DAWN
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Rs2 per litre hike in diesel, petrol prices on the cards

KHALEEQ KIANI

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) on Thursday worked out a substantial increase in the prices of all petroleum products for a month with effect from April 1.

In a summary sent to the government, Ogra recommended 2.74 per cent increase in the price of high-speed diesel (HSD), 2.44pc in petrol, 29.6pc in kerosene and 17.6pc in light diesel oil (LDO).

Based on existing tax rates and import cost, the regulator calculated an increase of Rs2 per litre in ex-depot price of petrol to Rs75 a litre from the existing rate of Rs73.

Likewise, it worked out an increase of Rs2 per litre in the ex-depot price of HSD at Rs84 a litre compared to the current rate of Rs82.

Similarly, Ogra recommended an increase of Rs13 a litre in the ex-depot price of kerosene to Rs57 from Rs44. Also, it proposed a Rs7.75 per litre increase in the price of LDO to Rs51.75 compared to its existing rate of Rs44.

Interestingly, Ogra did not take into account the rate of general sales tax at 30pc on HSD as notified by the Federal Board of Revenue and instead applied 31pc rate of general sales tax (GST) to recommend higher HSD price to the desire of the finance ministry. This is the fourth time in a row that the regulator has followed finance ministry's instruction to adopt 31pc GST to calculate HSD price even though this rate stood legally abolished on Dec 31, 2016.

The regulator relied on "secret but written instructions" from the finance ministry through the petroleum ministry to apply 31pc GST while calculating HSD price build-up. As a result, the regulator calculated an increase of Rs2.18 per litre, and the prime minister and the finance minister graciously decided to increase only 1.52 per litre increase in diesel price. The GST on petrol at present is 15.5pc.

Informed sources said petroleum ministry and Ogra officials were under extreme pressure not to disclose tax rates on various products to the media to avoid "unnecessary" controversies in parliament.

An Ogra official said the regulator had calculated the prices on the basis of imports made by Pakistan State Oil (PSO) in March and notified GST and petroleum levy rates on all products, except for HSD where it applied 1pc higher than notified GST rates.

Finance Minister Ishaq Dar is expected to announce a formal government decision after consulting the prime minister on Friday (today). In line with an ongoing practice, the government is expected to pass on a partial increase in petroleum prices, these sources said.

An official said the Ministry of Petroleum and Ogra have been recommending for months a substantial increase in the prices of kerosene and LDO to minimise a huge price differential with petrol. The price differential of about Rs29 per litre between petrol and the two other products was encouraging dishonest market operators to mix kerosene with petrol for higher profits and resulting in adulterated and poor quality petrol in the market instead of higher grade (92 research octane number, or RON) being charged to consumers. The regulator recommended an increase of Rs13 a litre in the price of kerosene, but the government has been keeping its price unchanged saying it wanted to protect poor people.

Interestingly, kerosene is the only regulated petroleum product but is not available below Rs80 in the open market while all other products are deregulated and are available reasonably within the price band announced by the government.

Petrol and HSD are two major products that generate most of revenue for the government because of their massive and yet growing consumption in the country. For example, HSD sales across the country are now going beyond 800,000 tonnes a month against petrol's monthly consumption of around 700,000 tonnes. Monthly sales of kerosene and LDO are generally less than 10,000 tonnes.

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WB to give $433m for financial, social sectors

THE NEWSPAPER'S STAFF REPORTER

ISLAMABAD: Finance Minister Ishaq Dar is witnessing agreement signing with the World Bank on Thursday.

ISLAMABAD: The World Bank will provide $433 million to Pakistan under three separate heads to support the financial sector, social protection and community development.

The agreements were formally signed on Thursday. Secretary Economic Affairs Division Tariq Mahmood Pasha signed the Loans and Grants Agreements on behalf of government. Project agreements were signed by the representatives of Khyber Pakhtunkhwa government and Fata Secretariat. Acting Country Director Anthony Cholst signed the agreements on behalf of the World Bank.

