on imports in particular. Upon making specific complaints to the respective companies, our members received a stereotype reply that the rates charged by them are in accordance with the tariffs governed by the Insurance Association of Pakistan. A few members have tried to examine the issue closely by comparing the local tariff rates to some of the rates charged on similar shipments in the international market and were surprised to note the vast difference between them. In many cases the rates charged by the members of Insurance Association of Pakistan have been found to be more than twice the rates charged internationally.

You will no doubt appreciate that the situation is most unsatisfactory and there is no justification to continue with such unrealistic rate as these invariably increase the operating costs of our members unnecessarily thus rendering them un-competitive in many instances.

In the circumstances, we strongly feel that it is about time that your Association takes concrete measures to rectify the position by reducing the various tariff rates to a reasonable level.

Yours faithfully,

ZAHID ZAHEER
SECRETARY GENERAL

26th December, 1995

Minutes of the meeting of Chamber Standing Subcommittee for Insurance held on December 12th, 1995 in the Chamber premises.

PRESENT

Mr. Moin M. Fudda	Chairman	Commercial Union
Mr. Azhar A. Malik	Co-Chairman	ICI Pakistan
Mr. Mohammad Aslam		BOC
Mr. K.M. Rahman		Engro Chemicals
Mr. A.J. Anjum		Glaxo
Mr. Farooq Nazir		Lever Brothers
Mr. Brian C. Murphy		New Hampshire Insurance
Dr. Mumtaz Ahmed Hashmi		Royal Insurance Co.

LEAVE OF ABSENCE

Mr. Javed Iqbal	Philips
Mr. K. M. Gresham	Royal Exchange

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1. **CONFIRMATION OF LAST MINUTES**
   Minutes of the last meeting, already circulated to members previously, were considered read and approved by the Committee.

2. **MATTER ARISING OUT OF THE SAID MINUTES**

   - **Payment to Reinsurers**
     Position as stated in the last Minutes remains unchanged. The Chairman informed the members that Insurance Association of Pakistan is following up the issue with the Government.

   - **Excide duty on commission paid to agents**
     The Subcommittee was informed that Insurance Association of Pakistan has already taken up the matter with CBR.

   - **Insurance of new power projects**
     The Insurance Association of Pakistan represented strongly to the Ministry of Commerce that new power projects, being established with foreign investment /loan should be insured in Pakistan so that local Insurance Companies may avail the opportunity, as in the past, instead of opening up the business to overseas companies only.

- **Non tariff rates**

  The question relating to withdrawal of tariff rate in the country was taken up by the Chamber through a letter dated 20th June 1995, addressed to the Controller of Insurance, Islamabad. Secretary General to issue a reminder to the Controller of Insurance, and to write to the Board of Investment and enlist its support for withdrawal of tariff rates.

3. **REMITTANCE OF SURPLUS FUNDS BY FOREIGN INSURANCE COMPANIES.**

   Reference Chamber's letter dated 16th November 1995 addressed to the Director, Foreign Exchange Department, State Bank of Pakistan was tabled. In the absence of any response from the State Bank, it was agreed to take up the matter simultaneously with the Secretary Commerce also. It was agreed that Controller Insurance be moved to apply the same principle for Foreign Insurance Companies.

4. **PROPOSALS FOR 1996-97 FEDERAL BUDGET.**

   Matters related to tax on re-insurance and fixation of a time limit of one year for Income Tax Authorities to issue assessment orders. The period allowed at present for finalization of assessments caused delay in making remittances.

   With no other matter to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAS ASLAM
DEPUTY SECRETARY

6th March, 1995

Minutes of the meeting of Chamber Standing Subcommittee on Labour Matters held on 20th February 1995 at 11:00 A.M. in the Committee Room of the Chamber.

PRESENT

MR. S. NASEEM AHMED	CHAIRMAN	PHILIPS ELECTRIC
MR. TARIQ FEROZ		CITIBANK N.A.
MR. Z.R. SIDDIQUI		ENGRO CHEMICAL
MR. S.A. MIRZA		GLAXO
MR. KHALID RAFIQUE		BOC
MR. U.R. USMANI		SINGER
MR. M. MATIN KHAN		WELLCOME
MR. A.G. SHAIKH		SANDOZ

APOLOGIES FOR ABSENCE

MR. IFTIKHAR A. MALIK	CO-CHAIRMAN	PAKISTAN TOBACCO
MR. BABAR BASHIR NAWAZ		ATTOCK CEMENT
MR. JEHANGIR B. NAWAZ		ICI PAKISTAN
MR. A.H. MEMON		LEVER BROTHERS

Chairman welcomed members to the meeting. The minutes of the last meeting held on 25th July 1994 were confirmed.

Chairman invited discussions on matters arising out of the meeting.

The meeting was informed that the Sindh High Court has given a decision in the matter of distribution of all the interest income of Workers Participation Fund to the Workers. It was decided to circulate a copy of the decision to all members.

A question was raised if the government is likely to appeal in the Supreme Court. The time limit for doing this should be ascertained.

Chairman informed the meeting, that the gist of his meeting with Mr. Ashraf Tabani and Federal Labour Minister in September 1994 has already been circulated.

Mr. Mahmood Ghani's letter dated 5th January 1995 alongwith enclosure was discussed in detail.

It was decided that the Chamber would address the Federal Labour Secretary asking for a copy of the proposed bill on regulation of contract labour.

Mr. Matin Khan, was requested to provide a copy of the Chamber's or Employers' Federation submission to the task force.

All the sixteen recommendations of the task force were discussed. The Chamber comments were as follows :

RECOMMENDATION NO.	1	:	Agreed.
"	2	:	Surprised why no recommendation of the task force. There should be a recommendation.
"	3	:	The reduction of precentage of outsiders leader will not resolve the issue. There should be no representation.
"	4	:	The consolidation / rationalisation of labour laws is very much possible and should be done.
"	5	:	There are already too many forums for redressal of grievances.
"	6	:	Agreed.
"	7	:	No comments.
"	8	:	No comments.
"	9	:	No comments.
"	10	:	No comments.
"	11	:	We do not agree. This would be discriminatory.
"	12	:	No comments.
"	13	:	All workers to be treated alike.
"	14	:	Agreed.
"	15	:	Agreed but no positive recommendations have been made.
"	16	:	Agreed.

Employers' Federation letter on "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy" was discussed.

Chairman asked Mr. Matin Khan to convey to the Employers' Federation that either they or the Government of Pakistan should respond. We have no specific comments to offer.

There was no other points to discuss, the meeting was ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

The Task Force on Labour apparently has recommended amendments in the Law to the following effects :-

i) Contract Labour system of operation to be regulated.

ii) There is no recommendation as to the employers right to terminate the services of the employees without assisgnment of reasons.

iii) Outside Labour Leaders would continue to hold office in the Union. However the percentage of outsiders be reduced from 25% to 10%.

iv) Consolidation of Labour Laws was not possible.

v) Establishment of Labour welfare Authority as one Legal Forum for redressal of grievances.

vi) Tripartite Commission should examine flaws in existing Labour Laws.

vii) Labour Laws be uniformally applied to all establishments except Police, Armed Forces, and Administration of State and application of Essential Services Act be restricted.

viii) Code of conduct be evaluated for the purpose of higher productivity, industrial peace and greater out-put and economic viability.

ix) Tripartite National Productivity Council and National Institute for Safety and Health be established.

x) Tripartite National Minimum Wage Council be set-up.

xi) Workers be exempted from payment of tax on all kind of bonuses.

xii) Welfare eminities to Mine Workers be at par with other workers.

xiii) Transport Workers Welfare Fund be created.

xiv) Enforcement of existing Labour Laws and prohibition of Child Labour and abolition of bonded labour be enforced.

xv) Women workers be given protection and prevented from exploitation.

xvi) Agriculature Labour be also given right of worker and trade unions at par with workers of Industrial Sector.

2nd August, 1995

MINUTES of the meeting the Chamber Standing Subcommittee of Labour held on July 23, 1995 at 10:00 A.M. in the premises of the Chamber.

PRESENT

Mr. S. Naseem Ahmad	Chairman	Philips Electric
Mr. H. A. Ather	Member	Caltex
Mr. Tariq Feroz	"	Citibank
Mr. Salim Azhar	"	Engro Chemical
Mr. A. H. Rathore	"	Glaxo
Mr. A. Rauf Moughal	"	Johnson & Johnson
Mr. U. R. Usmani	"	Singer
Mr. M. Matin Khan	"	Wellcome

LEAVE OF ABSENCE

Mr. Iftikhar A. Malik	Co-Chairman	Pakistan Tobacco Co.
Mr. Jehangir B. Nawaz	Member	ICI Pakistan
Mr. A.H. Memon	"	Lever Brothers

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Chairman welcomed the members of the Committee for the year 1995-96.

1. **MISSION STATEMENT**
   Discussing the President's letter dated June 20, 1995 the Chairman invited comments from the members on defining the vision statement of the Subcommittee. After brief discussion, member unanimously agreed to describe the statement as follows:

   " The Committee to proactively visualise and identify human resources issues relating to Industrial Relation and Labour policies and suggest necessary changes for sustained industrial harmony and economic growth ".

2. **ANY OTHER MATTERS**
   (a) Members agreed to hold Committee's meeting on bimonthly basis unless important business warrant immediate attention of the Committee.

(b) In order to identify and determing the strategy objectives and action of the Committee, the Chamber to provide a synopsis of the activities of the Subcommittee during the last two years.

(c) Mr. U.R. Usmani agreed to provide a copy of the draft Labour Policy of the Government to the Chamber, Which is hereby circulated.

(d) Next meeting of the Subcommittee to be held on August 22, 1995 at 9:00 A.M. in the premises of the Chamber. Agenda of the meeting to be circulated subsequently.

The meeting at this point ended with a vote of thanks to the Chair.

Mohammad Aslam
Deputy Secretary

Encl : Lahour Policy

18th September, 1995

MINUTES OF THE MEETING OF
CHAMBER'S STANDING SUB COMMITTEE FOR LABOUR HELD ON
14TH SEPTEMBER, 1995 AT 3 PM IN THE CHAMBER'S PREMISES

PRESENT :

Mr. S. Naseem Ahmad	Chairman	Philips Electric
Mr. Iftikhar A. Malik	Co-Chairman	Pakistan Tobacco Co.
Mr. Jehangir B. Nawaz	Member	ICI Pakistan
Mr. A. Rauf Moughal	"	Johnson & Johnson
Mr. A.H. Memon	"	Lever Brothers
Mr. U. R. Usmani	"	Singer

LEAVE OF ABSENCE :

Mr. H. A. Ather	"	Caltex
Mr. Tariq Feroz	"	Citibank
Mr. Salim Azhar	"	Engro Chemical
Mr. A. H. Rathore	"	Glaxo
Mr. M. Matin Khan	"	Wellcome

Minutes of the previous meeting held on 23rd July, 1995 in the premises of the Chamber were confirmed.

The Chairman invited discussion on matters arising therefrom.

A synopsis of the activities fo the Standing Sub Committee during the last two years prepared by the Secretariat was tabled for consideration.

Mr. I.A. Malik informed the meeting that after the enactment of the Finance Act 1995 / 96, the Government of Pakistan has withdrawn its contribution to the Employees Oldage Benefit Institution and the burden will now have to be borne by the Employers exclusively.

