BUSINESS

RECORDER

Thursday, 23rd March, 2017

PSM: Story of sell-off not over yet

MUSHTAQ GHUMMAN

ISLAMABAD: Secretary Privatisation Commission, Sardar Ahmad Nawaz Sukhera revealed Wednesday that the federal government is working on a new integrated module to privatize Pakistan Steel Mills (PSM) which would comprise of settlement of liabilities hovering around Rs 200 billion and making the mill operational.

He made these comments at a meeting of National Assembly Standing Committee on Industries and Production headed by Asad Umar.

The Ministry of Industries and Production was represented by Minister Ghulam Murtaza Khan Jatoi, Secretary Khizer Hayat Gondal and Additional Secretary Sher Ayub Khan.

On a question whether the earlier proposal of leasing out the mill has been shelved, Secretary Privatisation said that leasing and operationalisation are two options however the government has to undertake market valuation maximization which is a challenge.

When Chairman Standing Committee remarked that the committee is at the same place it was three years ago, Secretary Privatisation said that "I am not sure whether we are sharing our frustration with you or whether the committee is sharing its frustration with us. Collectively, we are all frustrated because PSM is a national asset. We are working on the resolution of PSM liabilities."

On a question raised by the Standing Committee Chair-man, Secretary PC said that the lease agreement proposal had not been submitted to the Economic Coordination Committee (ECC) of the Cabinet, adding that presently nothing is ready.

He said that according to the GSA, SSGC's outstanding billing is Rs 19 billion but with inclusion of Kibor plus 3 per cent it stands at Rs 29 billion however with variation in interest rates as determined by Ogra it has reached Rs 40 billion.

As Secretary Privatisation he stated that he is personally engaged with SSGC and is trying to settle the issue of liabilities legally and accurately. He cautiously used the word "cruelty" with respect to PSM saying that even when a private entity settles its bad debts with banks, they write-off mark up but in case of SSGC no one is ready to do this.

Former Chairman apprised the committee that when the option of leasing out the mills on a long term agreement was shared with the Finance Minister, who is also Privatis-ation Minister, he advised that: (i) to make the mill functional and operational so that workforce should be given opportunity to work and (ii) settle its liabilities which are around Rs 120-150 billion.

"We are working on both models at the same time. Previously it was a strategic sale and no work was done on settlement of liabilities. When the government considered lease model, then liabilities were separated which meant a headache for the government. We are integrating both modules to partly make the Mills functional. Financial Advisors are working on it day and night," he added.

Qaiser Ahmad Sheikh who is key supporter of PSM's privatisation as is where is basis for the last three years asked: who is responsible for financial bleeding of about Rs 65 billion (Rs 18 billion per annum)? He added if it was my asset, I could not have slept at night.

"I had claimed three years ago that PSM will not be sold the way it was being handled by the government and I maintain that the situation will remain the same for the next 15 months despite the fact that privatisation is the declared policy of PML(N). Whatever public sector entities are with our government, the situation is more or less the same as with PSM," he added.

Sardar Ahmad Nawaz Sukhera argued that the proposal regarding allocation of 1450 acres of PSM land for China Pakistan Economic Corridor (CPEC) has not been received in the Privatisation Commission.

"We have directed PSM to first get its approval from its Board along with its price and then submit it the PC for the CCoP approval," he added.

Secretary PC further stated that he was not aware of the price of the land. However,

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Qaiser Ahmad Sheikh and Minister for Industries and Production, Ghulam Murtaza Khan Jatoi, stated that the price of land near Port Qasim is around Rs 7 million per acre.

Asad Umar maintained that whatever amount is earned from sale of land, it should be used for retiring liabilities.

Engineering Development Board (EDB) claimed that auto assemblers are not charging any premium, and dealers/middlemen are responsible for charging premium on urgent delivery of vehicles.

However, the committee was stunned to hear from EDB official Asim Ayaz that currently no regulation is available to control this money activity. The committee stated that industry cannot accuse investors for this.

According to Asad Umar, local car assemblers had proposed that the government should fully charge on second transfer and list of frequent and high volume buyers, but argued that this is not the solution.

“We want specific recommendations as to how this practice can be done away with as customers are not concerned with who is charging this ‘bhattha’ from them - car assemblers, dealers or investors,” he added.

According to EDB, on-money on Suzuki Mehran, Bolan and Ravi is Rs 30,000 to Rs 45,000, Suzuki WagonR - Rs 100,000 to Rs 120,000 and Suzuki Ciaz - Rs 90,000. On Money on Toyota Corolla XLI Rs 100,000-120,000 and Toyota GLI Rs 170,000-180,000. On Money on Honda (Civic) is Rs 130,000-180,000 and Honda (City) Rs 90,000-120,000.

The committee discussed sale of sugar on Utility Stores Corporation (USC) and the subsidy claims from the government.

Former Chairman PSM, Iskandar Khan said that there was no issue regarding sale of sugar to the USC. He, however, said that the government should not allow establishment of new mills and presently 2 million tons of sugar is available. Ch. Riaz-ul-Haq criticised former Chairman PSM, saying that on the one hand incumbent mill owners are increasing their capacity and on the other opposing establishment of new mills. He suggested that the committee should recommend lifting of ban on new sugar mills. Secretary Industries and Production, however, informed the committee that there is no ban on new mills but Punjab is not issuing NOC for this purpose.

After discussion the committee recommended that ban on new sugar mills should be lifted across Pakistan.

The committee also directed to provide details of daily wage earners in the USC for more than three months. Presently the strength of daily wage earners is 3,581.

The committee also approved 14 new PSDP projects of Ministry of Industries and Production at a total cost of Rs 9.96 billion of which Rs 1.159 are proposed to be allocated in federal budget 2016-17.

BUSINESS
RECORDER
Thursday, 23rd March, 2017

NA passes 'Public Private Partnership Authority Bill 2017'

NAVEED BUTT & AAMIR SAEED

ISLAMABAD: National Assembly on Wednesday passed 'The Public Private Partnership Authority Bill, 2017' to promote domestic and foreign private investment in infrastructure as well as private sector participation in economic development.

The House also approved 'The Pakistan Commission of Inquiry Bill, 2017' to confer additional powers on a commission of inquiry constituted under Pakistan Commissions of Inquiry Act, 1956. Both of these bills have already been passed by the Senate.

The Public Private Partnership Authority is bound to present its annual report within 120 days after the end of each financial year and the authority shall cause a report to be prepared on its activities including public private partnership agreements, progress on projects and utilisation of fund under this act during that financial year before the Parliament.

The Public Private Partnership Bills maintained that notwithstanding anything contained in the Companies Ordinance, 1984 and any other law for the time being enforced, on the date of commencement of this Act, the company shall cease to exist and all assets, rights, powers, authorities and privileges and all property, movable and immovable, cash and bank balance shall stand transferred to and vest in the authority.

The bill also stated that reserve funds, investments and all other interests and rights in, or arising out of, such property and all debts, liabilities and obligations of whatever kind of the company subsisting immediately before the commencement of this Act shall stand transferred to and vest in the authority.

All contracts entered into or rights acquired and all matters and things engaged to be done by, with or for the company before the commencement of this Act shall be deemed to have been incurred, entered into, acquired or engaged to be done by, with or for the authority, as the case may be, said the bill.

All suits and other legal proceedings instituted by or against the company before the commencement of this act shall be deemed to be suits and proceedings by or against the authority as the case may be and may proceed and be dealt with accordingly, it said.

The bill also said that all employees of the company shall be deemed to be employees of the authority or not less favourable than the existing terms and conditions of the service, rights and privileges and other matters as were applicable to them before the conversation.

Earlier, speaking on a point of order in the House Leader of Opposition in the National Assembly Syed Khursheed Ahmed Shah accused the government of weakening the Federation through ignoring development in Sindh and Balochistan.

Sindh, Khyber Pakhtunkhwa and Balochistan continue to face electricity load shedding, he said, adding that only an economy which provides meal and livelihood to the people is acceptable to people of the country.

