

PM assures export sectors, No change in power, gas tariffs for 3 years

ISLAMABAD: Prime Minister Imran Khan has reportedly assured the export-oriented sectors that there will be no change in tariffs of electricity and gas for next three years, industry sources told Business Recorder.

This message, sources said, has been conveyed to the export-oriented industry, after a detailed meeting between the Prime Minister and Commerce Advisor Abdul Razak Dawood during which factors behind recent decline in exports came under discussion.

The sources claimed that electricity and gas tariffs will remain at cents 7.5 kWh all inclusive and gas at \$ 6.5 per MMBTU, respectively for the export-oriented sectors which were struggling against an office memorandum of the Power Division seeking imposition of financial cost of loans, taxes, surcharges, Neelum Jhelum surcharge and positive FPA. However, this information has not been confirmed officially.

On January 13, 2020, the Prime Minister who is also Minister-in-Charge for Commerce chaired a meeting on the performance evaluation of the Commerce Ministry. During the discussions, the Ministry of Commerce had submitted that Pakistan's exports are affected by a number of factors all of which are not in the control of the Ministry of Commerce.

Examples include goods' transporters' strike - in 2019 and 2020 there were strikes by goods' transporters as a result of policy interventions by the Ministry of Communications. The first strike (2019) was against axle load control regime which took place in June and October 2019. These strikes came to an end only after the Prime Minister intervened and deferred the implementation of the axle load regime for a year.

The second strike badly affected the transport of export containers from all over the country to Karachi, and had a cost which was reflected in the exports figures. For example, the export of Pakistan for January 2020 stood at \$ 1.973 billion (\$ 61 million less than January 2019). If this impact is factored in for 22 days, during which there was no strike, the average export per day comes to \$ 89 million. Even if conservatively estimated it is quite evident that exports could have been much higher than last year had the strike not taken place.

"In both the instances, the strikes were avoidable and the loss in exports could have been avoided if the Ministry of Commerce had been consulted before announcing and implementing such drastic measures," the sources quoted Commerce Ministry as conveying to the Prime Minister.

Commenting on issues being faced by the exporters with respect to sales tax refunds, Commerce Ministry said that in the budget for the Financial Year 2019-20, Federal Board of Revenue (FBR) withdrew the zero-rating regime from five important exports sectors, namely textiles, leather, carpet, surgical and sports goods. The FBR had assured that it would put in place a system whereby the refunds would be cleared within 72 hours, a pledge that remains unmet to this day. The Ministry of Commerce had opposed this move as maintains that the withdrawal would create liability crunch for exporters and subsequently affect exports adversely. As of January 21, 2020, the textile sector alone has stuck-up claims of approximately of Rs 23 billion. This has gradually and incrementally started adversely affecting the exports and the situation is likely to worsen even more in the coming months.

On electricity tariff, Commerce Ministry said that the Economic Coordination Committee (ECC) of the Cabinet, in October, 2018 had approved a rationalized electricity tariff Cents 7.5 (Rs 11.65) per kWh for the export oriented sectors. These export oriented sectors have been factoring this tariff in their cost for past 12 months. On January 13, 2020, Power Division announced that these sectors would also have to pay all other taxes and surcharges for the past 12 months, in addition to Cents 7.5 (Rs 11.65 per unit).

"This would render Pakistan's exports uncompetitive vis-à-vis its competitors leading to a decrease in exports," argued the Commerce Ministry which was not consulted before taking this decision.

The serial number 8(1) of the part B of the Rules of Business 1973 says "when the subject of a case concerns more than one Division, the Division in charge shall be responsible for consulting the other Division and no orders shall issue, nor shall the case be submitted to the Cabinet or the Prime Minister, until it has been considered by all the Divisions concerned, and their views obtained. Such consultation shall take place as early as may be practicable."

However, Commerce Ministry has not been consulted with respect to axel load control regime, withdrawal of zero rating and electricity tariff for zero rated sectors which is stated as violation of the Rules of Business. This created a situation where decisions taken by other Ministries and Departments of the Federal Government have now seriously begun to hamper Pakistan's exports. Commerce Ministry, sources said, has requested Prime Minister Imran Khan to issue instructions to all the Ministries and Departments that no decisions affecting exports shall be undertaken without prior consultation with it.

Pattern-in-Chief, Pakistan Bedwear Association, Shabbir Ahmed while talking to Business Recorder expressed unhappiness at the performance of Finance Ministry, FBR and Commerce Ministry maintaining that Advisor Finance, Abdul Hafeez Shaikh is comparing refunds from last year which is no longer relevant as zero rating facility has been withdrawn.

"I think he has forgotten last year textile sector was zero rated so naturally this year more refunds were projected; only packing material was taxed and that constituted a relatively small amount. He thinks we are fools," he added.

Shabbir Ahmed was traveling to France to meet his buyers. "I have to rush to France as our shipments are being delayed so I have to meet buyers as they are pressing for shipments but we have no working capital as it is all blocked in sales tax," he maintained.

The Pattern-in- Chief of Bedwear Association further stated that a number of Ministries have been given to one person who is not performing well.

"Commerce Ministry claims that exports have increased but in fact they have declined. No interaction with exporters is witnessed. Even bureaucracy in Commerce, the FBR and other ministries does not interact with exporters. Other than FBR issues we are facing other problems including non- payment of DLT which directly comes under Mr. Razak Dawood. We don't know where EDF funds are being utilized," he further added.