

Asad vexed by bureaucrats' lack of preparation

ISLAMABAD: Amid a 24 per cent shortfall in cotton production this year, Finance Minister Asad Umar gave vent to his irritation over repeated presentation of half-baked ideas before the Economic Coordination Committee (ECC) of the cabinet and returned issues of duty-free import of cotton and revival of Pakistan Steel Mills (PSM) to relevant ministries.

General manager: Asad Umar

The ECC meeting had been called on Tuesday with only one item on the agenda — tax and duty-free import of cotton — and took up a presentation on PSM revival from Hubco as an additional item, but the presentation did not satisfy the finance minister who presided over the session.

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A source present in the meeting said the finance minister was visibly irritated when bureaucrats making the presentation were unable to answer elementary questions. They were asked to specify the benefit to Pakistan's economy of allowing duty-free import of cotton, as well as quantify the revenue loss as a result of the measure. The bureaucrats from the textile ministry failed to satisfy him, to which he is said to have retorted "what kind of a joke is this, you people don't come prepared even though there is a single agenda item!"

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Returns proposal for duty-free cotton import to ministry

An official handout issued after the meeting said that "[t]he committee noted that detailed trade and revenue related data was required, which was not made part of the proposal," and added that "relevant ministries were directed to fill the data gaps so that an informed decision could be taken in the matter".

Mr Umar noted that when a ministry was seeking a major decision, it should have also included in its summary as to what would be the impact of imported cotton on the textile industry and how its duty-free import would affect the revenue stream of the Federal Board of Revenue, an official said.

The meeting was informed that the Cotton Crop Assessment Committee in its last meeting in September estimated that the cotton crop for 2018-19 would be around 10.78 million bales of 170kg, showing a decrease of 9.7pc, compared to the last year, and a decrease of 24pc against the initially fixed target of 14.37m bales. Further, 9.62m bales had already arrived in ginning factories as of Dec 15 and almost 95pc of the cotton had been lifted from farmers.

The textile division reported that Pakistan had been a net cotton importer since 2001. On top, domestic cotton is of short to medium staple length and, therefore, long and extra long staple cotton has to be imported for production of finer yarn counts for subsequent transformation into high value-added finished products.

It said the import of cotton had remained duty free till the slab of 0pc was abolished in 2014-15 and customs duty of 1pc was imposed along with 5pc sales tax. Later, 1pc slab was made 2pc and then 3pc along with 2pc additional duty to make it 5pc i.e. currently cotton is subject to 3pc customs duty, 2pc additional customs duty and 5pc sales tax.

Prime Minister's Package of Incentives for Exports announced on January 10, 2017, provided a number of facilitations to the textile sector, including withdrawal of customs duty and sales tax on imported cotton with effect from January 16, 2017.

However, the Finance Division later moved a summary to the ECC to re-impose the customs duty and sales tax on imported cotton. The ECC constituted a committee and on the recommendation of the committee duties were re-imposed from July 15, 2017, in view of domestic cotton arrival.

The customs duty and sales tax were withdrawn again on January 8, 2018, on the request of textile division. However, the customs duty and sales tax were re-imposed on July 15, 2018, on the request of the Ministry of National Food Security and Research.

It was reported that textile industry consumed around 12m to 15m bales per annum and sustainability and viability of spinning industry was totally dependent on performance of the domestic crop. Textile industry had to meet this shortage from import of cotton from other countries.

The impact of duties are induced in the price of domestic cotton, resulting in increase in cost of doing business for the entire textiles value chain, especially for the export-oriented sector, in highly competitive international markets. Therefore, the textile division proposed that similar to last two years decision, customs duty, additional customs duty and sales tax on imported cotton may be withdrawn immediately.

PSM REVIVAL: Sources said a brief presentation by chief executive officer of Hub Power Company Khalid Mansoor did not offer conclusive solutions, but some initial observations and desired that the expert group he was leading should be given time until the end of March to come up with proposals about the future of PSM.

The committee noted the Cabinet Committee on Privatisation had removed the PSM from the privatisation list on October 31 and the expert group given 45 days to finalise a revival plan for the country's largest industrial unit. The timeline had expired last month and now a 3-month extension was being sought.

It was also reported that the board of directors had not yet approved the appointment of Mr Mansoor-led expert group or allowed sharing of record and data despite instructions from the government on December 1, 2018. The board had thrice cancelled its meeting since then.

Mr Mansoor, who has previously worked with Finance Minister Umar in Engro Corporation, was asked to complete its task at the earliest.

A statement said the ministry of industries shared progress on the action plan with the meeting. "The committee directed that the plan of action should be prepared in a cohesive manner, taking on board the PSM Board of Directors/Management and submitted for final approval as per the given timelines.

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