The opposition leader said the government claims that the economy has strengthened, but the people have been starving as the government has also refused to pass on benefits of substantial decrease in petroleum prices to the masses.

Talking about the 'Panama gate' issue, he said the people have been waiting for a verdict on the Panama Leaks and it is a challenge for the judiciary to give a solid verdict in this regard.

"The entire country is waiting for a decision in the Panama gate case," he said while pointing out absence of the Prime Minister and his cabinet members from the House.

He later walked out in protest against the federal government. Opposition parties, except MQM, also staged two walkouts against the policies of the government and out of order transaction of business of the day respectively.

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Reports on 'The Constitution (Twenty-Fourth Amendment) Bill, 2016' and 'The Constitution (Twenty-Fifth Amendment) Bill, 2016' were also presented in the House.

The twenty-fourth and twenty-fifth constitutional amendments provide right of appeal within 30 days of an order of the Supreme Court under clause (3) of Article 184 (suo moto case) of the Constitution and increase in pensions of families of retired and deceased civil servants and widows of judges of superior courts from 50 per cent to 75 per cent respectively.

Pakistan Peoples Party Parliamentarians (PPPP) and Pakistan Tehreek-e-Insaf (PTI) lawmakers also pointed out quorum and it was found incomplete on both occasions and the proceedings remained suspended for over an hour.

BUSINESS

RECORDER

Thursday, 23rd March, 2017

THE RUPEE: Firm trend

RECORDER REPORT

KARACHI: The rupee sustained overnight levels against the dollar on the money market on Wednesday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee maintained last levels versus the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

OPEN MARKET RATES: The rupee halted further erosion in its value versus the dollar for buying and selling at Rs 106.40 and Rs 106.60 respectively, they said; however it gained 50 paisas in terms of the euro for buying at Rs 114.00 and it also rose by rupee one for selling Rs 115.00, they said.

In the third Asian trade, the dollar struggled near a four-month low against the yen as a bout of investor risk aversion hit US stocks and sent US Treasury yields sharply lower, eroding the greenback's interest rate allure.

The US currency was off 0.1 percent at 111.670 yen after plumbing 111.430, its lowest since Nov. 28. The dollar also nursed large losses against the euro. On Wednesday, the common currency was a touch weaker at $1.0794 after surging 0.6 percent overnight to $1.0819, its highest since Feb. 2.

"A key factor behind the latest currency developments was the big drop in US equities. The question now is whether equities will keep falling," said Shin Kadota, senior strategist at Barclays in Tokyo.

The dollar index against a basket of major currencies was little changed at 99.849 after retreating to a 1-1/2-month low of 99.642 overnight.

"The dollar has already fallen significantly, and technical factors and a further tumble in shares would be needed for it to decline further," said Shusuke Yamada, forex strategist at Bank of America Merrill Lynch in Tokyo.

The dollar was trading against the Indian rupee at Rs 65.458, the US currency was at 4.423 in terms of the Malaysian ringgit and the greenback was available at 6.886 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Wednesday: 79.62-79.63 (previous 79.59-79.60).

Open Bid	Rs. 106.40
Open Offer	Rs. 107.60

Interbank Closing Rates: Interbank Closing Rates for Dollar on Wednesday.

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pakistani rupee showed mixed patterns as it moved both ways against the US dollar on the local currency market on Wednesday.

According to currency dealers, the US dollar resumed trading on mixed pattern amidst divergent trend in the market. Consequently, the dollar was traded at Rs 106.45 and Rs 106.65 on buying and selling counters, respectively, as compared to the overnight closing rates of Rs 106.40 and Rs 106.70 respectively, they added.

Furthermore, the local currency remained under pressure for the second consecutive versus the pound sterling.

The pound's buying and selling rates further rose from Tuesday's closing rates of Rs 131.20 and Rs 132.10 to Rs 131.55 and Rs 132.50 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 106 (buying) and Rs 106.50 (selling). It closed at the same rates. Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

BUSINESS

RECORDER

Thursday, 23rd March, 2017

KE opposes integrated multi-year tariff determination

KARACHI: The Integrated Multi-Year Tariff Determination issued by NEPRA on March 20, 2017 discourages investment and is ultimately not in the long-term interest of the citizens of Karachi. Moreover, contrary to certain reports, the determination has no impact on consumers end tariff.

In a press release KE said, K-Electric is currently reviewing the Tariff determination. However, several observations can already be made at this stage:

The current determination includes no incentive to continue to invest in improving power supply to the people of Karachi and creates significant uncertainty around current and future projects – which will lead to widening the demand supply gap.

The conditions outlined in the determination will result in cash flow constraints that could affect the overall sustainability of KE's existing operations

Some of the assumptions in the tariff determination are not reflective of ground realities. For instance, the expectation of 100% recovery and the conditions set forth to ascertain bad debts are not realistic. This assumption, earlier applied by NEPRA to DISCOs across Pakistan, has already been challenged in various Superior Courts across the country. It may be noted that KE had only become a viable entity after 17 years of heavy losses due to significant investment made by the company supported by the previous performance-based tariff structure which was positive for both the consumers and the company. The previous multi-year tariff was a performance based tariff model which encouraged KE to reduce losses and improve its supply and services to the population it serves.

Under the previous tariff model, the power utility has invested USD 1.2 Billion into its network to enhance its Generation and improving its Transmission and Distribution infrastructure that enabled KE to bring T&D Losses down from 36% in 2009 to under 22% in 2016. This resulted in exemption of over 61% of Karachi from load-shed and provision of uninterrupted power supply to all industrial zones.

The new I-MYT derails the huge progress made by the company and jeopardizes the Business Plan. The power utility maintains continuous dialogue with the NEPRA and will file detailed review of the determination with the Authority.—PR

BUSINESS

RECORDER

Thursday, 23rd March, 2017

FBR given April 10 deadline for accepting chambers' demands

MUHAMMAD RIAZ

LAHORE: All the chambers and industrial associations have given the deadline of 10 April to the Federal Board of Revenue (FBR) for acceptance of their demands. Till than chambers will hoist black flags and office-bearers and executive committees would bear black bands.

At a Convention on "FBR's Discretionary Powers" here at the Lahore Chamber of Commerce & Industry, representatives of chambers of commerce & industry and trade & industrial associations said that despite repeated appeals, discretionary powers of FBR officials have never been withdrawn that is the biggest restraint to broadening the tax net.

The LCCI President Abdul Basit, Senior Vice President Amjad Ali Jawa, Vice President Muhammad Nasir Hameed Khan, Former Presidents Bashir A. Baksh, Mian Muhammad Ashraf, Mian Anjum Nisar, Mian Misbah-ur-Rehman, Shahid Hassan Sheikh, Mian Muzaffar Ali, Muhammad Ali Mian and Farooq Iftikhar, Awais Saeed Piracha, representatives of Chakwal, Faisalabad, Gujranwala, Gjrat, Jhelum, Karachi, Khaniwal, Mohmand Agency, Peshawar, Quetta, Rahim Yar Khan, Rawalpindi, Sahiwal, Sargodha, Sheikhupura, Shikarpur, Sialkot, Vehari, Hazara, Faisalabad, Mardan Chamber of Commerce and Industry attended the convention.

The representatives of different association including air cargo agents, All Pakistan Cotton Power Looms, All Pakistan Dry Fruit Importers & Exporters, All Pakistan Textile Mills, All Pakistan Textile Processing Mills, Fleet Operators Association, Pakistan Cotton Ginners, Pakistan Electric Fan, Pakistan Ethanol Manufacturers, Pakistan Kiryana Merchants, Pakistan Steel Melters, Pakistan Tanners, Pakistan Vanaspati, Pakistan Yarn Merchants, Rice Exporters, Travel Agents, Pakistan Footwear Manufacturers and Builders & Developers Associations also attended the event.