Chairman suggested that a meeting be sought with Federal Secretary, Labour (Mr. Sher Dil) sometime in October, 1995. He invited Sub Committee Members to join him at the proposed meeting. Chairman also agreed to raise this issue at the "Economist Conference" being held in Islamabad in mid October, 1995.

A Member raised the issue of employment of child labour in Pakistan. The Committee agreed that since this matter does not concern our Member, the Chamber should not get involved in this matter.

The issue of Additional Special Allowance under the Sindh Employee's Special Allowance Payment Act, 1986 recently enacted by the Sind Assembly was discussed. Employer's Federaltion of Pakistan letter of 9th September, 1995 was tabled for discussion. It was agreed that Employers Federation of Pakistan be asked to pursue the previous Court case pending in the High Court of Lahore and Sindh challenging the arbitrary award of COLA.

The Chairman stated that he would also request the President of the Chamber to take up this matter with the Chief Minister of Sindh at the forthcoming meeting planned in the near future.

Letter from Lever Brothers Pakistan Limited dated 29th August, 1995 was tabled for discussion. Chairman advised that since this is a taxation matter, it should be referred to Taxation Sub Committee. Deputy Secretary was requested to put in on the Agenda of next meeting of the Standing Sub Committee on Taxation.

Letter dated 10th September, 1995 received from the British Council seeking a meeting with the Chamber on 24th September, 1995 at 4 PM to meet Mr. James Paice, Parlimentary Under Secretary of State for Employment and Education and his delegation, was tabled for discussion. The purpose of the meeting / visit is to explore possibilities for cooperation in the field of vocational training.

The Chairman formed a working group consisting of himself, Mr. Jehangir Nawaz (ICI) and Mr. Salim Azhar (Engro) who will meet before the 24th September, 1995 Meeting to formulate the views in this matter. The Chairman, Mr. S. Naseem Ahmad agreed to attend the meeting on 24th September, 1995. President, Tariq Ikram is also expected to attend.

Next meeting of the Standing Sub Committee for Labour was set for 26th October, 1995 at 3.30 PM.

ZAHID ZAHEER
SECRETARY GENERAL

2nd November, 1995

Mr. Sher Dil,
Secretary
Ministry of Labour, Manpower & Overseas Pakistanis,
Government of Pakistan,
ISLAMABAD.

Dear Sher Dil Sahib,

I write to thank you for the Courtesies extended to the Overseas Investors Chamber of Commerce & Industry delegation led by Mr. Naseem Ahmad which called at your office on 18th October, 1995.

Following issues were raised for discussion and we wish to thank you for the candid replies :

1. Task Force report on new labour policy

   a) Status
   b) Need to address over protective labour law which are impediment to productivity.

2. Government's interference in collective bargaining process by periodically announcing cost of living allowances and special allowances as has been done by the Sindh Labour Minister on 1st May, 1995, disrupt the wage structure and the bargaining process.

3. Contributions to WPF (5% of PTP) and WWF (2% of PTP) are not used to the workers benefit. They accrue to a central fund.

   Distribution of interest earned on WPF. The Federal Government stand is in conflict with Sind High Court Judgement.

4. There is no need for second audit under clause 23-B(1) of IRO, 1969. This is subject to misuse.

5. In application to Petroleum companies of the Essential Services Maintenance Act '52.

   Supreme Court ruling that application of the above act is not in derogation of any fundamental rights of the worker.

We are pleased to hear that the Government expects to finalize the new labour policy soon and the employers point of view will be duly considered.

In this connection, we wish to emphasize that the redemption from the application of labour laws currently being offered to Export Processing Zones and Special Industrial Zones, will no longer be necessary if the over protective labour laws are rationalized. There is need to do this for the whole country.

With regard to the Workers Profit Participating Fund and Workers Welfare Fund, we would like to suggest that the amounts so collected be made available to workers of the unit where they are generated, either by full distribution to the employees or the excess amount which presently accrues to the government, be given to a Board of Trustees of each unit to spend for the welfare of the employees of the organization where the funds are generated.

Kind regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

31st July, 1995

Minutes of the meeting of Chamber Standing Subcommittee for Port Trust & Communications held on 26th July 1995 at 11:30 A.M. in the premises of the Chamber.

PRESENT

Mr. M. Moonis	Chairman	United Liner
Mr. S. A. Hadi	Member	BOC

LEAVE OF ABSENCE

Mr. S. H. A. Bukhari	Co-Chairman	Mackinnon
Mr. Nadeem Jafarey	Member	Caltex Oil
Mr. Sajid Ahmed	"	Engro Chemicals
Mr. A. H. Rathore	"	Glaxo
Mr. Furqan H. Qureshi	"	IBM
Mr. Khawaja S. Mahmood	"	ICI Pakistan
Mr. Aziz Karachiwala	"	Lever Brothers
Mr. Farooq H. Rahimtoola	"	Ray Shipping

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While reviewing the activities of the Committee, it was agreed that this Subcommittee will continue to address the issues related to Port Trust & Communications as detailed below :

1. Keep abreast of all impending changes in the Port Tariff and Merchantile Laws & Regulations.

2. Ensure that such impending changes do not compromise the interest of the members and interact with the appropriate authorities introducing changes in the laws and regulations.

3. On a proactive basis make suggestions for changes in the laws and regulations which are in the interest of the members.

4. Take up with the relevant cases of maladministration of the merchantile laws and regulations and excessive charge of levies.

5. Take up issues which are of general applicability to the members and where principles of law are involved. The Subcommittee will not take up company specific issues.

6. Try to meet on a bimonthly basis and more frequently if so needed.

Above should form the basis of the Standing Subcommittee's objectives for the forthcoming year.

Proposed Meeting with Federal Secretary Communications

The Chairman proposed the following for discussion in the forthcoming meeting with the Federal Secretary of Communications when he is expected to visit the Chamber next month:

- Karachi, till early 70's being most economical port, is now considered as most expensive port of the region, primarlily due to the following reasons:

    - Persistant enhancement is KPT charges.
    - High cost of cargo handling from shore to ship and ship to shore.
    - Inadequate port facilities.
    - Levy of outer anchorage charges from all vessels coming to Karachi and using the outer anchorage.

Besides the above, the Chairman will also consider the following matters for deliberation in the meeting :

- Contradictions in the Government policy towards shipowning with regard to charge to customs duties and levies on ships purchased before 31st December, 1995.

- Promulgation of long overdue Merchant Shipping Act.

- Customs demand to pay fines on goods short landed both for bulk cargo and containers.

- Pakistan Railways to be restructured to transform it into an efficient commercially oriented autonomous body, fully responsive to consumers needs.

- Restriction imposed on use of mobile telephones to be removed as this tantamounts to closure of business.

Members of the Committee are requested to put up any points to the Chairman which in their view should be included for discussion.

ZAHID ZAHEER
SECRETARY GENERAL

19th October, 1995

Minutes of the meeting of Chamber Standing Sub committee for Port Trust & Communications held on October 17, 1995 at Chamber premises.

PRESENT

Mr. M. Moonis	Chairman	United Liner
Mr. S. H. A. Bukhari	Co-Chairman	Mackinnon
Mr. Nadeem Jafarey	Member	Caltex Oil
Mr. Sajid Ahmed	"	Engro Chemicals
Mr. Khawaja S. Mahmood	"	ICI Pakistan
Mr. Aziz Karachiwala	"	Lever Brothers

LEAVE OF ABSENCE

Mr. S. A. Hadi	Member	BOC
Mr. A. H. Rathore	"	Glaxo
Mr. Furqan H. Qureshi	"	IBM
Mr. Farooq H. Rahimtoola	"	Ray Shipping

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The Chairman welcomed the members, followed by their formal introduction.

1. **MINUTES OF THE LAST MEETING**

Minutes of the last meeting held on 26th July 1995, already circulated to the members, were considered, read and approved.

No point was raised for discussion pretaining to the said Minutes.

The Chairman gave a brief review of the existing communication problems in general and problems related to KPT & Port Qasim in particular. In accordance with the Minutes of previous meeting efforts were made by the Chamber to invite the Federal Secretary Communications in the Chamber to discuss key issues with members.

The Federal Secretary could not visit the Chamber so far. Under the circumstances it was agreed that a select Group of members be formed, who will call on the Federal Secretary in his office at Islamabad to discuss important issues requiring immediate attention of the Government. The Group to report back outcome of the meeting to the Subcommittee in its next meeting scheduled to be held in 1st week of December 1995.

The WORKING GROUP shall consist of following members :

1.	Mr. M. Moonis	Convenor	United Liner
2.	Mr. S. H. A. Bukhari	Member	Mackinnon
3.	Mr. Khawaja S. Mahmood	"	ICI
4.	Mr. Nadeem N. Jafarey	"	Caltex

The Group will first prepare a summary on the following issues to be discussed with the Federal Secretary :

(i) Highlight reasons why Karachi, being an economical port in 70s, has become most expensive in mid 90s' in this region.

(ii) Ports operational problems related to -
- Dredging
- Shortage of Tugs and Pilot Boats
- Roads :

  (a) Highly unsatisfactory approach Roads to KPT & Port Qasim particularly connecting the oil piers;

  (b) Due to the slow progress in the construction of connecting bridge at Port Qasim resulting in the detour of heavy cargo of extra 30-35 kilometer through the Roads not capable to carry load of extra heavy duty trucks.

(iii) Lack of proper safety arrangements in Port Qasim area at discharge points of LPG gases on high pressure.

(iv) Reinstatement of mobile telephone system in Karachi.

2. **ASSESSMENT OF WHARFAGE**

Lever Brothers letters dated August 13th and 27th addressed to the Chairman KPT on assessment & wharfage of tea consignment were discussed. The Chairman informed that he has discussed the issue with the Traiff Manager of KPT who has agreed to accomodate the points raised in the letter. Mr. Aziz Karachiwala, representing Lever Brothers on the Committee, was therefore advised by the Chaiman to re-contact the relevant authorities in KPT on the subject and advise him the outcome.

There being no other point to discuss the meeting ended with a vote of thanks to the Chair.

MOHAMMAD ASLAM
DEPUTY SECRETARY

6th March, 1995

Dr. Sabit Rahim
Joint Economic Adviser
Finance Division
(Economic Adviser's Wing)
Government of Pakistan
Islamabad.

Dear Dr. Rahim,

Reference your letter No. FD-129/EAW/95-42 dated 25th January 1995, we enclosed copies of our suggestions for the Federal Budget 1995-96, for the consideration of the Advisory Council, Ministry of Finance and the Central Board of Revenue.

The Proposals has been grouped as follows :

A. - Matters that influence investments.
B. - Those that deminish credibility and confidence.
C. - Industry specific issues, and
D. - Discriminatory and impediment to efficiency.

Regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

Encl :

E-38

1st March, 1995

Mr. Shamim Ahmad
Chairman
Corporate Law Authority
Government of Pakistan
State Life Building No. 7
Blue Area
Islamabad.

PROPOSALS FOR AMENDMENTS IN THE
COMPANIES ORDINANCE, 1984

Dear Sir,

Further to our letter E-38 dated 19th January 1995, we have pleasure to submit our views and recommendations on hte proposed amendment in Companies Ordinance, 1984.

The proposals submitted herewith supplement those which we have submitted previously alongwith aforesaid letter of 19th January.