Mr Cholst said the agreements would strengthen the financial sector, bring about improvements in the income support programme and contribute to economic development in KP and Fata.

Under the agreements, $301.6m is earmarked for meeting objectives of 'Growth Development Policy Financing'. Likewise, the Benazir Income Support Programme has been provided $100m to strengthen the social safety net systems for the poor.

Similarly, under the medium-term grant assistance agreements worth $31.1m for KP, Fata and Balochistan will be delivered through three projects.

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PM approves national single window to boost trade

MUBARAK ZEB KHAN

ISLAMABAD: Prime Minister Nawaz Sharif has approved the establishment of a national single window (NSW) for managing Pakistan's external trade, a senior official told Dawn on Thursday.

The premier took the decision to take away the power of managing trade from the Ministry of Commerce following informal consultation with internal and external experts.

The official said the decision was taken after complaints about cumbersome import/export procedures involving numerous government entities.

The Customs are going to be the lead agency in the NSW. They have already made in-house preparations to take over the regulation of external trade.

Over the years, the single window has become a core instrument to facilitate trade, simplify procedures and implement electronic business. Around 50 countries have implemented the NSW system.

Pakistan has ratified the trade facilitation agreement with the World Trade Organisation and the NSW is one of the steps in that direction.

According to the official, the prime minister was not happy with the performance of the commerce ministry. The official said manual processing of documents related to cross-border trade leads to malpractices, frauds and discretion.

The prime minister's secretariat directed the Federal Board of Revenue (FBR) chairman to move a summary with specific proposals on timelines, stakeholders' contact points and national steering committee for a smooth rollout of the NSW.

The NSW is an important issue because the country is moving towards major economic and trade initiatives like the China-Pakistan Economic Corridor (CPEC), Central Asia Regional Economic Cooperation and Community Investment Tax Relief.

As per the prime minister's directives, the FBR will immediately start consultation for the establishment of an information and communications technology -based NSW for cross-border trade. All stakeholders must be consulted, trained and integrated in the NSW in a structured manner, the official said.

According to the premier's directive, all regulatory bodies will retain their respective powers while their functions will be carried out through electronic access to the NSW. The proposed window will provide a comprehensive solution for imports, exports, transit trade, trade through border customs stations and air cargo.

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Chinese firm awarded Rs55bn power project at Gwadar

FROM THE NEWSPAPER

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet on Thursday allowed award of Rs55 billion worth of 300-megawatt coal power project at Gwadar to a Chinese firm without bidding.

Presided over by Finance Minister Ishaq Dar, the single-point meeting of the ECC was specifically convened to authorise the Private Power and Infrastructure Board to proceed with the award of the project to China Communication Construction Company (CCCC) at Gwadar.

The authorisation was given a special case under rule 5 of the procurement rules that allowed project award in exceptional circumstances. The rule meant that “whenever these (Pakistan Procurement Regulatory Authority) rules are in conflict with an obligation of commitment of the federal government arising out an international treaty or an agreement with state or states or any international financial institutions the provisions of such international treaty or agreement shall prevail to the extent of such conflict”.

Originally, project was of 600MW capacity as part of Gwadar Port development but was reduced to 300MW on the request of the Chinese side under the China-Pakistan Economic Corridor (CPEC) in November 2014.

At a meeting of the Joint Energy Working Group in August, the Chinese government nominated CCCC, a state-owned entity, to invest in the project and Pakistan readily agreed to oblige. The company requested the PPIB in September 2015 for the development of 300MW plant on imported coal using supercritical technology.

The summary to the ECC claimed that in November 2016, Prime Minister Nawaz Sharif on the power ministry’s request desired the ministry and the PPIB to proceed on the earlier application of CCCC for grant of letter of interest/letter of support for the project “after completion of necessary legal formalities as the project was part of CPEC.