On the occasion, participants of the convention issued a joint declaration saying that "oppression of FBR staff has become unbearable. Businessmen are working in difficult conditions but instead of giving due honor, FBR staff is twisting their arms and black mailing them therefore discretionary powers should be withdrawn immediately."

The Convention urged the government to withdraw the draconian provisions and laws giving immense discretionary powers acquired through last four Finance Bills, to the officers of Inland Revenue and field formations which is a core issue and resulting in hardship, loss of productivity and mental torture to the business community. These laws have kept a large number of potential tax-payers out of the tax regime. In fact these laws are a deterrent to broadening of tax-base and resulted in promoting the culture of tax-evasion. They urged the government to implement their recommendations in true sense of word.

All chambers and trade bodies strongly denounced the misuse of discretionary powers by the officers of IR under Sections 38A, 38B, 40A, 40B, 176 and 177. They also urged the government to withdraw these sections immediately and restrict the enforcement of the said sections.

"In case these demands are not accepted by the authorities concerned, the participant chambers and associations will resort to all possible lines of action within their legitimate rights including remedy from competent courts of law to have their demands accepted to withdraw the discretionary powers of the FBR and officers of Inland Revenue", they added.

The LCCI President Abdul Basit said that during last three years, tax collection has increased about 60 percent whereas number of persons who filed tax returns has almost decreased by 200,000. It simply reflects that FBR could not succeed in broadening the tax net resulting in squeezing existing tax payers.

Revenue collection through indirect taxes is almost 62 percent of total tax collection which cannot be encouraged. Pakistan lacks culture of tax

BUSINESS
RECORDER
Thursday, 23rd March, 2017

compliance due to unfair taxation system. Harmful taxation that hinders business and trade in the country should be eliminated, he said. We firmly believe that broad based reforms in taxation system with the consultation of private sector are need of the hour, he added.

The LCCI President Abdul Basit, Senior Vice President Amjad Ali Jawa and Vice President Muhammad Nasir Hameed Khan said that FBR should stop harassing filers as non-filers and ones outside the tax net are not accounted for at all which discourages businesses to come into the tax net. Registered businesses are required to comply with various departments involving a lot of financial and time resources whereas unregistered businesses are free from all such hassles.

The government claims that it always acts as a facilitator but in this scenario it is entirely otherwise. There are 3.5 million registered taxpayers out of which only around 1 million file their tax returns. Government should take all the measures to ensure filing of returns by remaining 2.5 million individuals and businesses. They said that if there is an urgent need for stock taking and ascertaining the Sales Tax liability of any particular business unit, the FBR officials should be directed to take association / chamber concerned on board.

They said that attaching bank accounts for recovery of outstanding dues is hampering business growth and tarnishing the business-friendly image of the government. Bank accounts should not be attached. They asked the FBR to focus on rationalizing the withholding tax regime which is being widened each year.

To accomplish these responsibilities, withholding agent need to incur substantial time and cost, without any incentive. They proposed that a tax credit should be given to withholding agent performing state duties. This tax credit should vary in slab based on withholding tax deducted and deposited by withholding agents. They said that there must be harmonization in federal and provincial tax regime to counter double taxation and harassment by the provincial tax authorities. Due to non-collaborations between various taxation bodies like Federal Board of Revenue, Punjab Revenue Authority and Sindh Revenue Board, problems like jurisdiction disputes, non-uniformity of provincial laws are arising.

The participants said that government should resolve the issues being faced by the business community otherwise a joint strategy would be evolved to counter arbitrary and unilateral approach of FBR officials, policy-makers and Ministry of Finance.

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Customs Rules amended:

FBR acts to curb counterfeit, pirated goods

SOHAIL SARFRAZ

ISLAMABAD: To control imports of counterfeit/pirated goods, the Federal Board of Revenue (FBR) has empowered the Directorate General of Intellectual Property Right (IPR) (Enforcement) to detain imported goods suspected to be infringing goods for enforcement of Intellectual Property Rights under the Copyright Ordinance, 1962 and Trade Marks Ordinance.

Through an SRO 170 (1)/2017, the FBR has amended Customs Rules, 2001 here on Wednesday.

According to the SRO 170 (1)/2017, the new rules shall apply to imported goods only and shall not apply to parallel or grey market imports and de minimus imports.

Application by the right holder for enforcement action: A right holder who has valid grounds for suspicion that imported goods are infringing his intellectual property rights protected under the Copyright Ordinance, 1962 and the Trade Marks Ordinance, 200, may, at the time of arrival of suspected goods at the notified customs station, make an application on the format set out in Annexure-A to these rules, to the Director, IPR (Enforcement) having jurisdiction, requesting for initiating enforcement action against such goods.

For goods infringing the provisions of the Patents Ordinance, 2000, Registered Designs Ordinance, 2000 and the registered layout-designs of Integrated Circuits Ordinance, 2000, the right holder or the Collector of Customs, as the case may be, shall follow the same course of action as prescribed under these laws.

The applicant, along with the application shall submit all prescribed documents as well as a notarised undertaking on the formal as set out in Annexure-B to these rules, indemnifying the customs authorities against all liabilities.

The applicant, at the time of filing an application, shall also submit a bank guarantee on the format as set out in Annexure-C, from a scheduled bank for an amount of Pak rupees five hundred thousand or twenty-five per cent of the value of suspected infringing goods, whichever is higher, to cover possible compensation for the losses suffered by the owner of goods due to false application, and payment of expenses on account of investigation, warehousing, maintenance, disposal of goods, etc. incurred after detention by Customs.

The director, IPR (Enforcement) shall refuse to entertain an incomplete application and inform in writing the applicant of the reasons for such refusal.

Action to be taken by the Directorate of IPR (Enforcement): Director, IPR (Enforcement), upon receipt of an application from the right holder, shall consult the recordation database, so as to verify particulars of the right holder. When the right holder bas applied for enforcement action in accordance with the provisions of these rules, the Director IPR (Enforcement) shall order for detention of the goods suspected to be infringing goods and notify the same in writing to the applicant as well as to the owner of the goods, asking them to join the proceedings.

Upon joining the proceedings by both the owner of the goods and the right holder, the detained goods shall be examined jointly by an officer of customs appointed by the collector having jurisdiction and an officer of the Directorate General of IPR (Enforcement), in presence of both parties.

Upon determination of the fact that the detained goods infringe the Intellectual Property Rights of the Right Holder, such goods shall be seized by the Directorate General of IPR (Enforcement), and the case shall then be forwarded to the concerned Collectorate of Customs having jurisdiction for adjudication, as per the procedure laid down under the Act or judicial authority, as the case may be:

Provided that the owner of the infringing goods may, at any time prior to the seizure thereof, voluntarily give consent in writing to the

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Director IPR (Enforcement) for the goods being forfeited, in favor of the Federal Government, and upon receipt of such consent, the Director IPR (Enforcement) shall order forfeiture of the infringing goods, the FBR said.

The Director, IPR (Enforcement) to whom an application is made, shall ensure confidentiality of the information contained in the application, unless there is need of disclosure pursuant to any law of the country.

In case a party to a proceeding willfully and without good reason refuses access to or otherwise does not provide necessary information within a reasonable period or significantly impedes a procedure relating to an enforcement action, the officer conducting enforcement action shall have the power to make preliminary and final determinations, affirmative or negative, on the basis of information presented to him including the complaint or the allegation presented by the party adversely affected by the denial of access to information, subject to providing the parties an opportunity to be heard on the allegations or evidence.

Action on receipt of information from Customs: An officer of customs, having reasonable grounds to believe that the goods infringing the provisions of the Copyright Ordinance, 1962 (XIV of 1962), the Trade Marks Ordinance, 2001 (XIX of 2001) or section 15 of the Act have arrived at the Customs station of his jurisdiction, shall with the prior approval of the concerned Additional Collector,- inform in writing the concerned Directorate of IPR (Enforcement) for taking cognizance in accordance with these rules.