Thanking you,

Yours faithfully,

MOHAMMAD ASLAM
DEPUTY SECRETARY

Encls:

COMMENTS ON PROPOSED COMPANIES ORDINANCE AMENDMENT BILL

PENALTIES

In general, the penalties under various sections, for non compliance with reporting provisions, delays in filing, and other offences, are proposed to be enhanced, the increase ranging from 100% in most cases to 2500% and even more. Instead of being regulatory, the Ordinance will thus become a penal law.

The corporate sector in Pakistan is not yet fully developed, and needs a friendly framework for its operation. Proprietorships and partnerships need to be encouraged to convert into companies, but over-regulation and heavy fines will only serve to defeat this objective. Except in cases involving fraud, the penalties in all other cases (Which relate mainly to procedural and regulatory reporting requirements) should be increased, if at all, only to cover inflation.

Examples of the excessive fines proposed in the Bill are cited below, with comments as to the rationale against the enhanced amounts.

		Penalty	
Section	**Offence**	**Existing**	**Proposed**
35(2)	Failure to provide copy of Memorandum & Articles in 14 days	Rs.100	Rs.1,000 to Rs.10,000 plus Rs.100 per day

At times, due to excessive demand, these may be out of print, but any delay will attract the heavy penalty.

36(2)	Issue of Mem & Arts without alteration(s)	Rs.1000	Rs.5,000 to Rs.25,000 for each copy.

could be due to genuine human error but the fine would be attracted.

173	Minutes of Board or General Meetings not provided in time	Rs.5,000 + 100 / day	Rs.10,000 + 200 / day (each offence)

New provision is to be made, requiring Board Meeting Minutes to be supplied in 14 days. This may sometimes be impractical, e.g., when there are long holidays or the Chief Executive is away for an extended period.

193(3)	Board Meeting of public companies not held every quarter.	Rs.10,000 + 100 / day	Rs.25,000 + 500 /day

This may not always be practical. Instead of specifying quarterly meetings, it is suggested that the number of meetings per annum be laid down as four, with at least one to be held in each half of the year.

220(8)	Registers of directors Shareholders, etc. not updated.	Rs.10,000	Rs.25,000

The penalty is very heavy and since the particulars are filled with the Companies Registrar, the existing penalty should remain.

OTHER PROVISIONS

Given below are comments on specific provisions proposed in the various Sections. Only important points have been dealt with.

Section 2 (13)

The words "or nominated" should also appear after the word "appointed" -- this is because the word nominated appears in other sections relating to directors e.g. 182 and 183.

Section 74 and 251

The period for payment of dividends and registration of transfer of shares is bing reduced from 45 to 30 days. The present procedure for transfer of shares is extremely cumbersome involving issuance of receipt, update in computer records, approval of the transfer by the company, endorsement of the name of new shareholder at the back of the share certificate and signature on the share certificate. At book closure time huge quantities of share certificates are received for transfer and it is really not possible to complete the above steps in respect of all the share certificates within 30 days. We would therefire suggest that while the period for payment of dividends may be reduced, the period for share certificates transfer (section 74) be retained as 45 days for the moment and once the Central Depository Company is fully functional the period may then be reduced.

Sections 158 and 233

It is proposed to reduce (from 6 months to 4 months) the period for holding the Annual General Meeting and presentation of Accounts to the Shareholders after the close of a company's financial year. In practice, the preparation of the Accounts, their audit, approval by Board of Directors, Notice to Shareholders, printing and circulation of Accounts, all require considerable time. This will make the holding of AGM within 4 months of year-closing extemely difficult, and many companies will find it impossible to do so. It is therefore strongly recommended that the present time limit of 6 months for holding of AGM should continue.

Section 180

The proposed amendment in sub-section (2) apparently requires the consent of banks/financial institutions /CLA for a company to fill up a casual vacancy in the Board. There is no justification for this because if the outgoing director has been nominated or represents a bank / financial institution then such bank/financial institution will almost certainly be in a position to ensure that the vacancy is filled by a person of its choice.

In other cases, where some other director is to be replaced, such consent from banks, etc. will cause undue interference in the smooth running of the company's affairs. Also, what criteria will CLA use for judging the suitability of the replacement director?

Section 183

The new clause (d) proposed to be inserted apparently empowers the CLA to nominate a director on the board of listed companies to represent shareholders holding 500 shares or less. There is no justification whatsoever for this provision as this would amount to an unwarranted instrusion in the affairs of companies and give the CLA powers totally beyond what is necessary and reasonable. The basic democratic concept of equal votes for all shares would also be eroded. There are already sufficient provisions in the Companies Ordinace for investigation and other actions by the CLA where they feel necessary to do so. The proposed amendment also leaves many unanswered questions, e.g. what amendments also leaves many unanswered questions, e.g. what criteria would the CLA use for appointing the directors, what minimum number of such shareholders / shares are required before the CLA can exercise its powers ?

Section 187

New sub-section (1)

While we have no objection in principle to defaulters being prevented from becoming directors, the proposed amendment is vague because cases of most "defaulter" are pending in courts. It needs to be clarified whether a "defaulter" is to be regarded as such after the court case against him is finally decided or, as in the case of lists published last year in the newspapers, even otherwise.

Sections 191 and 200

The proposed amendments empower the CLA to fix the remuneration / perquisites of the chief executive / directors if the company incurs loss for a period of three years or if they are receiving "remuneration or perquisites disproportionate to the profits that are shared with outside shareholders". The provision specially regarding the words "disproportionate" is vaque and appears to give the CLA unwarranted powers to interfere with and fix the remuneration of directors / chief executive. We may also point out that profits (dividends) are shared with all shareholders strictly in proportion to the shares held by them, and therefore in any case this provision should not apply to listed companies. Likewise, professional employees who are directors of a company are paid for their services according to market value and such whole time directors should be exempted from such restrictions. The shareholders' existing right of fixing the remuneration of the CE / directors should, as a matter of invariable principle, remain wholly vested in the shareholders. Any amendment which operates to dilute that right, for whatever laudatory objective, will militate against the principles of corporate organisation in a deregulated evironment and will, in the long run, have many other negative consequences.

Section 204(A)

We would propose that any person who is qualified as Chartered or Corporate Secretary, Chartered Accountant, Cost and Management Accountant or Lawyer, should be qualified for appointment as Secretary.

Section 208

This Section, in its unamended form, introduced for the first time the concept that before any public company can make any investment in an "Associated Company" the investing company must obtain approval from its general body of shareholders. The resolution approving the investment was required to be passed by 60% of the members present. The requirement therefore was that such investment powers should no longer be exercised simply by the Board of Directors but by the shareholders in a General Meeting. The reasoning behind the section appears to have been to provide a check on such investments which were essentially being made by family-controlled companies in other companieus also controlled by the same family. We may point out that this provision was a new one and there was no similar provision in the old Companies Act, 1913.

The amendments being proposed have introduced a fundamental change and extension in the concept behind S.208. A limit has been placed on the quantum of the investment that can be made by "the investing company" in all its Associated Companies (30% of the paid up capital plus free reserves). It is also provided that the term "investment" shall include "loans, advances, equity- - - -". These provisions however are not to apply to investments by a holding company in its wholly-owned subsidiaries and the Federal Government" in specific cases and in special circumstances" may "relax" these provisions in respect of companies having foreign investment.

The effect of these amendments is that no company will be able to sponsor a worthwhile subsidiary (unless it is a wholly-owned subsidiary) due to the low level of "investment" it can make in therein. In fact, due to this provision, no company will be interested in floating any other company as a Joint Venture or as the single largest shareholder with public participation, because if the company is to do any substantial business it will require a quantum of capital of which only a very small portion will be permitted to be subscribed by the investing company. Even if a new company is established we can foresee problems, at a later stage, for the sponsoring company when e.g. the new company requires a Rights Issue. The sponsoring company will not be able to subscribe if it has reached the limit of its permissible investment.

Furthermore, Privatization will be seriously affected as the substantial investments required in units being sold will not be allowed to be made by companies because either these investments are made by consortiums, and /or the government is anyway only selling a part and not all of its shares and therefore the unit being sold is not going to be wholly-owned subsidiary of the (or any one of the) buying company(s).

Joint ventures with foreign participation, being encouraged by the Government will also be effected because these are usually large projects requiring substantial investments and after these amendments will remain subject to the special government approval required which may or may not be granted. Even a cursory glance at the development models of the Industrial countries e.g. USA, Japan, etc. and the recently industrialised ones like Korea, Taiwan, etc. shows that businesses have grown by establishing a network of companies with interlocking interests and shareholdings, and similar growth in Pakistan will be stifled.

We appreciate the need to prevent the earlier mischief (which has been indicated above) but the amendments being proposed in Section 208 will do much more harm than good and will have drastic negative consequences on new investments. In fact, the main abuse of inter corporate investments by family-controlled public listed companies will not necessarily be reduced because they will still be in a position to invest without any limit in wholly-owned subsidiaries which, by definition, will have to be private or unlisted public companies, with minimum disclosure requirements, which will enable siphoning off of the investing company's monies.

One way to remedy the situation is to suitably modify the definition of Assoiciated Companies (for the purpose of section 208) and restrict it to family-controlled public companies so that such companies do not abuse their management control or voting power. At the very minimum if any investment limit is to be maintained then the Federal Government through the Corporate Law Authority should have the power to relax this limit in respect of all companies.

<u>Sections 220 and 222</u>

The word "officer" includes "executive" which is defined in the 4th Schedule to mean any employee earning over Rs.100,000 a year and therefore would require a company to keep records relating to shares owned by almost all its employees. This is really not necessary.

MEETING AT CENTRAL BOARD OF REVENUE ON 15TH MAY, 1995

OICC&I

MR. ZAHID ZAHEER
MR. FAUD HASHIMI
MR. MOIN FUDDA

CBR

MR. RIAZ AHMAD NAQVI	-	MEMBER CUSTOMS
MR. RIAZ AHMAD MALIK	-	MEMBER CENTRAL EXCISE & SALES TAX
MR. SALMAN NABI	-	SECRETARY TAXES

The meeting was called at Central Board of Revenue's request is Islamabad. OICC&I asked for the meeting to be broadened to include all taxation matters, not just customs duties only. The object was to review and understand OICC&I budget proposals which had been submitted earlier. Due to time limitations only selected issues could be discussed. These were:

CATEGORY A
ITEMS 1, 2, 5, 6, & 8

CATEGORY C
ITEMS 2, 3, 4(b), only, 5, 6, 7 & 8

CATEGORY D
ITEMS 2, 3, 5, 8, 9, 10 & 14

CBR responses to the various items are

CATEGORY A

Item A (1)
They will consider sympathetically levels of protection for each specific industry. Details to be presented by an industry which feels that it is not receiving adeuate protection.

Item A (2)
Response was that this tax concession will expire on 30th June, 1995. They appear no to be keen to extend it. IF extended then amendment may be considered.

Item A (5)
Agreed, but there are other socio economic considerations.

Item A (6)
Quite a few items have been removed from ATT list. The list will be reviewed and extended.

Item A (8)
Removal of duty not possible. However specific proposals for cascading systems of duties for various types of plant and machinery will be considered. They will stick to minimum of 10% Duty.

Item C (2)
Will be considered. CBR fear multiple use of amber bottle and possible misuse by other than pharma industries.

Item C (3)
CBR view was that imported power plants are subject to restrictions on concessionary duty, and where an item is locally manufactured, it cannot avail duty concessions.

Local industry therefore gets protection and Sales Tax removal not possible.

Item C (4b)
CBR will consider.

Item C (5)
This charge is to protect hoarding of product in the interest of the consumer. Will look into it but not keen on complete withdrawal.

