

## **Power, finance divisions blame each other for hike in electricity price for exporters**

ISLAMABAD: Amid threats by exporters and the business community to close down their factories and businesses, the National Assembly's Standing Committee on Finance and Revenue on Tuesday ordered suspension of increased power rates for export industries and its retrospective recovery from January 1, 2019.

The meeting of the panel, presided over by Faizullah, noted that Power Division's notification of Jan 13 this year appeared to be unauthorised that increased electricity rates for export sector from 7.5 cents per unit to about 13 cents.

Members of the committee were unanimous that the Power Division had misused its authority in issuing the notification and had in fact unilaterally exercised the mandate of the Economic Coordination Committee (ECC) and the federal cabinet.

The committee unanimously ordered that the division should go back to the ECC and the cabinet for reversal of incentives to export industries if there was insufficient subsidy allocation in the budget and announce an end to the government decision to support these industries for future implementation.

However, in no circumstances would the National Assembly Finance Committee allow recovery of tariff increase with retrospective effect from Jan 1, 2019 as that was not only illegal but also practically impossible for the industry to recoup products sold in the international market.

Ministry of Finance's (MoF) Additional Secretary Dr Arshad Mahmood agreed that any confusion or insufficient subsidy should have been referred back to the ECC for a decision and no ministry had powers at its own to have interpret decisions of the ECC or the cabinet.

Interesting scenes were witnessed during the meeting when representatives of the ministries of finance, commerce and power tried to absolve themselves of the responsibility of the policy u-turn power tariff for export industries. Chairman Faizullah of PTI told the committee that he had personally talked to Energy Minister Omar Ayub Khan who said the decision pertained to the MoF.

He said it was unfortunate that ministries were shifting responsibility to each other like a football and not taking the committee seriously even though all three finance, commerce and power had been asked in writing to personally attend the subject meeting or depute their secretaries.

Faizullah said he was himself witness to a few meetings including the one in which Asad Umar as then finance minister announced the export package in February 2019 that included 7.5 cents per unit electricity tariff including all surcharges. The package was fully implemented under duly issued notification after the ECC approval until the Power Division issued a fresh notification on Jan 13.

Central Power Purchasing Agency (CPPA) CFO Rehan Akhtar, who represented the Power Division, said he had been told that the senior officers of the division were preoccupied with matters relating to the visiting delegation of the International Monetary Fund while he was not in a position to give any policy statement.

At this, the committee suspended discussion on the subject with the directive to call senior-most available officers of the ministries of power and commerce. CPPA CEO Abid Lodhi appeared, saying he had been deputed by the secretary power to represent him.

He said the decision of 7.5 cents per unit tariff was based on a presentation to the cabinet where a certain variable tariff was being shown on the basis of which a subsidy of Rs31 billion was estimated in 2018 to meet a revenue requirement of Rs1.612 trillion for the power companies.

However, some new developments came in quarterly adjustments and the Finance Division refused to provide subsidy of more than Rs31bn. He said the concerned section officer had erroneously issued the notification of 7.5 cents per unit all inclusive of tariff but now the Power Division could not sustain those rates at Rs31bn subsidy.

According to him, the refusal of the Power Division to provide subsidy led to the notification of Jan 13 to clarify that Rs31bn subsidy was limited to 7.5 cents as base tariff and all add-ons would have to be borne by the consumers. In view of a large backlog, he said the power companies were directed by the division to gradually recover old bills with effect from January 2019 in four quarterly instalments.

MNA Ali Pervez Malik said the all-inclusive subsidised power rate of 7.5 cents was a major policy plank of the PTI government to boost exports and was duly approved by the ECC in its meeting on Oct 24, 2018, followed by its endorsement by the cabinet and then a statutory regulatory order in January 2019. He said a further notification was issued on Feb 8, 2019 to clarify that 7.5 cents per unit tariff was all inclusive.

He said the decision was based on Power Division's commitment that it would ensure Rs60bn through efficiency gains and Rs80bn through recovery of arrears that could not be delivered by the division. Therefore, it was now parking the onus of its failure on the industry with an addition of about 5 cents per unit through the Jan 13 notification.

Malik continued that the backdated recovery would force factories to close down and lamented that distribution companies were threatening the industries with disconnection notices and removal of meters.

Representatives of the All Pakistan Textile Mills Association, Pakistan Textile Exporters Association (PTEA), Faisalabad Chamber of commerce and various other trade bodies said they were left with no option but to shut operations and had already announced a deadline of Feb 10 for the purpose. Dr Aisha Ghous Pasha said the notification issued by the Power Division in 2019 had clearly meant 7.5 cents as all-inclusive tariff, and the addition of various surcharges and quarterly adjustments was without any legal authority.

She said the division had misused its authority and illegally exercised the powers of the ECC.

The committee also discussed the problems faced by exporters due to delay in releasing of tax refunds by the Federal Board of Revenue (FBR), whose acting chairperson informed that her organisation has frequently issued income tax refunds and there were no hurdles/ barriers at all.

However, she suggested that a panel of exporters may be appointed to discuss and resolve the technical issues of Form 'H' with FBR; therefore, the committee offered the exporters to give nominations in this regard.

The panel then constituted a committee to resolve tax and refund related problems, which includes: PT EA Chairman and President Sohail Pasha and Hafeez Pasha, Khurram Tariq from industrialists and Rana Sikandar-e-Azam and Aslam Bhalli representing traders.