Upon receipt of notice from the officer of customs intimating about arrival of infringing goods at the Customs station, the Directorate of IPR (Enforcement) shall immediately consult the recordation database to determine as to whether or not, any right holder of infringing goods is registered with IPO-Pakistan.

If the right holder of infringing goods is registered with IPO-Pakistan, the director IPR (Enforcement) shall issue him a notice intimating about arrival of infringing goods at a customs station and seeking right holder's consent to initiate enforcement action against the infringing goods.

In case the right holder is desirous of initiating enforcement action against infringing goods brought at a customs station, he shall submit an application along with notarised undertaking and bank guarantee, as prescribed under rule 680.

Upon receipt of notice under sub-rule (4), the Directorate of IPR (Enforcement) shall proceed in accordance with rule 681. If the right holder does not opt for initiating enforcement action against the infringing goods, the Directorate of IPR (Enforcement) shall allow release of infringing goods and notify the same to the concerned Collectorate of Customs.

If the bank guarantee submitted by the applicant right holder is not sufficient to meet expenses incurred as a result of the enforcement action taken by customs under these rules and to cover the expenses as aforesaid, the differential amount shall be construed as a liability on the applicant, which shall be recovered from him under the provisions of section 202 of the Act.

Disposal of infringing goods: The infringing goods, upon confiscation or forfeiture shall be destroyed in accordance with the provisions of the Act.

Re-exportation and local sale of counterfeit and pirated goods in any state, whether altered or unaltered or by subjecting them to a different customs procedure shall not be allowed.

The director IPR (Enforcement) or collector of customs having jurisdiction shall retain samples of counterfeit or pirated goods prior to their destruction or disposal, for a period of one year or during pendency of litigation or to display the same for informative or training purposes.

The director IPR (Enforcement) or the collector of customs having jurisdiction may, in exercise of the powers conferred under section 15 of the Act, detain any goods for IPR infringement of health and safety standards, the FBR added.

BUSINESS

RECORDER

Thursday, 23rd March, 2017

Cabinet to approve Pubic Sector Companies Rules, 2013 tomorrow

ISLAMABAD: The federal cabinet which is scheduled to meet on Friday (tomorrow) will approve Pubic Sector Companies Corporate Governance Rules, 2013 to extend corporate governance standards to state-owned enterprises (SOEs) operating in the form of corporations/companies, official sources told Business Recorder.

The objective of these amendments in the Public Sector Companies (Corporate Governance) Rules, 2013 provides an effective balance between ownership rights and management responsibilities in public sector companies.

Under Section 506 of the Companies Ordinance, 1984 (XLVII of 1984) read with section 43(b) of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) the said rules require approval of the federal government. In terms of judgment of the Supreme Court Pakistan in Civil Appeals # 1428 to 1436 of 2016 dated August 18, 2016 the federal government means the federal cabinet.

According to sources, the SECP had proposed amendments in the Public Sector Companies (Corporate Governance) Rules, 2013 on the request of the Ministry of Water & Power and in the light of judgment of Islamabad High Court, Islamabad. The IHC had declared that the federal government cannot remove a director of a PSC otherwise than in accordance with the Companies Ordinance, 1984 and PSC (Corporate Governance) Rules, 2013.

As the federal cabinet approves well deliberated amendments, Securities and Exchange Commission of Pakistan (SECP) will issue the notification.

SRO(I)/2016.—In exercise of the powers conferred by section 506 of the Companies Ordinance, 1984 (XLVII of 1984 read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan, with the approval of the federal government, is pleased to direct that the following amendments shall be made in the Public Sector Companies (Corporate Governance) Rules, 2013, the same having been previously published in the official Gazette vide Notification # SRO 790(1)/2016, dated the 23rd August 2016, namely:-

In the aforesaid Rules:-

(1) in rule 2, in sub-rule (1), in clause (g), after the word “fifty”, the word “one” shall be inserted;

(2) after rule 2, the following new rule shall be inserted, namely:-

“2A. Criteria for sound and prudent management.—(1) For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely:-

(a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities;

(b) each director and chief executive officer, by whatever name called, of the Public Sector Company complies with the fit and proper criteria specified under these rules:-

(c) the Public Sector Company is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold; and

(d) the Public Sector Company maintains adequate accounting and other records of its business;

(2) Accounting and other records shall not be regarded as adequate for the purposes of these rules unless they are such as:-

(a) to enable the business of the Public Sector Company to be prudently managed;

(b) to enable the Public Sector Company to comply with the obligations imposed on it by or under the Ordinance and these rules; and

(c) comply with all professional standards and pronouncements of relevant professional bodies as applicable in Pakistan.

(3) The Public Sector Company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the legitimate policy objectives and development targets of the Government.”;

(3) in rule3,—

(a) for sub-rule (2), the

following shall be substituted, namely:-

"(2) The Board shall have at least one-third of its total members as independent directors. The Public Sector Company shall disclose in the annual report non-executive, executive and independent directors."

(b) sub-rule (4) shall be omitted; and

(c) in sub-rule (7), for full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

"Provided that the requirement to comply with the fit and proper criteria is without prejudice to compliance with any other requirement for the fitness and propriety of directors issued under any special law, rules or regulations by a sector regulator or authority governing a specified sector.";

(4) after rule 3, amended as aforesaid, the following new rule shall be inserted, namely:-

"3A. Term of office and removal of directors.—(l) A director, once appointed or elected under section 180 or section 178 of the Ordinance, shall hold office for a period of three years, unless he resigns or is removed in accordance with the provisions of the Ordinance.

(2) Any casual vacancy arising in the Board in the manner specified in sub-section (1) of section 180 of the Ordinance shall be filled in by the directors in accordance with sub-section (2) of section 180 of the Ordinance.

(3) A director nominated by the government shall hold office in accordance with section 183 of the Ordinance.

(4) The removal of an elected director shall take place in accordance with section 181 of the Ordinance and the removal of a nominated director shall only take place—

(a) if the director has not performed up to a standard, determined through a performance evaluation;

(b) if the director is found to be in non-compliance with the provisions of the Ordinance or these rules;

(c) if the director fails to fulfil his duties and responsibilities under these rules;

(d) if the director fails to comply with or deliberately ignores policy directives of the government;

(e) for any administrative reasons such as posting, transfer, retirement, etc., the government decides to withdraw the nomination; or

(f) in the event of his misconduct.

Explanation.-For the purpose of this clause, misconduct includes-

(i) indulging in a competing professional or personal conflict of interests' situation;

(ii) using the funds, assets and resources of the Public Sector Company without due diligence and care;

(iii) failing to treat the colleagues and the staff of the Public Sector Company with respect, or using harassment in any form of physical or verbal abuse;

(iv) making public statements without authorization by the Board;

(v) receiving gifts or other benefits from any sources external to the Public Sector Company offered to him in connection with his duties on the Board; or

(vi) abusing or misusing his official position to gain undue advantage or assuming financial or other obligations in private institutions or for persons which may cause embarrassment in the performance of official duties or functions:

Provided that the notice of removal to a nominated director shall give reasons for removal of the director.";

(5) in rule 4,-

(a) in sub-rule (3), after the word ~Ordinance" the words "and these rules" shall be inserted; and

(b) for sub-rule (4), the following shall be substituted, namely:-

"(4) The chairman of the Board shall be elected by the Board of Directors of the Public Sector Company. However, this provision shall not apply where chairman of the Board is appointed by the Government.";

(6) in rule 5,-

(a) for sub-rules (1) and (2), the following shall be substituted, namely:—

"(1) The directors of a Board shall be persons who, in opinion of the government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company. This provision shall apply to all directors, including ex officio directors.

(2) The Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to

the position of the chief executive and recommend at least three candidates to the government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the government. On receiving concurrence or nomination of the government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive."; and

(b) after sub-rule (10), the following new sub-rules shall be inserted, namely:-

"(11) The Board shall ensure compliance with policy directions received from the government from time to time.