Interestingly, the government announced in April 2015 power generation policy. The policy required the project be process under the clause 6.3 of the power policy under designated projects that were covered under bilateral agreements between the GOP and the foreign governments, thus enabling exemption of pre-award process and procedures, including pre-qualification and thereby direct award and further processing of the project.

The ECC approved the proposal put forth by the power ministry for authorising the PPIB to proceed with the awarding of the project to the CCCC under rule 5 of the Public Procurement Rules 2004.

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Reserves dip by $254m

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $21.8 billion on March 24, down $254.3 million or 1.15 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

The SBP's reserves decreased $230m to $16.73m during the week.

Net foreign exchange reserves held by commercial banks amounted to $5bn on March 24, slightly down from the preceding week.

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Commodities

Cotton price remains higher

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Fear of adverse impact on cotton production due to acute shortage of irrigation water kept buyers in the forefront on Thursday. Lint prices also remained higher as a result.

Spinners fear that buying cotton would be more difficult in the next season due to acute shortage of water for Kharif crops of Sindh and Punjab.

However, limited stocks of cotton held by ginners inhibited trading from expanding even though buyers kept chasing cotton in order to replenish their stocks. The world's leading markets remained mixed. The New York cotton market came under profit-selling while Chinese and Indian markets were easy.

The following deals were finalised on the ready counter: 1,000 bales from Kabirwala at Rs7,000, 600 bales Sadiqabad at Rs7,000, 800 bales Rahimyar Khan at Rs7,000 and 400 bales Jotoi at Rs6,875.

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	6,750	135	6,885
40 Kgs	7,234	145	7,379

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	106.20	106.40
UK	130.03	130.28	131.75	133.25
Euro	112.35	112.57	113.50	115.00
S.Arabia	27.87	27.92	28.25	28.45
UAE	28.45	28.51	29.00	29.20
Japan	0.9389	0.9407	0.9469	0.9669

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.86	6.11
Six months	5.89	6.14
One year	5.93	6.43

LIBOR

Special US dollar bonds for Mar 29

Three months	1.14678 %
Six months	1.41989 %

THE NEWS
Friday, 31st March, 2017

Anti-dumping duty on synthetic fibres hits textile exports

Mansoor Ahmad

LAHORE: Declining exports should have given economic managers nightmares, but they are ignoring the threat to our economy.

They think the textile sector is a rent seeker, while non-textile exports have declined more sharply indicating overall decline in Pakistan's global competitiveness. The issues impeding export cannot necessarily be resolved by rebates (even those are not actually paid). The high power tariff compared with regional economies is an issue.

The withheld genuine refund is an issue for the exporters. Flawed government policies that deprive the industry from entering the global markets are also a major issue. And corrupt bureaucracy, that is not accountable for its misdeeds, is the biggest issue.

Take for instance the case of textiles. The total global annual trade of textile exceeds $840 billion. Our share in this trade is only $12 billion that is little less than 1.5 percent.

Around 80 percent of the global textile products are made from synthetic fibres. Most products are made from 100 percent man-made fibre and some are produced by blending cotton with man-made fibre.

The use of cotton in textile products is just 20 percent of the global textiles. Pakistan exports products made of cotton only. This means that out of the global textile trade of $840 billion Pakistan has access to market only $168 billion of cotton products, while the remaining $672 billion market is inaccessible as we do not use man-made fibre for exports. In the $168 billion market for cotton, Pakistan's share is 7.2 percent.

It is worth noting that there are no separate machines for weaving cotton or man-made fibre. Both cotton, blended, and man-made yarns can be spun on the same machines with equal efficiency.

Similarly, our weavers can weave cotton, blended or man-made fibre yarn into fabric. Is it not surprising that we are not targeting the major textile markets of blended textile products despite sitting on huge unutilised capacities? It does not make business sense.

There is however a valid reason for this. The access to synthetic fibre is denied to our textile industry through a high tariff regime. There are few producers of only one type of man-made fibre in Pakistan and that is called polyester fibre. The local manufacturers of polyester fibre are highly influential.

