

GIDC outstanding, FPCCI chief hints at out-of-court settlement

LAHORE: Federation of Pakistan Chambers of Commerce and Industry (FPCCI) president Mian Anjum Nisar has hinted at some out-of-court settlement to resolve the long outstanding issue of GIDC with a view to release the financial stress of the manufacturers, besides helping revive the industrial activities.

All industrial sectors of the country including fertilizers, cement, textile, CNG, chemical, ceramics and steel would take a beating due to the GIDC ruling, as the whole industry consumes gas, said the FPCCI President in a statement on Tuesday. He said the court verdict will result in massive cash outflows of the already cash-strapped manufacturing sector, which will go bankrupt, as they have to pay Rs417 billion to the government in 24 equal installments, which is not possible for them especially in post-corona worst economic turndown.

Most of the industrial sectors would see their earnings drop and liquidity adversely affected owing to large cash outflows when the government starts recovering outstanding dues as the stock market index 488-point drop shortly after the verdict also testifies to the industry fears.

This was evident from the market's reaction to the news. The fertilizer sector, which uses gas as a direct input in production, was in the red zone within minutes of the verdict. He said the government has also not given any timeline for developing projects for which the levy was imposed and, as pointed out by the court, it didn't provide for a mechanism of obligations and consequences that might arise if the service is delayed or is not delivered at all.

In case no work is carried out on North-South pipeline within the prescribed time and for laying any of the two major pipelines of IP (Iran-Pakistan) and TAPI (Turkmenistan-Afghanistan-Pakistan-India)) and if the political scenario changes, the purpose of levying cess will be deemed to have been frustrated and the GIDC Act, 2015 would become permanently un-operational and considered dead. What does it mean, whether the industry will get refund after payment of GIDC? He said that this is worldwide tendency that the civil matters are always avoided to approach court for arbitration.

It is not possible for the industry to pay such a huge amount at a time when the coronavirus pandemic and containment measures have plunged the economy into a deep contraction not only in the country but also globally. The levy was imposed in 2011 to raise funds for gas infrastructure development on companies that used natural gas either as direct input for their products or as fuel to produce electricity at their power plants.

The total GIDC accrued so far is Rs700 billion, of which about Rs295 billion has been collected. Rs405bn will be recovered now. Now several companies have passed on its full or partial impact to their customers while others couldn't do so. Some companies partially or fully deposited the cess with the government, or withheld payment pending a court decision. Last year, the government amended the GIDC law, requiring industrial consumers to pay half their outstanding dues while waiving the remainder through an ordinance, in order to settle the dispute.

Now the judgment allows the government to recover the outstanding amount from the industry in two years but links future collections to the complete utilization of the cess on projects for which the levy was imposed. Thus, the court order bars the government from using GIDC collection for any purpose other than gas infrastructure construction, which is not expected to be built in near future. He said that the international organizations have been warning that the global economy would take years to recover, as the economies have suffered a bigger shock of the history, he said.