(12) The Board shall ensure compliance with the reporting requirements received from the government within the specified timeframe, related to, including but not limited to, audit, finance, parliamentary business, performance and ancillary matters:

Provided that the Board shall nominate the company secretary or any other official at appropriate level as focal person for maintaining liaison with the government regarding the aforesaid matters.";

(7) in rule 8, for sub-rule (1), the following shall be substituted, namely:-

"(1) The performance evaluation of members of the Board including the chairman and the chief executive shall be undertaken annually by the government for which the government shall enter into performance contract with each member of the Board at the time of his appointment.";

(8) in rule 10,-

(a) in sub-rule (1), for full stop at the end a colon shall be substituted and thereafter the following proviso shall be added, namely:-

"Provided that Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by the auditors as specified by the Commission from time to time."; and

(b) sub-rule (2) shall be omitted;

(9) in rule 12,-

(a) in sub-rule (1), for clause (e), the following shall be substituted, namely:-

(e) nomination committee to identify, evaluate and recommend candidates for vacant positions, including casual vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the board of directors after examining their skills and characteristics that are needed in such candidates:

Provided that the nomination committee shall submit its proposal within thirty days of a vacancy arising or on a recommendation made by the Government as the case may be."; and

(b) in sub-rule (2),-

(i) the words "and the majority of their members shall be independent" shall be omitted; and

(ii) the words "during the first four years of this notification" shall be omitted;

(10) in rule 13, in sub-rule (1), after the word "auditor", occurring at the end, the expression", by whatever name called" shall be inserted; and

(11) in the Annexure at the end,-

(a) in clause(1),-

(i) for the word "Commission", occurring for the first time, the words "appointing authorities" shall be substituted;

(ii) in sub-clause (1), after the word "office holders", the words "whether or not" shall be inserted; and

(b) in clause (2),-

(i) in sub-clause (c), for full stop at the end, a semi colon shall be substituted and thereafter the following new sub-clauses shall be added, namely:-

"(d) he does not conduct his duties with due diligence and skill; or

(e) his association with the Public Sector Company is likely, for whatever reason, to be detrimental to the interest of the Public Sector Company, or be otherwise undesirable.".—MUSHTAQ GHUMMAN

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Saeed new NBP chief: notification issued

RECORDER REPORT

ISLAMABAD: Finance Ministry on Wednesday issued a notification on appointment of Saeed Ahmed as President/Chief Executive Officer of National Bank of Pakistan (NBP).

A copy of the notification, available with Business Recorder, issued by Deputy Secretary Banking on March 22, 2016 states that in exercise of powers conferred under Section 11(3) (a) of the Banks (Nationalisation) Act, 1974, the federal government is pleased to appoint Saeed Ahmad as President/ Chief Executive Officer, National Bank of Pakistan, with immediate effect and for a term ending on January 19, 2019.

Prime Minister Nawaz Sharif has approved the summary put up by the Ministry of Finance with Saeed Ahmad's name on top of the short-listed candidates for the slot of President National Bank of Pakistan.

Saeed Ahmad has been serving as Deputy Governor, State Bank of Pakistan since January 21, 2014. He is currently spearheading the Financial Markets, Islamic Banking, Development Finance, IT, Payment Systems and Special Initiatives Groups at SBP.

Before joining the central bank, Saeed Ahmed was appointed by the federal government as the chairman of the National Steering Committee on Islamic Finance. This apex forum is responsible for developing a roadmap for Islamic finance in the country. To meet the special skill requirements and develop human resources for an expanding Islamic Banking industry, he played a pivotal role in the establishment of three centres of excellence in Islamic finance in three leading universities of the country. He also chairs the coordination committee for centres of excellence for Islamic finance education.

With a focus on smooth flow of financial services to priority sectors including agriculture, microfinance, SMEs, low-cost housing, Saeed Ahmad has played a key role in developing a number of innovative market instruments.

As Deputy Governor, Saeed leads or contributes as member, several committees playing key role in decision-making in the bank. He chairs the Banking Policy Committee, Investment Committee of the Management, Management Committee on Information Technology and Payment Systems Policy Committee and sits on the Monetary Policy and Monetary Operations Committees.

Saeed Ahmed also represents SBP in various national institutions. He is the chairman of the boards of directors of House Building Finance Corporation Ltd (HBFCL), Pakistan Mortgage Refinance Company and EXIM Bank. He is a member of boards of directors of Securities and Exchange Commission of Pakistan (SECP), State Life Insurance Corporation (SLIC) and Zarai Taraqiati Bank Limited (ZTBL). Moreover, he is a member of the board of governors as well as board of trustees of Pakistan Kidney and Liver Institute and Research Centre, Lahore, Punjab.

Saeed Ahmad also chairs SAARC Payments Council, which is an international forum of SAARC countries to share experiences on payment systems. Saeed Ahmad has extensive commercial & investment banking and management experience. He started his career with Prudential Corporation, London, and qualified as a fellow of Institute of Actuaries, London. He has served Chase Manhattan Bank/ SIBC Riyadh in corporate finance and as Head of Corporate Finance and International in Kuwait Asia Bank, Bahrain. As head of treasury, credit and marketing of Bahrain branch of Paris based Union de Banques Arabes et Francaise (UBAF), a subsidiary of Credit Lyonnais, Paris, Saeed has served for several years. He had also been associated with Faysal Islamic Bank of Bahrain-Manama, Bahrain.

Saeed Ahmad has also worked in the corporate sector at senior executive positions such as Vice President Finance & Chief Financial Officer (CFO) at the biggest Saudi multinational group in Jeddah. He had also been heading a group of companies in England. In addition to his professional qualification as a Fellow of the Institute of Actuaries, London, Saeed Ahmad holds a masters degree in economics (specialising in Finance & Accounting) from the London School of Economics (LSE) and BSc (Hons) from Punjab University, Lahore. He also attended senior management programme of Harvard Business School at Boston, USA.

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Modest business in steady cotton market

DR ZAFAR HASSAN

LAHORE: Domestic cotton market appeared to be in a steady state on Wednesday even as ginners were in selling mood by starting to unload their stocks. The weather is slowly getting warmer and the new cotton crop (August 2017/July 2018) may arrive after about four months. Continuing to stock current cotton crop, now estimated to be about 425,000 bales, may now not be very attractive to the ginners.

On the global cotton scene, prices in U.S. which were on the easy side have now increased, but Indian cotton prices which were on the steady side have now declined. Chinese cotton is also now on the lower side.

Yarn and general textile prices were steadier, but business reportedly remained slow. Most of the current crop seed cotton (Kapas/Phutti) has been sold out.

In the ready cotton business, the general price idea for lint from Sindh is said to have ranged from Rs.6500 to Rs.7000 per maund (37.32 Kgs) on Wednesday, according to the quality. In the Punjab, lint prices reportedly also ranged from Rs.6500 to Rs.7000 per maund.

Till Wednesday evening, ready sales of 400 bales of cotton from Daharki in Sindh were said to have been sold at Rs.6975 per maund (37.32 Kgs) while 400 bales from Rahim Yar Khan in the Punjab reportedly sold at Rs.7000 per maund. Another 1000 bales from Rahim Yar Khan were said to have been sold at Rs.7075 per maund. Decrease in price was also reported by Rs.3 per kilogramme for polyester fibre.

On the global economic and financial front, the traditional order is gradually eroding with nothing planned or projected to replace it systematically. While the world faced the great recession starting 2008/2009, which has not yet been remedied or replaced in a coordinated fashion globally, rightism, isolationism, breakup of existing and established modes of universal economic functioning have not yet been put in place.

Being the world's largest economy, the United States was expected to show the way to remedy and rehabilitate the continuing and growing anarchy and waywardness of the wobbly global economy. Then came last year's presidential elections in America (2016) which put Donald Trump at the helm of affairs in America. Unfortunately, besides the traditional political differences between the two leading parties, viz the Democrats and the Republicans, the reported internal differences within the Republican Party has landed America into disunity. Many observers and analysts now deem America as a divided nation.