Item C (6)
CBR does not agree. They are quite strong that organized theft takes place and therefore KPT short landing certificates cannot be accepted.

	GROUP	NUMBER OF MEMBERS	GROUP LEADER
1.	Chemical / Pesticides / Fertilizers / Paints	9	Mr. Azhar A. Malik ICI
2.	Banking / Insurance / Finance & Leasing Cos. / Airlines & Shipping	38	Mr. Ahmad Adil Standard Chartered Bank
3.	Pharmaceutical	28	Mr. A.J. Anjum Glaxo
4.	Food & Consumer Products	8	Mr. Tasleemuddin A. Batlay Lakson Tobacco
5.	Trading / indenting & Other Service Organizations	38	Mr. Faud A. Hashimi Gestetner
6.	Oil / Gas & Energy	13	Mr. Hashim Ishaque Shell Pakistan
7.	Engineering & Industrial Products	27	Mr. Mohammad Aslam BOC
8.	Other Manufacturing Cos.	9	Mr. K.M. Aminullah - Hoechst & Mr. M. K. Bana - Boots

Board parameters of the interaction to be on to the following aspects of Taxation. Any other matter which Committee deems fit to add may be included in the list subsequently :

1. Corporate tax
2. Sales Tax
3. Excise duty
4. Customs duty
5. Withholding taxes
6. Workers participation / Welfare fund
7. Personal taxation
8. Customs Guarantees
9. Capital transfer tax
10. Tariff reforms - Policies
11. Coercive measures of tax officials.

Provincial taxes

12. Octroi & Zilla tax
13. Sindh Infrastructure & Professional tax

It was agreed that the Deputy Secretary will compile and provide list of members pertaining to each group for team leader to establish contact with respective members of each group.

A separate letter will be circulated to all members of the Chamber to inform them about the formation of sectional groups and that the team leader will be contacting them for soliciting views.

The meeting at this point ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

10th September, 1995

Minutes of the meeting fo Chamber's Standing Subcommittee for Taxation held on 27th August 1995 at 4:00 P.M. in the Chamber's premises.

PRESENT :

Mr. S. Ali Raza	Chairman	Bank of America
Mr. Mohammad Aslam	Member	BOC
Mr. K. M. Aminullah	"	Hoechst
Mr. A.J. Anjum	"	Glaxo
Ms. Ferial Saleh	"	IBM
Mr. Azhar Ali Malik	"	ICI
Mr. Tasleemuddin A. Batlay	"	Lakson Tobacco
Mr. Ahmad Adil	"	Standard Chartered

LEAVE OF ABSENCE :

Mr. F. A. Hashimi	Co-Chairman	Gestetner
Mr. Munir K. Bana	Member	Boots

Welcoming the members of the Committee, the Chairman expressed the necessity of highlighting issues related to taxes, as an ongoing feature. He expressed that the meeting of the Taxation Subcommittee should be held bi-monthly and more frequently if the need so demands.

ROLE OF THE SUBCOMMITTEE:

Role of the Subcommittee, as recommended by the Managing Committee, was tabled among the members alongwith the Vision and Mission Statement.

PROGRAMME OF THE COMMITTEE:

The Chairman perferred to confine business of this meeting to determine the policy and the line of action to follow during the year. He invited suggestions from the members in this respect.

It was agreed to classify different business sectors of the members of the Chamber in following eight groups. Each group to have a team leader who is a member of the Subcommittee. Each team leader will interact with members and will invite suggestions and opinion from those those pertaining to his group and shall tabulate and clarify the views so collected for discussion and deliberation by the Subcommittee.

30th November, 1995

MINUTES OF THE MEETING OF CHAMBER'S
STANDING SUB COMMITTEE FOR TAXATION
HELD ON MONDAY 27TH NOVEMBER, 1995 AT 2.30 P.M.
IN THE CHAMBER'S PREMISES

PRESENT:

Mr. S. Ali Raza	Chairman	Bank of America
Mr. F. A. Hashimi	Co-Chairman	Gestetner
Mr. Hashim Ishaq		Shell
Mr. Mohd Zubair		IBM

LEAVE OF ABSENCE:

Mr. Mohammad Aslam	BOC
Mr. Munir K. Bana	Knoll
Mr. K. M. Aminullah	Hoechst
Mr. A.J. Anjum	Glaxo
Mr. Azhar Ali Malik	ICI
Mr. Tasleemuddin A. Batlay	Lakson Tobacco
Mr. Ahmad Adil	Standard Chartered

Minutes of the last meeting held on 27th October, 1995 were confirmed.

Five reports of group leaders which had been received were tabled and discussed :

		TASK FORCE LEADER :
1.	Oil / Gas & Energy	Mr. Hashim Ishaque Shell Pakistan
2.	Food & Consumer Products	Mr. Tasleemuddin A. Batlay Lakson Tobacco
3.	Engineering & Industrial Products	Mr. Mohammad Aslam BOC
4.	Other Manufacturing Cos.	Mr. K.M. Aminullah - Hoechst & Mr. M. K. Bana - Boots
5.	Trading / indenting & Other Service Organizations	Mr. Faud A. Hashimi Gestetner

Reports from the other Three groups have still not been received :

		TASK FORCE LEADER :
1.	Chemical / Pesticides / Fertilizers / Paints	Mr. Azhar A. Malik ICI
2.	Banking / Insurance	Mr. Ahmad Adil Standard Chartered Bank
3.	Pharmaceutical	Mr. A.J. Anjum Glaxo

The Task Force Leaders of the above groups be requested to expedite the mater.

It was also agreed that the Chamber would write a letter to all Manufacturing Companies , advising them that if tariff protection to their Industry was less than 20% , they should approach the Tariff Commission for redress. Companies to be also requested to inform the Chamber.

It was also agrred that the chairman and Co-Chairman woud finalize the recoomendations based on information received upto the 15th December, 1995.

The meeting at this point ended with a vote of thanks to the Chair.

ZAHID ZAHEER
SECRETARY GENERAL

2nd January 1995

Member (Income Tax)
Central Board of Revenue
Government of Pakistan
Islamabad.

CLAUSE NO. 89 SECOND SCHEDULE OF PART-I

Dear Sir,

We would like to draw your kind attention towards above clause which has since been deleted. Consequently all Chambers of Commerce and Trade Bodies in the country are now liable to pay income tax.

The Overseas Investors Chamber of Commerce & Industry operates strictly on 'no profit no loss' basis. Their income is not derived through any commercial activity but is primarily acquired from members contribution and out of the rentals of the Chamber's building. With the increasing rate of inflation every year in the country, it is becoming difficult to meet the cost of standard of service required by the overseas members of this Chamber. Any surplus generated by the Chamber are used for promotion of foreign investment.

We will therefore highly appreciate if you may please exempt the Chambers of Commerce from paying income tax as was the practice in the past, to enable it to continue its promotion of foreign investment.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

23rd January 1995

Member (Customs)
Central Board of Revenue
Government of Pakistan
Islamabad.

Sub : Comprehensive Import Supervision Scheme

Dear Sir,

Under the Comprehensive Import Supervision Scheme (CIS) the ongoing contracts of Government of Pakistan or the Agencies like Pakistan Telecommunication Corporation have also to follow the Scheme like other importers while importing material for the contract.

In this respect we would like to express that those importers which have already agreed and finalised contract with the Government of Pakistan before 31st December 1993, to supply material for the Government's project at pre-determined price and to supply within the specified time limits, should be exempted from processing their import through Comprehensive Import Scheme.

Not only that the contracts already in the pipeline should be exempted but we believe that, in future, in all the cases wherever the Government or its agencies enter into a contract with any supplier and duly agree with the price, standard and source of material and time limit of the supply, should also be exempted from processing their imports through CIS.

The Chamber will therefore appreciate, if you may please give due consideration to our proposal and issue necessary amendments in SRO 1108(I)/94 dated 14th November 1994.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

24th January 1995

Member (Customs)
Central Board of Revenue
Government of Pakistan
Islamabad.

SUB : EXEMPTION FROM PAYMENT OF CUSTOM DUTY AT 70% OF THE AD VALOREM VALUE ON PVC COMPOUND

Dear Sir,

PVC Compound when imported by local manufacturers of footwear and cable industries were chargeable for concessionary rate of duty under the notification No. SRO 508(I)/94 dated 9th June 1994 and SRO 601(I)/83 dated 11th June 1983 (for the cable industry). The notification No. SRO 508(I)/94 further stated "This notification shall remain in force till 30th June 1996".

We are now informed that the facility available to the footwear industry under SRO 508(I)/94 was unilaterally withdrawn on 13th September 1994 by a notification which substituted the word"PVC RESIN" for "PVC COMPOUND".

Now again in January 1995 the facility available to the cable industry under SRO 601(I)/83 dated 11th June 1983 has been unilaterally withdrawn vide letter C-No.2(44)-SNR-1/94 dated 2nd January 1995 issued by the Central Board of Revenue, addressed to all Collectors, Custom.

In cases of both the industries, great injustice is being done by unilaterally withdrawing this facility on the unsubstantiated claim that PVC Compund of appropriate quality is being produced by the local industry.

We have been informed by our members that this is not the cases, and PVC Compound of appropriate grade cannot be made available by the local manufacturers.

We therefore request you to withdraw the above instruction issued to the Collectors of Custom not to allow import of PVC Compound under the concessionary SROs. Your urgent attention to this matter will be appreciated.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

31st January, 1995

The Chairman,
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD.

Dear Sir,

Our Members are concerned about the regime of Income Tax appeals and procedures.

We offer the following suggestions to improve the procedure for Income Tax appeals and overcome the difficulties being faced by our Members.

CURRENT POSITION :

In case an assessee does not agree with the decision of the Deputy Commissioner of Income Tax (DCIT) he has to deposit 15% of the amount of tax before the appeal is admitted by the Commissioner Appeals. A further relaxation provides that the tax payable will be subject to 20% of the tax assessed in respect of immediately proceeding year.

If the decision of the DCIT is upheld by the Commissioner the appeal is admitted by the Appellate Tribunal after making payment equivalent to 50% of this amount of tax, provided the Income Tax Appellate Tribunal grants a stay of demand for the balance 50% otherwise the assessee is required to pay 100% of the demand at the time his appeal is admitted by the Tribunal.

RECOMMENDATIONS :

a. **Commissioner Appeals Stage**
Commissioner (Appeals) must be empowered to grant a stay of demand and admit an appeal without the deposit of mandatory payment. This will help assessees who have a genuine grievance and will avoid unnecessary hardship.

b. **Income Tax Appellate Tribunal Stage**
Upon losing the appeal at the Commissioner (Appeals) stage, the ITAT will only admit the appeal upon payment of 50% of tax. When the appeal is admitted by the Tribunal and the balance 50% also becomes payable if stay is not granted by ITAT. In case of a favourabel decision, refunds take years to materialize.

It is proposed that the Tribunal must admit the appeal with the 50% tax already deposited at the time of admitting the appeal and the balance 50% would only be paid in case of an adverse decision by the Tribunal.

ORDERS PASSES UNDER SECTION 86, 87, 88 AND 89 OF THE INCOME TAX ORDINANCE

Another point that needs urgent consideration is related to Sections 86, 87, 88 and 89 which deals with the imposition of additional tax on unpaid amounts. Orders passed under these sections cannot be appealed against.

The law should be changed to incorporate a provision enabling assessees to appeal against orders passed under these sections and the assessee should be provided an opportunity of being heard before passing orders under the above mentioned sections.

