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### **Rs210bn GIDC write-off is 'no free lunch', says Omar**

ISLAMABAD: The government on Monday defended its decision to write off about Rs210 billion to big businesses out of their outstanding Rs420bn bills on account of Gas Infra-structure Development Cess (GIDC), saying it gave up 'uncertain' past bills to secure a lower but more certain future revenue stream.

"It is not a free lunch to fertiliser or any other sector," said Energy Minister Omar Ayub Khan at a hurriedly called joint news conference with Special Assistant to Prime Minister on Petroleum Nadeem Babar who said the GIDC waiver ordinance was drawn up on the pattern of GIDC (Amendment) Act introduced by the PML-N government for a similar settlement with the CNG sector.

The minister said the fertiliser industry will have to submit to a forensic audit to determine if it had collected GIDC from farmers, and if so, to what extent and would have to refund such amounts to the farmers through future price adjustment or surrender these amounts to the government treasury.

"All industries that are part of the GIDC and contesting cases in courts would have to formally sign settlement agreements to withdraw their cases from the courts, pay 50pc of past arrears within 90 days upfront and avail half of GIDC rate in future," Ayub said, adding that those who opt not to avail the option will be free to pursue court cases but they would not be entitled to lower rates once the cases are adjudicated.

Agreement is handiwork of Asad Umar and Razak Dawood

Babar said some quarters were creating a wrong perception that the government had opted for Rs210bn for Rs420bn even though an amount of Rs147bn collected between 2011 and 2014 had been declared ultra vires of the constitution by the Supreme Court of Pakistan. As such, an amount of Rs273bn was uncertain because of subsequent stay orders in various high courts and observations of judges.

"Therefore, we have brought to an end an uncertainty about Rs273bn by ensuring an expected recovery of Rs210bn besides streamlining a future revenue flow," said Babar, adding the government was actually getting no more than 15pc of total bills and 85pc was piling up as arrears whose recovery was subject to judgments by the courts that may take 8-10 years and no surety in which direction these decisions may go.

"We have made sure that the government collects Rs42bn per year instead of just Rs15bn," he said, adding the government believed the previous GIDC rates were on the higher side and needed to be rationalised.

Interestingly, the government last year collected Rs25bn against a target of Rs100bn and set a target of Rs30bn for 2019-20. He said he [Babar] and Omar Ayub were not part of the talks

with industry that led to the current agreement, but former finance minister Asad Umar and Commerce Advisor Abdul Razak Dawood held detailed interactions and finalized the agreement and the ordinance.

Fatima and Engro Fertilizer had outstanding amount of Rs65bn, so they will now be required to pay Rs32bn. He said the current government believed they should not have been subjected to GIDC as they had been given fixed gas rates for 10 years by the PPP government and two years out of this period still remained.

Babar gave a break up of total Rs417bn arrears excluding Rs147bn. He said old fertiliser plants have to pay Rs71bn and will now be paying Rs35bn while new fertilizer plants (Engro and Fatima) had Rs 65bn and they will now pay Rs32bn to ensure that they get lower rate when their 10 year protected period comes to an end.

An amount of Rs43bn was outstanding against general industry who would now pay about Rs21bn. Likewise amount of Rs10bn was pending against IPPs, Rs34bn against K-Electric, Rs30bn against Wapda Gencos and Rs78bn against CNG sector. The IPPs will now pay Rs5bn, KE Rs17bn, Gencos Rs15bn and CNG sector Rs37bn.

He said the recovery from CNG could not be refunded to the consumers because too many people were involved, but this amount could be deposited with the government. He explained that funds outstanding against IPPs or other power plants were not pending with investors or companies because full costs were a pass through item approved by the regulator and could be adjusted only through regulatory mechanism.