Presently, the American economy is facing an extreme economic pressure in its retail business and the proposals to levy border taxes. Another item bothering the American economy is the sharp drop in crude oil prices. Moreover, several investors around the world feel that President Trump may be unable to implement his economic policies formulated during this campaign period; namely he will not be able to deliver as promised during the presidential campaigning period last year.

One of the results of the prevailing economic uncertainty around the world is demonstrated by the sharp decline in equity prices since last couple of days with Wall Street having suffered its worst day of declines.

Since the beginning of this year, both sides of the Atlantic have seen sharp declines of equity values this week which has also travelled to most other parts of the world.

With shares facing a notable downturn, bank equity values have also slipped, though earlier these very banks assisted the investors to propel shares prices to sky-high levels. Investors are now asking if president Trump will be able to deliver the promised tax cuts. President Trump is reported to have laid out one trillion dollars worth budget proposals to boost military spending and building of the border wall with Mexico. In this regard, both the Democrats and the Republicans are said to be critical of these plans.

On the global economic scene, China has reported its first monthly trade deficit in three years because the imports surged while the exports declined leading to a trade deficit of Dollars 9.2 billion for the month of February 2017.

According to the International Monetary Fund (IMF), India's economic growth was 6.6 percent compared with china's 6.7 percent. This slowdown is said to be result of the currency invalidation resulting in cash shortages which disrupted spending on a sizeable scale.

BUSINESS
RECORDER
Thursday, 23rd March, 2017

Volume of business rises on strong demand

RECORDER REPORT

KARACHI: Volume of business improved on the cotton market on Wednesday owing to strong demand by mills and spinners, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In Punjab, prices of seed cotton were at Rs 3700-3800, as per 40 kg, they said.

In ready session, around 8000 bales of cotton changed hands between Rs 5900 and Rs 7000, they said.

Market sources said that rising demand by mills and spinners helped the volume of business to improve from current levels.

The mills and spinners lay hands over the deals to meet requirements and trying to purchase as much as they can due to short supply position.

Cotton analyst, Naseem Usman said that despite falling rates in New York and China, prices maintained firm posture due to short supply position.

The ginners, who were reluctant in new deals, now preferred to make fresh selling as rates were matching with their psychological levels, he added.

In the meantime, it is most likely that lack of irrigation water in Sindh and Balochistan may create a problem for cotton growers, other analysts said.

On Wednesday, the N Y cotton futures were sharply higher on strong demand and on the other hand prices were down in India and China, they said.

The following deals reported: 643 bales of cotton from Bandhi at Rs 6700, 208 bales from Mirpur Mathero at Rs 6500, 1032 bales from Punjmoro at Rs 5900, 1000 bales from Sadiqabad at Rs 6800, 1600 bales from Liaquatpur at Rs 6800/6925, 800 bales from Haroonabad at Rs 6800/6975, 750 bales from Faqirwali at Rs 6900/6975, 600 bales from Rahim Yar Khan at Rs 7000 and 400 bales from Bahawalpur at Rs 7000, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 21.03.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	**76.76**	**78.18**	**76.67**	**77.34**	**14:45 MAR 22**	**77.34**	**0.50**	**19048**	**76.84**
Jul'17	**78.05**	**79.30**	**77.95**	**78.50**	**14:45 MAR 22**	**78.50**	**0.41**	**8371**	**78.09**
Oct'17	**75.96**	**76.44**	**75.54**	**75.60**	**14:45 MAR 22**	**75.60**	**0.12**	**6**	**75.48**

THE NEWS
Thursday, 23rd March, 2017

Current account deficit likely to stand at 2.5pc of GDP in FY17

KARACHI: Pakistan's current account deficit is expected to stand at 2.5 percent of GDP for the current fiscal year of 2016/17 as against 1.2 percent on widening trade deficit and waning remittances, a brokerage reported on Wednesday.

Analyst Hamza Kamal at Taurus Securities Limited said firstly imports of machinery for projects under China-Pakistan Economic Corridor would be a key reason, while exports are also decreasing.

Export volumes of petrol and diesel would soar to 6.5 and 8.1 million tonnes, respectively in 2016/17 as compared to 5.8 and 7.7 million tonnes in 2015/16 as local oil demand is increasing. Oil price recovery would also jack up import bill, accounting for 20 percent of the country's total imports.

The State Bank of Pakistan projected the current account deficit between one and two percent for FY17. It was 1.1 percent of GDP ($3.262 billion) in FY16. Current account deficit stands at $5.4 billion (2.6 percent of GDP) in the July-Feb period of 2016/17 versus $2.4 billion (1.3 percent of GDP) in the corresponding period last fiscal year.

Trade deficit was recorded at $15.4 billion in July-February of 2016/17 as against $12.1 billion in the same period last year. Machinery imports surged 42.3 percent and petroleum consumption rose 45.4 percent during this period. "With remittances remaining flat year-on-year at $12.4 billion, the deterioration in trade deficit increased current account deficit by 1.2 times YoY to $5.5 billion," Kamal said.

He said on monthly basis trade deficit stood at $2.2 billion in February, demonstrating a sequential hike of 9.8 percent, which translated into a reduction in current account deficit to $0.7 billion versus $1.2 billion in January. "However, with import cover standing at four-month plus, we are still optimistic on the government being able to maintain exchange rate at the Rs105.5/USD level for 2017 but major depreciation can be witnessed in 2018 if import cover deteriorates," he added.

Kamal said coalition support fund inflows of $550 million in early March should provide the much-needed buffer to the foreign exchange reserves absorbing the effects of scheduled repayments of Paris Club debt and Eurobonds ($750 million) in the latter part of the year.

THE NEWS
Thursday, 23rd March, 2017

Under-invoicing denies local industries level-playing field

LAHORE: Under-invoicing is an uncompetitive practice that denies the domestic industries a level-playing field. It is, in fact, more injurious for the economy than the cartels as it transfers precious jobs outside the country.

Yet, we have never heard the Competition Commission of Pakistan (CCP) taking any action against this malpractice. Discussions with the CCP officials reveals that commission thinks that interfering in import matters is beyond its mandate as it is the duty of National Tariff Commission (NTC) to keep an eye on unfair imports. There is fine line that separates the CCP and NTC, both of which aim to ensure that businesses operate fairly; former ensures fair competition and the latter prevents foreign products from being dumped in Pakistan.

The CCP keeps an eye on the market and acts on its own whenever it finds any uncompetitive behavior. The NTC, on the other hand, waits for the domestic industry to lodge a complaint against imports that are cheaper than its cost of doing business. The NTC accepts to investigate the complaint if it is lodged by manufacturers representing at least 25 percent of the total domestic production. The NTC, then, investigates the complaint through a lengthy process that may take a long time.

Pakistan is among countries which imposed the lowest number of antidumping or countervailing duties on foreign imports. Moreover the NTC do not ban the import of any item but simply raises duties to offset the dumping impact.

As far as under invoicing is concerned, even 100 percent increase in import duty cannot provide any relief to the domestic industries. We have seen numerous domestic industrial sectors closing down because of a massive under invoicing. One could count on fingertips the number of artificial leather manufacturers that were over six to seven dozen only two decades back.

The capacities of tyre manufacturers are not being fully utilised though the tyre consumption has increased manifold in the past two decades. The tile manufacturers are closing one after the other. Some most reputed firms have been booted out of the market through under-invoiced imports. Again the demand of tiles has increased at an astonishing pace in the past 20 years.

The auto part manufacturers in Pakistan have a limited domestic market available to them, which is due to compulsory use of local parts by domestic car assemblers. After-market sales of auto parts they produce are denied to them by under-invoiced auto parts. And, this market is many times bigger than the annual domestic sales of parts that the auto parts manufacturers supply to car assemblers. The auto parts produced by these auto parts manufacturers are certified of being the same standard as those used in the multinational brands in Japan. The list goes on and on and the closing down of domestic industries due to under-invoicing cost the country millions of jobs. Moreover, several industries destined to graduate into exports through reaching economies of scale have died down.