ORDERS PASSED UNDER SECTION 66A OF THE INCOME TAX ORDINANCE

Under section 66A, the Inspecting Additional commissioner can call for any assessment records and pass an order under Section 66A which is only appealable at the Tribunal i.e. after payment of 50% of Tax.

It is recommended that the right to appeal with the Commissioner (Appeals) be granted.

TIME LIMIT FOR TRIBUNAL TO PASS JUDGEMENT

Section 135 (7A) states that where no order under this section is made before the expiration of six months from the end of the month in which the appeal was presented, the relief sought through the said appeal shall be deemed to have been given and all the provisions of the Income Tax Ordinance shall have effect accordingly. The provisions of this sub-section shall come into force on such date as may be notified by the Income Tax Appellate Tribunal in the official gazette. The notification by the Tribunal has not been made therefore the law is not operational.

It is recommended that the Tribunal notify the date immediately so that the law becomes operational.

DELAY IN GRANTING RELIEF TO ASSESSEE

If the Commissioner Appeals provides relief against the order of the DCIT, the assessee receives the order immediately but the DCIT does not receive the order for months. It is proposed that the moment an order is passed by the Appellate authority, the ITO must give Appellate effect immediately on receipt of the order so that immediate relief is granted.

COMMISSIONER (APPEALS)

The Commissioner (Appeals) normally worked in the department for several years and it is very difficult for him to do justice. His decisions are invariably biased towards revenue generation and his performance is also appraised by people whose key task is to raise revenue.

Therefore, it is recommended that Commissioner Appeals should be responsible to the Law Ministry who will be able to preside over the proceedings without any bias and the decisions thus made will be only on merit.

INCOME TAX TRIBUNALS

We are very disturbed from a recent Government Announcement that the tribunals have been placed under the control of Ministry of Finance. This is absolutely unfair and we strongly feel, that Income Tax Tribunal should continue under Ministry of Law. This Chamber has emphasized on a number of previous occassions that the Commissioner (Appeals) shoudl be placed under Ministry of Law instead of Central Board of Revenue in the interest of equity.

We feel these steps are absolutely necessary to bring confidence in foreign investment and hope that you will find these suggestions constructive.

Yours very truly,

ZAHID ZAHEER
SECRETARY GENERAL

6th February 1995

Mr. Syed Asad Ali Shah
Adviser to Chief Minister - Sindh
Barrack No. 15
Sindh Secretariat
Karachi.

APPLICATION AND ADMINISTRATION OF OCTROI IN SINDH

Dear Sir,

Lately certain decisions taken by Union Councils of Karachi and Hyderabad in particular, in respect of Octroi rates etc. Is causing multifarious problems and hardships to the industries and trading houses. For example :

(a) The Administrator Union Council Serai, Hyderabad, has abruptly enhanced Octroi rates ranging form 100% to 200%. A notice to this effect was published in Daily 'Nawai-Waqt' of September 17, 1994. 'Nawai-Waqt' does not have, as wide circulation as other premier papers of the country have. The notification published in the said paper therefore, did not serve the purpose. Apparently the concerned departments could not visualise the far reaching and consequential effects on the trading and industrial activities of the country by adopting inadequate method of notification of changes in rates and taxes.

(b) The Manghopir, Karachi, Union Council also increased the rates of Octroi ranging from 20% to 700% with effect from 1st September 1994. Sudden enhancement in Octroi on movement of basic raw material for industries, in some cases, has been as high as upto700% and that too without allowing sufficient time as notice period during which the industries or trading houses could plan their activity. Octroi rate in the province of Sindh, particularly in Karachi, were as it is the highest as compared to the rates prevailing in other provinces. Further enhancement in the Octroi rates and that too in the proportions mentioned above, defeats the policy of the Government to exercise effective control on the rising rate of inflating in the country.

(c) According to the West Pakistan Municipal Committee Octroi Rules, 1964, Octroi (on goods other than imported by sea) shall be charged on WEIGHT basis, most of the Union Councils whereas are charging Octroi on ADVOULREM basis. This is against the Rules.

(d) "VALUE" has been defined under West Pakistan Municipal Committee Octroi Rules, 1964 as follows:

"VALUE" means the price which shall include cost, insurance, freight, custom duty, sales tax and any other levy determined by the custom authorities".

Accordingly withholding tax (income tax) which is collected at custom stage, being a levy charged by Income Tax Authorities (and not by customs), should not be included in Value for calculation of Octroi.

Octroi Contractors however include the amount of withholding tax for calculation of Octroi, which is not correct.

(e) The spirit of law, as generally believed, for determining VALUE was to charge Octroi on those elements which become a part of cost to the purchaser. But Sales Tax being paid at import stage is being allowed as adjustment against Sales Tax collected on sale of finished goods and does not become a part of cost. Therefore it is unnatural and against the intention of law to include Sales Tax in the definition of VALUE and charge Octroi on it.

The Chamber will highly appreciate if you may please give due consideration to above irregularities in the application and management of Octroi system in the province. No doubt above matters may apparently look to be of little significance but they are hurting industry where large turnover is involved.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

CC: - Secretary
Local Bodies, Government of Sindh
Sindh Secretariat, Karachi.

- Mr. M. Hanif Idrees, Finance Manager,
Dadex Eternit Ltd.
Ref: Your letter of December 19, 1994 and Jan. 30th 1995.

9th February, 1995

Mr. Mohibullah Shah
Chairman
Board of Investment
Prime Minister's Secretariat
Saudi Pak Tower, Jinnah Avenue
Islamabad.

WORK PERMIT FOR EXPATRIATES

Dear Shah Saheb,

This Chamber has been continuously reminding about the irritation expatriates members and their families are having in reporting to the local police registration office in respect of arrival, departure or extension of their residence permits.

Visas are generally granted for 3 months and in special cases for one year multiple entry. As expatriates, working in multinational companies, have to travel frequently and some times urgently, the formalities are time consuming and cause delay.

The said inconvenience, which as you will appreciate deters Government's policy to promote foreign investments in the country, has been continuously pointed out at various levels. We regret to inform you that despite of assurances nothing concrete has yet been done.

We therefore, once again suggest that for expatriates, working in Pakistan, and their families, visa should be granted for minimum 3 years. With multiple entry facilities and exemption from police registration and residence permits. The basis of doing this can be company appointment letters, at the most authenticated by the respective Chamber of Commerce.

There should also be exemption of Income Tax, clearance certificates of the expatriate employees multinational companies, since the companies are made responsible under the Income Tax Act to deduct all tax liabilities at source.

Counting on your support I am confident you will do your best to redress the problem at your earliest convenience.

With best regards.

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

PRIME MINISTER'S SECRETARIAT

(Board of Investment)

Saudi Pak Tower (12th Floor), Jinnah Avenue, Islamabad
(Tele : 92-51- 819509
Fax: 92-51-217665, 215554)

*****

No.10-54/94-LI(BOI)

Islamabad the 21st Feb, 1995.

OFFICE MEMORANDUM

Subject: REQUIREMENT OF WORK PERMIT / WORK VISA TO THE FOREIGN NATIONALS EMPLOYED IN PAKISTAN.

The undersigned is directed to refer to Board of Investment u.o.No.10-54/94-LI(BOI) dated 9-1-95 on the subject noted above and to state that a meeting to discuss the issues relating to the work permit/work visa to the foreign nationals employed in Pakistan held in Board of Investment on 17-1-95. A copy of minutes of meeting is enclosed for further necessary action.

2. Progress made in the matter may please be intimated to the Board of Investment.

SD/-

(Muhammad Khurshid)
Deputy Director

i) The Secretary,
Ministry of Interior,
Islamabad.

ii) The Secretary,
Ministry of Industries,
Islamabad

iii) Mr. Khalid Javed,
Joint Secretary,
Board of Investment,
Islamabad

iv) Mr. Khalid Majeed,
Director General,
Board of Investment,
Islamabad

v) Mr. Suleman Shah,
Director General,
Board of Investment,
Islamabad

vi) Mr. Abdul Rauf Chaudhry,
Joint Secretary,
Ministry of Interior,
Islamabad

vii) Mr. Khalid Mahmood Mughal,
Chief Research Officer,
Ministry of Industries & Production,
Islamabad.

viii) Mr. M. Tashin K. Iqbal,
Joint Secretary,
Board of Investment,
Islamabad.

Copy to Mr. Zahid Zaheer, Secretary General
Overseas Investors Chamber of Commerce & Industry, Karachi.

PRIME MINISTER'S SECRETARIAT
Board of Investment
****

Subject:- MINUTES OF MEETING HELD IN BOARD OF INVESTMENT ON 17-1-1995 ON THE REQUIREMENT OF WORK PERMIT / WORK VISA

A meeting was held in the Board of Investment, Islamabad on 17-01-1995 to discuss the issues relating to the work permit / work visa to the foreign nationals employed in Pakistan. List of participants is annexed.

2. Opening the discussions, JS(Admn), BOI informed that complaints are being received from Overseas Chamber of Commerce and Industry and from foreign companies, operating in Pakistan, that foreigners working in managerial and technical positions in manufacturing sector, who are exempt from work permit, are still being asked to obtain the same. Other problems on the subject were also highlighted by other participants. After detailed discussion, following decisions were taken in the meeting :-

i) Government's policy to exempt foreign nationals working in managerial and technical position in manufacturing sector for work permit will be implemented effectively. Ministry of Interior will issue suitable instructions to the agencies concerned clarifying the policy in this regard.

ii) In case of any ambiguity with regard to the "Managerial and Technical Personnel" for the grant of work visa, necessary clarification would be sought by the Ministry of Interior directly from the sponsoring agency and company.

iii) Foreign nationals to be employed in trade, services and all other sectors i.e. banks, airlines, contracting companies, oil drilling companies, liaison / exports offices, Hospital, School, etc will continue to obtain work permit from Board of Investment, Karachi as per practice in vogue. The request for work permit in such cases will be made by the sponsoring agencies / companies instead of individuals concerned. Any clarification regarding classification of business activity and manufacturing activity will be obtained from BOI.

iv) As the formalities for grant of regular work visa normally takes 2-3 months, the Ministry of Interior would examine the possibility to authorize Pakistani Embassies to grant temporary work visa (valid for specific period) to foreign nationals who intend to work in Pakistan, to facilate early entry in Pakistan, where they may get the formalities for regular work visa completed.

v) It is recommended that oil drilling and exploration firms may be extended the benefit not obtaining work permit, being a priority Sector.

vi) Where foreign experts are required to be called for emergency work, the facility of landing permission, may be availed in such cases.

vii) Work permit/visa and landing permission facilities, already available to foreign nationals / experts would be given publicity and the same would be incorporated in the brochures / booklets of Board of Investment. Ministry of Interior will provide existing rules / instructions on this subject to the Board of Investment.

viii) Foreign consultants who intend to visit Pakistan for short duration may apply for business visa.

ix) Ministry of Interior may examine the possibility of maintaining. data/record of work visas, issued to foreign nationals and supply the same to Board of Investment on periodical basis. Similarly, Board of Investment, Karachi will also maintain the record/data of work permits issued to the foreign nationals.

13th March, 1995

Mr. Riaz Husain Naqvi
Member (Custom)
Central Board of Revenue
Government of Pakistan
Islamabad.

