

Rs53bn bailout packages for PIA, power companies approved

ISLAMABAD: The government on Monday approved Rs53 billion bailout packages for the bleeding national airline and power companies to avoid a halt to their operations.

The decision was taken at a meeting of the Economic Coordination Committee (ECC) of the cabinet which also ordered the Sui Southern Gas Company (SSGC) to ensure uninterrupted gas supply to zero-rated export industries, including their captive power plants, during the winter. The meeting was presided over by Finance Minister Asad Umar.

Informed sources said new chairman of the Pakistan International Airlines Air Marshal Arshad Mahmood Malik reported to the ECC that he had firmed up a business plan for PIA's revival, but the airline's current "liquidity crisis has now reached an alarming level which may lead to grounding of its aircraft".

ECC directs SSGC to ensure uninterrupted supply to zero-rated export industries during winter

The ECC was told that the national flag carrier currently faced one of the most difficult situations owing to accumulated losses which resulted in a severe cash flow crisis hampering its operations due to fuel price fluctuations, steep currency depreciation and unavailability of an airworthy fleet. This was causing a "delay/default like situation" in discharging obligations to creditors, particularly aircraft lessors, fuel suppliers and other banks.

Among other things, the PIA suffered Rs2.9bn shortfall on GoP [government of Pakistan] sovereign guarantee of \$126 million debt profile as of end-Sept 2018 only because of a difference in the exchange rate. The GoP guarantee was issued for the business plan at a rate of Rs110.58 per dollar in December last year that reached Rs133.50 — about Rs23 per dollar loss.

Secondly, the government had allowed Rs20bn additional sovereign guarantee (translating into \$181m at the exchange rate of Rs110.585 against dollar) limit in May this year for engine overhauling. The currency depreciation to Rs133.5 per dollar last month created a \$31m (Rs4.14bn) shortfall.

Thirdly, another Rs10bn was required to meet debt servicing obligations to creditors to ensure smooth operations of the PIA for another two months.

On the basis of these demands, the ECC allowed three different additional guarantees — Rs2.9bn to meet shortfall in the business plan, Rs4.14bn for engine overhauling and Rs10bn to avoid default.

The ECC directed the PIA management to improve the airline's business model and devise a strategic plan for solution of its financial and administrative problems on a long-term basis. It approved a proposal for issuance of government guarantees for raising Rs17.022bn for immediate requirements of the PIA.

The ECC also approved a summary of the Ministry of Energy (power division) for raising fresh financing of Rs35.806bn through a syndicate of banks for the Power Holding Private Limited (PHPL). The decision was taken to ease a financing crunch in the entire energy sector supply chain arising out of power sector circular debt and affecting fuel suppliers as well.

It was reported that total receivables of the Pakistan State Oil (PSO) had crossed Rs350bn in recent days, including about Rs300bn from the power sector and more than Rs20bn from the PIA.

The previous government had approved Rs50bn payments to the power sector in the terminal days, but only Rs5bn could be injected into the system and the banking sector declined to provide more funds to power companies due to overexposure.

The ECC directed the SSGC management to withdraw the gas load management notices it had issued to these industries regarding non-supplies during the winter and clarified that gas supply to the zero-rated export industry, including its processing and captive units, would remain unaffected during the winter. Likewise, there would be no gas load management for domestic consumers of the SSGC, it ordered.

The ECC allocated 12mmcf (million cubic feet per day) of gas to the Sui Northern Gas Pipelines Limited from the Dhok Hussain gas field and 10mmcf of gas to SSGC from the Bitrism gas field.

The maritime affairs secretary briefed the meeting on the working of LNG terminals at Port Qasim and the associated administrative and financial issues.

The ECC directed the ministries of maritime affairs and petroleum to work closely to assess the requirements for setting up new gas terminals and other necessary details in this regard.

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