The menace of under-invoicing is successful due to clever understanding between the importers and the custom officials. Curbing this malpractice is possible through technology if there is a will to do that. Most of the under-invoiced products are finished products. They are produced from the same inputs as used by domestic industry. For instance, in cases of tyres the inputs are carbon, rubber and steel. Most of these inputs are imported from abroad and cleared after payment of duty and sales tax. Each tyre is produced according to the globally agreed specification and each tyre contains specific amount of carbon black, rubber and steel wire.

Now if a tyre is being imported at below the cost of its main inputs it is definitely under-invoiced. This is because the custom officials are regularly clearing these inputs imported by domestic tyre producers. A software could be developed for each product and its cost calculated on the basis of the price of each ingredient used in it in addition to energy, labour and management cost. This would eliminate under-invoicing.

In Pakistan, the bureaucracy protects itself with ‘loading’ the import by ‘increasing’ its import value for duty determination. If a product valued Rs100 globally is imported at Rs10 the importer ends up saving duty and sales tax on 90 percent value. If the custom official then increases the value for duty determination to Rs20 the value increases by 100 percent but the importer still saves 80 percent of government levies.

THE NEWS
Thursday, 23rd March, 2017

Sindh governor calls for change in tax culture

KARACHI: Sindh Governor Muhammad Zubair on Wednesday asked political parties to condemn tax dodgers instead of supporting them in order to transform the tax culture.

Zubair said the government introduced high withholding tax rates for non-filers of income tax returns in order to ensure their compliance.

“But, non-filers are still opposing this… unfortunately, the political parties are also supporting the non-compliant people,” he said, addressing an event organised by the Sustainable Development Policy Institute (SDPI).

The governor expressed displeasure over the remarks of other speakers to close down the Federal Board of Revenue (FBR).He said when the present government took office, the country’s total revenue collection was only Rs1,900 billion.

“The Federal Board of Revenue should be complimented for showing a significant growth in revenue collection.” Zubair said high revenue collection can enable the government to raise the provincial share in divisible pool to help them increase spending on health and education. “The political parties should ask the non-filers to file their returns and then criticise the Federal Board of Revenue,” he added.

The governor said there are, however, weaknesses on the part of the Federal Board of Revenue. He advised the private sector to blatantly express their problems.

Tax Reforms Commission (TRC) was constituted three years back, which was mostly represented by experts from the private sector. They agreed to the Tax Reforms Commission’s recommendations.

On budget, he said budget should be business-friendly and finalised after meeting with major business players. The governor said the present government is paying special attention to Karachi, which is the country’s financial hub.

Zubair said the Prime Minister Nawaz Sharif is giving priority to the projects started in Karachi.

Farooq Sattar, leader of Mutahhida Qaumi Movement Pakistan stressed the need to improve tax to GDP ratio and bring all taxable income into the tax net.

Sattar said the formula for distribution of funds to districts by the province should be adopted much like the national finance commission.

He said a provincial finance commission should be constituted and property tax collection’s authority be delegated to districts from Sindh government. Motor vehicle tax collection authority should also be given to districts, he added.

The Sustainable Development Policy Institute officials presented the key issues of taxes especially after the 18th amendment to the constitution. He said double taxation is still prevailing and taxpayers are facing multiple tax authorities.

The Tax Reforms Commission, constituted by the federal finance minister, focuses only on Federal Board of Revenue affairs. Sustainable Development Policy Institute official Hammad Siddiqui called for uniformity in federal and provincial tax laws and a single return form. Siddiqui said such harmonisation of taxation has successfully been implemented in European Union.

THE NEWS
Thursday, 23rd March, 2017

Monetary policy on March 25

Yields of long-term Pakistan Investment bonds remain flat

KARACHI: Pakistan Investment Bonds' yields were remained largely flat at an auction on Wednesday, with investors almost uniformly expecting the central bank to maintain a status quo in interest rates at its monetary policy meeting due later this week.

The central bank sold Pakistan Investment Bonds (PIBs) worth Rs28.567 billion, which is lower than the pre-auction target of Rs50 billion. The auction summary revealed that the government fetched little amount through the sale of PIBs as banks were seeking higher yields amid falling earnings.

The State Bank of Pakistan (SBP) sold Rs26.285 billion of three-year bonds at 6.4062 percent, lower than 6.4066 percent at the 22 February auction. The central bank sold Rs1.053 billion of five-year paper at 6.8993 percent, compared with 6.8994 percent previously. It sold Rs1.229 billion worth of 10-year debt at 7.9402 percent, down from 7.9406 percent at the preceding session. The central bank rejected all the bids in 20-year paper.

"By and large, the bonds and treasury yields remained stable and didn't change investors' view on interest rates scenario," said a money market dealer. "The five-year paper, which is sensitive to interest rate moves, showed only one basis point decline over the previous auction."

In a separate statement the SBP said its Monetary Policy Committee (MPC) is scheduled to meet on March 25 to unveil interest rate decision for the March-April 2017 period. The SBP kept its key policy rate unchanged at 5.75 percent at its previous meeting held on January 28.

Most analysts believe the MPC will have little room for change in its current monetary policy stance and it is likely to adopt a cautious approach.

In last monetary policy statement, the SBP expressed concern over growing current account deficit due to high import growth, caused by increasing CPEC-related machinery imports, decline in exports and slowdown in remittances.

THE NEWS
Thursday, 23rd March, 2017

Cotton improves

Karachi

After a few slow sessions, active trading was witnessed at the Karachi Cotton Exchange on Wednesday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also stood firm at Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the trading improved at the cotton exchange, as ginners as well as spinners remained in trading mood. “A very little crop is left with the ginners, so spinners do not want to waste further time in buying, as consumption demand remains high,” he said.

KCE recorded nine domestic transactions of around 7,000 bales in between Rs5,900/maund to Rs7,000/maund. Transactions were recorded from Bandhi, Mirpur Bathoro, Punj Moro, Sadiqabad, Liaquatpur, Haroonabad and Faqirwali.

DAWN
Thursday, 23rd March, 2017

Textile, clothing exports drop 2.5pc

MUBARAK ZEB KHAN

ISLAMABAD: Textile and clothing exports fell 2.53 per cent year-on-year to $1 billion in February, mainly driven by lower proceeds from raw material and low value-added products such as cotton yarn and fabrics, the Pakistan Bureau of Statistics said on Wednesday.

The decline in export proceeds was also evident in rupee terms. However, exports of value-added products grew during the month, both in terms of value and quantity.

Product-wise details show that exports of readymade garments rose 5.3pc while that of knitwear grew 2pc in February. Exports of bed linen edged up by 2.7pc while those of towels fell 3.9pc in February.

In primary commodities, exports of cotton yarn witnessed a year-on-year decline of 11.5pc, while those of cotton cloth and yarn (other than cotton's) dropped 14.8pc and 46.6pc, respectively.

Exports of made-up articles, excluding towels, increased 2.2pc and that of tents, canvas and tarpaulin grew 28.7pc. Proceeds from art, silk and synthetic textile declined 18.2pc while those from raw cotton also recorded a year-on-year increase of 13pc.

One reason why Pakistan's exports of textile products are in decline is that the preferential access to the European Union under the GSP+ scheme hasn't helped boost proceeds due to slump in demand.

In the eight months to February, the value of exported textile and clothing products fell 1.74pc year-on-year to $8.214bn. Overall export proceeds in July-February were down 3.9pc to $13.317bn.

Last year, the government announced a textile policy that gives a 4pc rebate on the exports of readymade garments on a 10pc incremental increase over the preceding year, 2pc on home-textiles and 1pc on fabric. No support was announced on raw material or yarn exports.

Under this policy, the government paid out Rs2.5bn to exporters in the preceding fiscal year. This shows the policy worked to some extent and promoted exports of value-added textile products.