Sub : Concessionary tariff under SRO 893(I)/94
dated Sept. 13, 1994 and Duty Drawback on Exports

Dear Mr. Naqvi,

We avail this opportunity to draw your attention towards undernoted hardships one of our member is encountering :

1. **DELAY IN ISSUE OF PROVISIONAL CERTIFICATE**

Under SRO 893(I)/94 dated 13th September 1994, custom duty on various items was reduced in cases of raw material imported for industrial consumption. In order to avail of this facility, the applicants were advised to apply for a Provisional Certificate under which they could avail the concessional rate of duty on items specified in the aforesaid SRO. One of our member, Gillette Pakistan Limited, Submitted their application in November 1994 to the Chief Survey & Rebate, C.B.R. on the prescribed form to avail the facility. Surprisingly, they have not received any reply as yet inspite of several reminders and personal follow ups and neither a survey has taken place nor a Provisional Certificate issued.

We will be grateful, if you will please, using your good offices, issue instructions for earliest issue of the said Provisional Certificate.

2. **FIXATION OF DUTY DRAWBACK ON EXPORTS**

Inordinate delays in fixation of duty drawback on exports is also causing hardships to some exporters.

To quote an example, again M/s. Interpak ShavingProducts Limited (re-named Gillettee Pakistan Limited) applied for rebate on export of System Razors as far back asFebruary 11, 1992 alongwith relevant details to the Chief Survey & Rebate, C.B.R.

While numerous reminders and letters have since been issued (over and above personal follow ups), no action has been forthcoming.

The said delay therefore defeats Government's Policy of supporting exports and export promotional acitivities. A copy of the said application dated February 11, 1992 a longwith its enclosure, is attached herewith for your ready reference.

We will be obliged if you may please use your good offices in settling the said long over due grivances earliest possible.

Regards

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

Encl :

CC:

Mr. Amar Sferi
General Manager
Gillettee Pakistan Ltd.,
Karachi.

Reference your letter dated 21st February, 1995.

22nd March, 1995

Mr. Mohammad Jawed
Chairman
Pakistan Telecommunication Corporation
Government of Pakistan
Islamabad.

Sub: Arbitrary disconnection of telephone due to so called "NON PAYMENT"

Dear Sir,

With reference to the circular of Federation of Pakistan Chambers of Commerce & Industry No. S.I.F.-7(1995)/1449 dated 11th March 1995, we are glad to note the personal interest you have taken in resolving various burning issues that are constraining the relations between the subscribers and the PTC.

Availing this opportunity may we draw your attention towards one issue which is causing uncalled for harassment to the subscribers for absolutely no fault of them. It is arbitrary disconnection of the line under the pretext of "Non-payment of bills" while the bills in fact were duly paid and there was NOTHING outstanding at the time of disconnection. This matter has been repeatedly brought to the notice of the General Manager KTR (I) and Director Revenue, Southern Region. Copies of our few letters / fax messages, detailed below, are attached herewith which will provide you a clear picture of the circumstances under which lines were disconnected. We are thankful to the General Manager KTR (I) on whose personal intervention the lines have always been promptly restored. However, the fact remains that:-

(a) None of our letters have ever been replied by the concerned department (what to speak of tendering an apology for their wrong actions).

(b) As you will please observe from the letters this particular complaint is persisting since May 1992. Apparently there is no sign of any improvement in the department's modus operandi which is existing since then.

(c) You will please appreciate that the reponsibility of the subscriber ceases once the bill has been paid at any recognised bill collecting agency. Consequently, it is not known why a subscriber should be penalised on account of the defects in the methodolody of internal communication system of telephone department.

on the basis of verbal advice we were asked to produce a copy of receipted bill to the Accounts Officer Revenue every time when a bill is paid. The fax number of the concern accounts office was also, very kindly, provided to avoid the invonvenience of Physically going to the account office. But in practice, the fax machines are always found out of order (!!). The exercise of physical visit to accounts department has therefore become inevitable if one desires to avoid the far greater inconvenience of disconnection.

The irony is that often telephone line has been disconnected inspite of undertaking the said precaution. It is simply because the subsribers are not provided any acknowledgement of information received, official or unofficial. This is how the Accounts / Disconnection Department absolve themselves, and let the blame easily passed on to the existing lacuna in the system which causes delay in communication between the two ends i.e. the collecting agencies and the accounts department.

(d) As you will appreciate, there is no fixed date for issue of monthly bills either. So that, the subscriber, taking the initiative themselves, could investigate the reasons of delay if bills not received after a certain expected date in any month. Delay in delivery of bills, are an accepted and regular feature.

It is therefore not understood why PTC, as a policy does not allow any grace period to its subscribers and are so prompt in disconnecting the lines as soon as the due date is over. This is the last and ultimate action which is taken first.

This Chamber, and telephone subscribers as a whole, will highly appreciate if you may please pay due attention to the aforesaid matters like other problems you have undertaken to resolve.

Thanking you,

Yours faithfully,

MOHAMMAD ASLAM
DEPUTY SECRETARY

Encl : Copies of :-

- Chamber letter No. N-55 dated 10-05-1992
- Sterling Products of Pakistan letter dated 25-07-1993
- Chamber letter dated 22-08-1994
- Chamber fax dated 02-11-1994

18th April, 1995

Mr. Alvi Abdul Rahim,
Vice Chairman,
Central Board of Revenue,
Government of Pakistan,
ISLAMABAD

Dear Sir,

APPLICABILITY OF WITH-HOLDING TAX PROVISION OF SECTION 50(3) OF THE INCOME TAX ORDINANCE 1979 TO FOREIGN INSURANCE COMPANIES OPERATING IN PAKISTAN.

A meeting of the Overseas Investors Chamber of Commerce and Industry was held on 7th February, 1995 in Karachi with Mr. V.A. Jafarey, Advisor to the Prime Minister for Finance & Economic Affairs. During the meeting, Mr. Jafarey's attention was drawn to the discriminating attitude of the tax authorities towards the foreign insurance companies under pretext of Section 50(3) of the Income Tax Ordinance 1979. To apprise you of the facts, we are enclosing a copy of our note on the subject.

CBR Letter C. No. 1(25)/IT/I/80 dated October 1, 1980 clearly states that no deduction is to be made under Section 50(4) of the Income Tax Ordinance 1979 for premium received and claims discharged by the insurance companies. However, the foreign insurance companies operating in Pakistan and who share only 14% of the insurance business are being victimized under the provision of Section 50(3). This is most unjustifiable and unfair as the nature of both business, local or foreign, is the same.

We believe that Mr. V.A. Jafarey has already sent you his note of the meeting. As yet there has been no action taken by you. We would once again write to you to exempt the foreign insurance companies from the applicability of Section 50(3) of the Income Tax Ordinance 1979, as it would be only fair and equitable course of action at your end.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachment :

2nd May, 1995

Mr. Iqbal Farid
Member (Taxes)
Central Board of Revenue
Government of Pakistan
Islamabad.

TAX EXEMPTION FOR EDUCATION EXPENSES

Dear Sir,

We take this opportunity to draw your kind attention towards Clause No. 130 added in the Second Schedule to the Income Tax Ordinance 1979 through circular No. 6 of 10th July 1994, whereby an exemption of tax has been granted to an assessee on account of repayment of educational loan.

In order to extend education facilities in specialised fields within the country, lately number of institutions like Agha Khan University, LUMS, G.I.K. Institute of Engineering Service & Technology etc. have been established. The Curriculum and standard of education in these institutions are by no means less than the identical institutions in developed countries. Obviously the cost of education too, in locally established institutions, is far higher, as compared to other regular universities of the country. Consequently the students or their wards genuinely need financial assistance to meet the expenses of said prestigeous national institutions.

Through aforesaid amendment Government has extended the said educational loan facilities to cater the needs of students. This relief is hgihly appreciated. But ironically it cannot be availed by students acquiring expensive specialised education in istitutions within the country, simply because Pakistan Banking Council and or State Bank of Pakistan allow meagure amount as loan for the pursuance of education within the country, The law itself should be fair for all and the relief should be "Expense Related" and not "Loan Related". Otherwise the purposed to encourage and pursue specialised education within the country will be defeated.

The Chamber will highly appreciate if you may please pay personal interest in redressing the said grievance.

Regards

Yours sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

17th May, 1995

Mr. M.B. Anjum,
Secretary With-holding Taxes,
Central Board of Revenue,
Islamabad.

Dear Sir,

WITH-HOLDING TAX UNDER SECTION 50(3) OF INCOME TAX ORDINANCE 1979.

Reference is made to the meeting Overseas Investors Chamber of Commerce & Industry delegation has with M/s. Salman Nabi and Mohammad Aslam Sheikh on Monday the 15th May, 1995.

Amongst various issues discussed, the subject of with-holding tax provision under Section 50(3) of Income Tax Ordinance 1979 was also deliberated. You would appreciate that this provision is most unfair and discriminating to foreign insurers operating in Pakistan. A copy of our note on the subject, which was also handed over to Mr. Salman Nabi at the meeting, is enclosed for your ready reference. We would be grateful if you could kindly look into the matter for removing this discrimination by exempting the above mentioned with-holding tax provision under Section 50(3) as it has already been done under Section 50(4).

Thanking you.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

Attachments :

30th May, 1995

Mr. M. Iqbal Farid ,
Member (Income Tax),
Revenue Division,
Central Board of Revenue,
Government of Pakistan
Islamabad.

Dear Sir,

PRESCRIBING OF GROSS / NET PROFIT RATES FOR DIFFERENT TRADES

We acknowledge receipt of your letter of 18th May, 1995 seeking proposals from our Chamber for fixation of gross profit rates for various trades.

As you are aware, ours is not a traders Chamber, and therefore we are not in a position to offer any comments. Most of our Members are in manufacturing, insurance, banking and the service sector of the economy, and only a few are in indenting.

This matter will be placed before our Managing Committee at its next meeting and should we have any suggestions, we will revert back to you.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

4th July, 1995

Mr. Alvi Abdul Rahim
Vice Chairman
Central Board of Revenue
Government of Pakistan
Islamabad.

SUB : **INCOME YEAR**

Dear Sir,

The Finance Bill 1995-96 has withdrawn the option available to an assessee to have calendar year as income year by making amendments in section 2(26) and 62 B of the Income Tax Ordinance Bill 1965.

Withdrawal of this opton is creating multiple problems to our members who are multi-national companies :

- The accounting year of of most of the multi-national companies are linked with their parent companies abroad. Audited accounts of all subsidiary companies and branches are consolidated with the accounts of the parent holding company who follow the calendar year.

- Deviation from following the standard practice may hinder intending foreign investors in Pakistan. Most countries of the world do not adopt such a practice.

- In case of change in the accounting year, our members operating in Pakistan, have to get two accounts audited every year i.e. one for the year ending 30th June and the other on 31st December. Besides the additional costs involved by doing do, it will create several operating difficulties.

- Implementation of the amendment with immediate effect will result in an income year consisting of 18 months i.e. the year starting from January 1st 1994 and ending June 30th 1995. As a resutl the companies will have to pay higher tax, accordingly. For those companies who have already finalised statements based on calendar year basis, it will create chaos and necessitate holding another General Body meeting to approve the account.

- Memorandum and Article of Association of the companies, specifying calendar year as an income year would necessitate amendments requiring due approval of the Board and Shareholders.

- Maintaining two sets of accounts, one for parent company and the other for local tax purposes, will create hardship for the companies.

We would therefore request you that the previous option granted to the companies to either follow calendar year or financial year may please be restored.