From Jan 15 onwards, the government has not only increased the rebate to 7pc for readymade garments, but it has also allowed cash support of 4pc on yarn and grey cloth under a Rs180bn package announced by the prime minister.

One reason for the textile package — from January 2017 to June 2018 — was the need to counter the rising cost of production.

DAWN
Thursday, 23rd March, 2017

Employers seek solution to industrial issues

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The Employers Federation of Pakistan (EFP) is trying to find out solution for issues related to industrial laws.

EFP President Majyd Aziz in a meeting with members of the Korangi Association of Trade and Industry (KATI) on Wednesday, observed that the export-oriented industries were facing tough time amid sharp increase in imports.

He said that the social security laws have overburdened industries making their products uncompetitive on the world markets.

He lamented that issues related to infrastructure, utilities including social and environment compliances need urgent attention, but unfortunately nobody at government level was ready to resolve them.

Mr Majyd said the federation was trying to find an out-of-the-box solution for these issues which could bring a paradigm shift in industrial activities and help enhance efficiency and also improve competitive edge in the world markets.

“All stakeholders are being consulted to reach a consensus so that ministries and departments could easily be convinced for resolving the issues related to industrial laws,” he added.

Kati President Masood Naqi said that the industrial sector was the second largest employment provider, but still there was no recognition at the government level which was one of the major factors that there was slow investment in industry related activities.

DAWN
Thursday, 23rd March, 2017

High-powered committee on K-Electric to review Nepra's decision

KHALEEQ KIANI

ISLAMABAD: Soon after Prime Minister Nawaz Sharif's meeting with a high-profile Chinese delegation, a special ministerial committee went into an emergency huddle to seek review of multi-year tariff announced by the power regulator for K-Electric (KE) to avoid flight of prospective Chinese investment.

The delegation led by Wang Binghua, chairman of State Power Investment Corporation of China — the parent company of KE's new buyer Shanghai Electric — called on the prime minister on Wednesday.

"They (Chinese) told the prime minister that the tariff model announced early this week by the National Electric Power Regulatory Authority (Nepra) did not provide incentive for fresh investment and hence unacceptable," a participant of the meeting told Dawn. "They think the new tariff model has evaporated profitability."

Regulator earlier cut KE's tariff by Rs3.50 per unit for seven years

The power regulator on Monday cut KE's multi-year tariff by Rs3.50 per unit for the next seven years, transferred efficiency gains to consumers, allowed return on assets to the operator and provided for open-access to new electricity service providers. This entailed about Rs48 billion annual saving to consumers and the government through lower subsidy allocations.

The prime minister constituted a high-powered committee to look into the matter and settle in a manner that was conducive to fresh investment. The committee comprised Finance Minister Ishaq Dar, Planning Minister Ahsan Iqbal, Petroleum Minister Shahid Khaqan Abbasi, Water and Power Minister Khawaja Muhammad Asif and prime minister's principal secretary Fawad Hassan Fawad.

The committee immediately gathered at the office of the power minister to deliberate on the issue. "Chinese investment could be at stake," a cabinet member told Dawn after the meeting, saying the Shanghai Electric Power Company (SEP) was entering the power transmission and distribution system with a substantial investment.

The minister declined to comment if the committee had reached a conclusive decision, saying "review (of the Nepra decision) could be the possible option". He also did not say if the government would seek review of the regulator's decision or it would support the private entity to go for review or reconsideration application.

The Shanghai Electric, which entered into a $1.77 billion deal with Abraaj Group for KE's 66.4pc majority takeover, previously told the federal government it planned $9 billion investment by 2030 for system upgrade and capacity addition in generation, transmission and distribution network.

It had reported that it will introduce technologies and equipment that help reduce transmission and distribution losses like it had done in Estonia — cutting system losses from 14pc to 9pc within a year. The introduction of remote technologies can eliminate the possibility of electricity theft through the so-called kunda system that was where the Chinese investor was banking its profitability model.

The government quarters are upbeat about the SEP's entry into Pakistan's energy market, seeing it as a long-term, non-divorceable relationship replacing a short-term transactional arrangement with Abraaj.

Off late, the settlement of dues payable by the Abraaj Group to Sui Southern Gas Company and electricity supplier Central Power Purchasing Agency / National Transmission and Despatch Company estimated cumulatively at around Rs138 billion and Abraaj's counter claims were already appearing as a stumbling block. The initial clearance by the corporate watchdog for the share transfer has already expired a few days ago and the parties concerned had planned to seek an extension.

An official statement quoted the prime minister as saying that his government had given top priority to the power sector to help it meet industrial, commercial and domestic requirements because of shortages. He felicitated Mr Wang on the groundbreaking of 1,320-megawatt coal-based power project in Balochistan as a joint venture between the

DAWN
Thursday, 23rd March, 2017

Chinese company with local partners Hub Power Company and the Balochistan government.

Mr Sharif said Pakistan provided a conducive business environment for foreign investment with its strategic location as Asia's premier trade, energy and transport corridor with a huge consumer market. "China-Pakistan Economic Corridor is not only a framework of regional connectivity, but a journey towards economic regionalisation," the premier said.

Nepra said early this week that K-Electric's previous tariff, announced originally in 2002, became effective in 2009 due to delayed sale of Karachi's integrated utility and then its resale to the Abraaj Group, and expired on June 30, 2016.

The new tariff would now become effective from the date of its notification by the federal government, legally required within 15 days unless challenged for review or reconsideration. It will remain effective until 2023.

The regulator said private operators had about 12 years to earn efficiency gains through reduction losses that were not shared with the consumers and hence the company had now become profitable. The time was therefore up for allowing return on assets like other companies. The KE management did not like the new structure and said it would go against the consumers.

DAWN
Thursday, 23rd March, 2017

Monetary policy on 25th

APP

KARACHI: The State Bank of Pakistan will announce its next bimonthly monetary policy on March 25 (Saturday), it said in a statement on Wednesday.

DAWN
Thursday, 23rd March, 2017

Cotton buying picks up

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Falling trend on world's leading cotton markets forced ginners on Wednesday to rush and unload their stocks at current high prices. The undertone was firm and outlook optimistic.

However, market sources reckoned that with the advent of hot and dry weather, the cotton stocks would lose their moisture and reduce the weight of bales which would go against the interest of ginners.

Consequently, ginners rushed to unload their stocks which now stand at less than 400,000 bales. On the other hand, many spinners who were running short of stocks eagerly replenished their stocks.

The New York cotton market witnessed some profit-selling which also influenced other markets, including Indian and Chinese markets, brokers said. It was encouraging to note that most deals offered for sale by ginners were readily picked up by spinners and most of the deals were of larger size and volume.

The Karachi Cotton Association's spot rates were firm at overnight level. Major deals on the ready counter were: 1,600 bales from Liaquatpur at Rs6,800 to Rs6,925 per maund (around 37 kilograms), 1,000 bales from Sadiqabad at Rs6,800, 1,032 bales from Punj Moro at Rs5,900, 208 bales from Mirpur Bathero at Rs6,500, 643 bales from Bandhi at Rs6,700, 800 bales from Haroonabad at Rs6,800 to Rs6,975, 750 bales from Faqirwali at Rs6,900 to Rs6,975, 600 bales from Rahimyar Khan at Rs7,000 and 400 bales from Bahawalpur at Rs7,000.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,800**	**135**	**6,935**
40 Kgs	**7,288**	**145**	**7,433**

DAWN
Thursday, 23rd March, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	106.55	106.85
UK	130.35	130.6	132.00	133.75
Euro	112.79	113.01	114.50	115.70
S. Arabia	27.87	27.92	28.35	28.55
UAE	28.45	28.51	29.00	29.25
Japan	0.9355	0.9373	0.9100	0.9400

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.83	6.08
Six months	5.87	6.12
One year	5.90	6.40

LIBOR

Special US dollar bonds for March 21

Three months	1.15622%
Six months	1.43378%