Thanking you,

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

CC:

1. Mr. Muhammad Amjad
Shering Asia GmbH, GPO Box 1118, Lahore.

2. Mr. Jan Hildingstam, Managing Director
Tetra Pak Pakistan Ltd., 316, Upper Mall P.O.Box 3061, Lahore.

3. Mr. M. A. Tareen, General Manager & Secretary
Dawood Hercules Chemicals Ltd., P.O.Box, Lahore.

4. Mr. Anisur Rahman, Managing Director
J & P Coats Pakistan (Pvt) Ltd., Karachi.

For Information Please.

6th August, 1995.

Mr. Alvi Abdul Rahim,
Chairman,
Central Board of Revenue,
Government of Pakistan,
Islamabad.

Dear Alvi Sahib,

I write to thank you for the courtesies extended to a delegation of the Overseas Investors Chamber of Commerce & Industry when we called at your office in Islamabad on 25th July, 1995.

At this meeting you had requested that we write and explain the details of some of the issue discussed at this meeting.

1. DEDUCTION OF WITHHOLDING TAX ON INTEREST ON SECURITIES UNDER SECTION 50(2) :

   Prior to Finance Act 1992, tax on companies was levied under different heads i.e. Income Tax, Super Tax and Surcharge. The withholding requirements were also separately specified for Income Tax and Super Tax. In respect of interest on securities paid to residents there was only a requirement to withhold tax @ 30% and there was no requirement to withhold Super Tax. However, in respect of non-residents, in addition to the Income Tax, Super Tax at the maximum rate was also required to be withheld. Through the Finance Act, 1992 the different heads of taxes were merged and a cumulative rate of Income Tax was fixed.

   However, the provisions relating to withholding tax were not amended so that deduction of Income Tax for all recipients including non-residents was fixed at 30%. But an anomaly existed as to whether Super Tax was also required to be withheld under Para D of Part II of the First Schedule to the Income Tax Ordinance, 1979.

   The Finance Act, 1994 removed this anomaly by deleting Para D altogether but State Bank of Pakistan continued to withhold tax on the old basis which was more than the amount legally required to be withheld under Part I of the First Schedule to Income Tax Ordinance, 1979.

   Through Finance Bill 1995, an amendment is now proposed whereby the rate of Withholding Tax in respect of a resident will continue to be 30% but Withholding Tax for a non-resident company is 58%.

   Keeping in view the rate applicable to a resident which is 30%, the rate of tax on a non-resident of 58% is unfair and unjust. Further the Banks are suffering losses as they end up paying more tax to Government Treasury than their normal tax liability.

2. TAX ON INTEREST INCOME OF PROVIDENT FUND :

Many of our Member companies have drawn the attention of the Chamber to Rule 3(b) of the Sixth Schedule of the Income Tax Ordinance 1979 regarding interest accretion to the Members of the Provident Fund.

We have been informed that this rule states that if the interest credited to the balance of an employee exceeds 1/3 of the salary or interest income in excess of 16% annum is allowed, such income shall be deemed to have been received and shall be liable to Income Tax.

If an employee has been saving for a long period, the balance of the fund invariably grows to the extent (where both employee and employer contribute) where profit on it exceeds 1/3 of the annual salary. Similarly well managed funds are able to earn more than 16% per annum on their investment.

The latest issue of WAPDA Bond are offering 19% per annum payable on a half yearly basis.

The tax rules need to be amended, to reflect the rate of inflation in the Country and the opportunity cost of capital. The present tax rules are defeating the purpose of retirement benefits and are encouraging employees to withdraw their balances earlier, so as to escape the exemption limit of 1/3rd of annual salary.

We would request the Board to reconsider this matter, and remove both the stipulated ceilings in order to make the retirement benefits more meaningful.

3. INADEQUATE TARIFF PROTECTION TO LOCAL INDUSTRY:

It is the policy of the Government not to allow imports of raw materials and components on concessionary rate of duty, where such materials are locally manufactured. The locally manufactured materials are documented in CGO 17/94 dated 30th October, 1994.

By a recent amendment just before the Finance Bill 1995 was enacted another CGO bearing Reference CGO 9/95 dated 14th June, 1995 has been issued which has delisted some locally manufactured materials from CGO 17. Moreover we have been informed by one of our Member companies Messrs. Dadex Eternit Limited, that they have successfully manufactured polyethylene pipes in Pakistan and these have not been included in CGO 17/94. As a result thereof, Polyethylene Pipes continued to be imported without payment of duties and taxes under SRO 367(1)/94 dated 9th May, 1994. The Company's letter in original alongwith supporting papers is being forwarded to you for your consideration.

Regards

Yours truly,

Zahid Zaheer
Secretary General

Attachments:

By Fax. 823414, Islamabad
Total Pages. 2

19th July, 1995

Mr. Ahmad Sadiq
Principal Secretary
Prime Minister Secretary (Public)
State Bank Building
Shahrah-i-Jamhuriat
Islamabad

Dear Mr. Sadiq.

Cellular Telephone Service Disconnection.

It was a pleasure meeting with you recently in Karachi and think through the security measures for Karachi. I hope our contribution was helpful in understanding the problem being faced by our members in achieving the desired level of production and identifying practical solutions.

I now wish to bring to your notice the issues relating to the disconnection of mobile phones which is causing considerable hardship now that the people and businesses have become used to these services.

Paktel Limited and Pakcom Limited (Instaphone) are OICCI members. The companies have operated their cellular telephone services in Karachi since December 1990 and Pakcom expanded to Hyderabad in 1994. The foreign investment of the cellular companies nears US $ 100,000,000.

Paktel and Pakcom fully understand the critical nature of the situation in Karachi and are committed are supporting the current security effort. This can be evidenced by their cooperative actions over the past year.

It is our opinion that the vast majority for the near 25,000 cellular subscribtion in Karachi and Hyderabad are respected and law abiding citizens. The loss of cellular telephone service has severely impacted this normal business operations including those of most OICCI members.

I understand that significant part of the total revenue and therefore profit and cash flow of Paktel and Pakcom arises out of Karachi. On the other hand the huge investment of OICCI members Paktel and Pakcom warrant substantial loan servicing costs. There are loans raised abroad and any default due cash flow problems would not help the credit rating of Pakistan. Besides companies like Hub Power were relying mainly on mobile telephones and would be under severe pressure. The difficulties being faced by stock brockers, traders etc., need not be re-emphasised.

The OICCI is indeed conscious of the national needs as it is of those of its members and will always endeavour to suggest lines of action which are mutually supportive. Therefore in order to achieve both, the security needs of the Government and immediate minimisation of financial hardship being faced by the Multinational companies affected directly and indirectly, the Chamber suggests the following possible actions.

1. If possible, restore all mobile telephone connection in Karachi and Hyderabad.

2. Subject to the agreement of the mobile telephone operators, reconnect, to start with, the telephones of all multinational executives/Companies (members of the Overseas Chamber) and Embassies. This will be a manageable number.

3. The loss arising out of suspension of service may be compensated to the mobile telephone operating companies to cover for loss of profits. The GOP would recognise this as a part of the cost for providing security to Karachi.

We would be most grateful if this matter with great urgency could be brought to the attention of the Prime Minister along with the Chamber's recommendation for her earliest consideration.

Regards.

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT

cc: Mr. Zahid Zaheer
cc: Mr. Farooq Hassan
Chairman
Paktel Limited.
cc: Mr. Peter Macnee
Managing Director
Instaphone.

By Fax. 823414
Total Pages. 2

3rd August, 1995

REF : 13-I

Mr. Ahmad Sadiq
Principal Secretary
Prime Minister Secretary (Public)
State Bank Building
Shahrah-i-Jamhuriat
Islamabad

Dear Mr. Sadiq.

I wrote to you on the 19th of July 1995, regarding the disconnection of cellular telephones. I had made certain proposals which was believed offered a very viable solution, keeping in mind both the Government's need for strengthening security and the telephone operating companies desperate need for resumption of atleast part of their commercial activity. I enclose a copy of my earlier note for ready reference.

I would be grateful for your response at your earliest convenience since the pressures on debt servicing and cash flow of both Paktel and Pakcom are progressively increasing.

With regards and looking forward to hearing from you at your earliest convenience.

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT

Enclosure. My letter dated 19th July, 1995.

cc: Mr. Zahid Zaheer

cc: Mr. Farooq Hassan
Chairman
Paktel Limited.

cc: Mr. Peter Macnee
Managing Director
Instaphone.

27th September, 1995

Ref. 13-I

Major General (Retd.) Naseerullah Khan Babur
Federal Minister for Interior
Ministry of Interior
Government of Pakistan
Islamabad.

Dear Genral Sahib,

You may recall that when we met in the plane enroute Islamabad recently you had very kindly said that your office had recommended to the Government that it should consider payment of compensation to the Mobile Telephone Companies in the interest of fairness. Mobile Telephone Companies are suffering severe hardship in terms of their debt re-payments in the face of the revenues having dried up very significantly. Whilst people who own mobile phones are also suffering badly, we can understand that this has to be so in view of the national security needs. I would be grateful if you could help us in progressing the case of adequate compensation, towards a mutually satisfactory conclusion. Time is ticking away and the debt burden is looming large.

Regards

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT

cc: Mr. Ian Cowley
cc: Mr. Peter Macnee
cc: Mr. Zahid Zaheer

By Fax. 823414
Total Pages. 2

2nd November, 1995

REF : 13-I

Mr. Ahmad Sadiq
Principal Secretary
Prime Minister Secretary (Public)
State Bank Building
Shahrah-i-Jamhuriat
Islamabad

Dear Mr. Sadiq.

I wrote to you last on the 3rd August, 1995 on the subject of the severe hardship being faced by our mobile telephone company members. Unfortunately I don't seem to have an acknowledgement on file and I just hope that it hasn't gone astray.

At a subsequent time, I had the opportunity of meeting the Minister of Interior Major General (Retd.) Naseerullah Khan Babur very briefy and raised the subject with him. He informed me that his Ministry has supported the concept of compensation and assured me that the matter would be dealt with very fairly.

Unfortunately, a number of months have gone post and the loss per day as I am informed by one of our members is Rs. 1.5 million. This is not a small sum by any standards.

As I said in my past letter, we wish to fully support the government in all its efforts to restore law and order in Karachi but may I reiterate that the compensation must be paid to such business units who are suffering and the cost thereof would obviously be treated as a cost of security

You will appreciate that the compensation when paid by the government will go a long way in strengthening the image of the government and will reinforce Pakistan's commitment to looking after its foreign investors and therefore, on a medium to long term basis, their investments. I would further add that if such a move were to be made by the government it could be a major promotional istrument in the hands of the government when soliciting foreign investment. Needless to say that should such a move not be made by the government it could be viewed as lack of security of investment in the country.

I do hope I will receive an acknowledgement from you and , I would appreciate if you would give me an opportunity of discussing this matter personally with you in Islamabad or over the telephone from Karachi. I did leave a few telephone messages which I wonder if you received .

With regards.

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT

cc: Mr. Farooq Hassan
Chairman
Paktel Limited.
Karachi.

cc: Mr. David J. Worcester
Chief Operating Officer
Pakcom Limited
Karachi.

cc: Mr. Zahid Zaheer

8th November, 1995

Mr. Shamim Ahmad Khan
Chairman
Corporate Law Authority
Government of Pakistan
SLIC Building No. 7, Blue Area
Islamabad.

CHAMBER'S COMMENTS ON DRAFT COMPANIES (ISSUE OF SHARE CAPITAL) RULES, 1995

Dear Mr.

As desired vide your letter dated October 5, 1995 we have pleasure to highlight Chamber's views on the Draft Companies (Issue of Share Capital) Rules, 1995.

Our Comments pertains to the following clauses :

1) - Policy of Issue of Share Capital
2) - Issue of Share on Premium
3) - Issue of Right Share by Limited Companies
4) - Issue of Bonus Share on Listed Companies.

We trust you will give due consideration to our points of view.

Thanking you and with best regards,

Yours Sincerely,

ZAHID ZAHEER
SECRETARY GENERAL

Encl :

cc: 1. All Members of the Managing Committee
2. All Members of the Corporate Law Sub committee.

OVERSEAS INVESTORS CHAMBER OF COMMERCE & INDUSTRY

CHAMBERS COMMENTS ON DRAFT COMPANIES (ISSUE OF SHARE CAPITAL) RULE 1995

1. **POLICY OF ISSUE OF CAPITAL** - CLAUSES 2(A) (IV) 2(B) (iii) & 2(A) (V) 2(B) (IV)

Raising capital through public offer - applicable to **LOAN BASED** companies or **EQUITY BASED** projects.

LOAN BASED COMPANIES

Clause 2(A) (IV) - In case capital of the company is proposed to be raised upto Rs. 200 Million at least 50% of such capital shall be offered to the general public.

Clause 2(A) (V) - In case capital of the company is proposed to be raised beyond Rs. 200 Million, public offer shall be at least Rs. 100 Million or 25% of the capital, which ever is the highest.

Clause 2A (VI) - Sponrors shall, at all time, retain at least 25% of the capital of the company.

EQUITY BASED PROJECTS

Clause 2(B) (iii) - In case capital of the company is proposed to be raised up to Rs. 200 Million at least 50% of such capital shall be offered to the general public.

Clause 2(B) (iv) - In case capital of the company is to be raised beyond Rs. 200 Million public offer shall be at least Rs. 100 Million or 25% of the capital, whichever is the highest.

Clause 2B (v) - Sponrors shall, at all time, retain at least 25% of the capital of the company.

COMMENTS on the above Clauses 2(A) (iv) (v) & (vi) also 2B (iii) (iv) & (v)

a) These clauses are unnecessarily restrictive and also deregotary to the spirit of liberalization of share holding for non residents.

b) Regarding Clauses A(vi) & B(v) - sponsors should retain equity for 'all times' i.e. for ever. This is unrealistic. Suggested that some reasonable time period (e.g. three years) should be provided for.

2. ISSUE OF SHARE ON PREMIUM

Clause 3 - A company may issue shares to the public on premium subject to :

Clause 3(iv) -" The implementation of the project shall be in accordance with the approved finance plan"

COMMENTS on Clause 3(iv)

The clause is loosely worded and can cause problems. It requires further clarification as to

- Who Shall monitor ?
- How much contingency in terms of time and money is acceptable ?

Clause 3(x) - "The employees of the company getting preferential allocation, shall be charged premium at the same rate as the general public "

COMMENTS on Clause 3(x)
It is assumed that Clause 3(x) is only applicable to subscription at the time ofpublic issue. Employees who get sponsors equity before the public issue should not be covered under this provision.

Clause 3(xi) - The shares allotted to sponsors, friends, relatives, associates and other persons or institutions on account of preferential allocation at par, shall not be saleble for a period of three years from the date of allotment. These persons or institutions shall be issued jumbo certificates with markings "not saleable for three years". The particulars of such jumbo certificate shall be furnished to the respective stock exchanges. Companies with splitting jumbo certificates into marketable lots, after the prescribed period shall also inform the respective stock exchanges.

COMMENTS on Clause 3(xi)

We agree with the concept of above clause but consider the holding period is too long. 1 or 2 years holding period should be sufficient. Otherwise it can be linked to the amount of premium for the public issue, i.e. low premiums - short holding period, high premium - long holding period.

3. ISSUE OF RIGHT SHARES BY LIMITED COMPANIES

Clause 4(i) - No company shall make a right issue within one year of the last issue of the capital .

COMMENTS on Clause 4(i)

Justification for the restriction is not clear. It may encourage companies to undertake larger rights issues than what essentially needed.

Clause 4(ii) - The decision of the company to issue right shares shall be communicated to the Authority and the respective stock Exchanges on the day of the decision

COMMENTS on Clause 4(ii)

It needs to be clarified that 'decision' would mean the formal resolution passed by the Board of Directors announcing the right issue.

Clause 4(iii) - A company may charge premium on right shares up to the free reserves per share as certified by the company's auditors. The certificate of auditors shall be furnished to the authority and the respective stock exchanges alongwith intimation of the proposed right issue. The 'free reserves' shall be calculated in the manner prescribed in rule 5.

COMMENTS on Clause 4(iii)

Determination / Charge of premium should be left to market forces.

Clause 4(iv) - A company announcing right shares shall at the time of announcement, clearly indicate the purpose of the right issue, benefits to the company, use of funds and financial projections for three years. The financial plan and projections for the right issue shall be signed by all the directors who were present in the meeting in which the right issue was approved.

COMMENTS on Clause 4(iv)

The requirement that financial plan and protections of the right issue shall be signed by all the directors who were present at the meeting at which right issue was approved is not clear.

The clause impliedly protects the director/s who did not attend the meeting. And what happens if dissenting director declines to sign.

Clause 4(v) - Right issues of a loss making company or a company whose average market share price for a period of six months is below par value shall be fully underwritten.

COMMENTS on Clause V

Clarification is needed that the requirement of underwriting applies only if shares are to be issued at a premium and not otherwise.

Clause 4(vi) - Book closure shall be made within forty-five days of the announcement of the right issue.

COMMENTS on Clause 4(vi)

Should be altered to read that 'book closure shall be"announced" (and not "made") within forty five days of the decision to make a rights issue'. This was the position under previous guidelines of the CCI.

4. ISSUE OF BONUS SHARES BY LISTED COMPANIES

Clause 5(I) - The decision of the board of directors to issue bonus shares shall be communicated to the authority and the respective stock exchanges on the day of the decision. The intimation letter shall be accompanied by the Auditor's certificate as specified tin Clause (iii) of this rule.

COMMENTS on Clause 5(I)

Last part of Clause 5(I) regarding submission of free reserves' certificate on the day of decision of the board of issue bonus shares is unrealistic.

Clause 6 - Offer for sale of shares by privatized companies. In case of a company privatized by the Federal or a provincial government, the new management may offer shares adjusted by right or bonus issue or any other distribution made out of the pre-acquisition reserves.

COMMENTS on Clause 6

Clause 6 is not time bound i.e. restricts the new management for ever. This should clearly not be the case and time period for this restriction should be specified, which in our opinion should not be more than one year.

FAX # 051 - 215418

9th October, 1995

Member (Chief Survey & Rebate),
Central Board of Revenue,
Government of Pakistan,
Islamabad.

Dear Sir,

CLEARANCE OF MATERIAL IMPORTED UNDER CONCESSIONARY NOTIFICATIONS

Our Members who have manufacturing units situated outside Karachi, were, as per existing practice, utilizing Karachi Port for clearance of all their consignments including imports under concessionary notification. According to CBR's notification No. 1(9)S&R-2/90 dated 17th September addressed to Messrs. KSB Pumps Company Limited, they have been asked to clear their consignment through the Collectorate nearest to their Factory with effect from 1st of October, 1995.

We would like to draw your attention that he perid allowed to implement the change of clearing port is very short. Consequently our Members are facing difficulties in altering the consignment documents which are on the way.

Under the circumstances, we would request you to please extend the effective date of implementation of aforesaid circular upto 31st December, 1995 instead of with effect from 1st October, 1995. During this extended period all such consignments may continue to be cleared at Karachi.

Thanking you.

Yours truly,

MOHAMMAD ASLAM
DEPUTY SECRETARY

udc : Mr. Bashir Saleem,
General Manager Projects,
KSB Pumps Company Limited,
Karachi.
Fax : 2310328

16th November, 1995

The Director,
Foreign Exchange Department,
State Bank of Pakistan,
I. I. Chundrigar Road
Karachi.

Dear Sir,

REMITTANCE OF SURPLUS FUNDS BY FOREIGN INSURANCE COMPANIES

Foreign Insurance Companies operating in Pakistan have advised us that applications submitted by them to the Controller of Insurance for permission to remit their surplus funds invariably takes two to three years to be granted. At present, applications submitted in 1991 - 92 are still being processed by the Department of Insurance. For the disposal of such applications, the Department follows its decade old practice according to which the applicant companies are required in the first instance to obtain final assessment orders from the tax authorities.

Since Section 64 of the Income Tax Ordinance allows final assessment orders to be passed within two years from the end of the assessment year in which the total income was first assessable, tax authorities follow that limitation for making a final assessment order to be available to assessees. Hence, the applications of Foreign Insurance Companies for remittance remain held up till the limitation period is over. On the other hand, in the case of Foreign Banks, the State Bank grants its approval for remittance of Surplus Funds on the strength of audited financial statements and their applications are not delayed for want of assessmetn orders from the Income Tax Department.

Under Clause 27 of Chapter XV of the Exchange Control Manual, it is permissible for local Branches of Overseas Insurance Companies to transfer abroad their surplus funds with the approval of the State Bank of Pakistan on quarterly, half-yearly or annual basis. We therefore earnestly request that the treatment accorded to Banks may please be extended to Insurance Companies as well, to ensure uniformity and consistency, enabling them to remit their annual surplus funds on time. The Department of Insurance may please be advised to issue approvals on the basis of audited financial statements of Insurance Companies, as it does in the case of Foreign Banks.

Yours truly,

ZAHID ZAHEER
SECRETARY GENERAL

30th November, 1995

REF : 13-I

Mr. Javed Talat
Federal Secretary Finance
Government of Pakistan
Islamabad.

Dear Mr. Talat,

I would like to bring to your attention a significant hardship that is being caused to the importer of books as a result of the 5% regulatory duty.

I spoke to Mr. Alvi, Chairman CBR, who kindly discussed the subject with me and informed me that the government are already aware and seized with the problem. I would like to emphasize that in the wake of the current rising costs of living, the household expense are under pressure. The last thing we want is for the children's education to suffer as a consequence of books being more expensive and less affordable specially when household expenses are already under pressure. I am sure you will agree that books have always been and must always remain a source of progress in the country. These are even more important than medicines and therefore should be available at the least possible cost to the students.

As you know, Pakistan is a signatory to the UNESCO's ruling and the Florence agreement which states that no import duty is leviable on reading material. Books include text books and educational books.

I am personally committed , as you know, to supporting all revenue generating activities of the Government of Pakistan. I suspect the revenue from the books will not be significent but he benefit of low cost books will go a long way in supporting the long term development of the country.

I will therefore request that books be exempted from the 5% regulatory duty and a decision be communicated, as early as possible; books at the port are incurring damage on one hand and leaving the schools wanting on the other.

I enclose various letters from the schools who are facing these difficulties.

Regards.

Yours sincerely,

[TARIQ IKRAM]
PRESIDENT

cc: Mr. Alvi Abdul Rahim
Chairman
Central Board of Revenue
Islamabad.

cc: Ms. Ameena Saiyid
Managing Director
Oxford University Press.

cc: Members & Managing Committee of OICC&I.

TI:YSH.NOV58