From 1997 to 2007 these industries were protected by high duty that the state guaranteed. Thereafter, they ensured that polyester fibre was protected by a lesser duty on imports. The government has now allowed duty free import for exporters. But the influential lobby of the polyester manufacturers succeeded in getting anti-dumping duty imposed not only on polyester fibre but on all other man-made fibres as well.

The result is that the cost to the industry is high and products made from man-made fibres cannot be exported.

The world over, demand for textile yarns is over 85 million tons, of which cotton yarn is 22 million tons, the remaining demand of 63 million tons is being met by man-made or semi synthetic yarns, chiefly polyester which accounts for over 65 million tons.

The normal consensus is that 70 percent of the incremental demand for yarn during the coming years will be met by polyester. Polyester yarns are also now being produced in various types and shapes to cater for the ever increasing demand for comfort, performance, hygiene, and aesthetics.

Management Properties, Copolymer Polyesters, Cationic dyeable Polyester Staple (DAK), and Polyester with cross section moisture management thru capillary action, solution dyed polyester, with or without UV protection, are only a few of the special types of polyester fibres which are required for the production of specialty yarns to be further processed in high value fabrics and garments.

These garments are gaining market share in developed and under developing countries having high consumer demand for niche products. Generally, these types of specialty polyester fibres used for the production of yarns are produced by polyester staple producers in China, Thailand, Korea, and Japan, the C&F prices of these fibres are higher as compared to normal PSF Fibre.

THE NEWS
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'Super tax can earn FBR Rs25bln in 2017/18'

Shahnawaz Akhter

KARACHI: The Federal Board of Revenue (FBR) can generate around Rs25 billion in revenue through super tax imposed on high net-worth individuals and corporate sector during the next fiscal year, said tax managers, advising the board to extend the levy in 2017/18.

The government, through Finance Act 2015, introduced one-time super tax for the rehabilitation of temporary displaced persons. The tax is four percent on banking companies and three percent on all other taxpayers with income of at least Rs500 million for the tax years 2015 and 2016. The government continued the super tax imposition in the current fiscal year.

Sources on Thursday said the Federal Board of Revenue managed to collect around Rs22 billion in the first year of imposition (2015/16). The sources said the tax offices, in their budgetary recommendations, advised the tax authorities to continue the levy in order to avoid revenue losses due to lower oil prices and fall in profitability of banking industry.

Sources said the FBR is, however, so far undecided about whether to continue or stop the levy after June 30, 2017. In their recommendations the tax managers also informed the Federal Board of Revenue that the revenue collection was facing serious setback due to absorption of sales tax in adjusting fuel prices.

Besides, the ease in interest rates corroded the banking profitability, which also hurt the revenue collection. They said if government decides to abolish the super tax in the fiscal year of 2017/18 it would be difficult for the Federal Board of Revenue to achieve revenue collection target.

The levy, however, irk the taxpayers, who term it as an additional burden to the existing liability. Pakistan Business Council (PBC) and Overseas Investors Chamber of Commerce and Industry (OICCI) urged the government to revoke the super tax forthwith as it is a disincentive to new investments in Pakistan.

The Overseas Investors Chamber of Commerce and Industry said despite one percent reduction in the corporate tax rate for the tax year 2017, the super tax would effectively increase the tax burden to 34 to 35 percent.

PBC said the levy is unjustified and changes brought through amendments for the tax year 2017 resulted in higher incidence of tax and took away the benefit of investing in the country from a taxpayer.

THE NEWS
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'State Bank, ministry developing national policy on ecommerce'

KARACHI: The State Bank of Pakistan (SBP) and the ministry of commerce are developing a national policy on ecommerce to attract foreign investment for establishing a desired digital market in the country, a statement said on Thursday.

"{The} Policy…shall support and work towards building desired ecosystem for ecommerce market and also to encourage local trade and foreign investments in the country," Ashraf Mahmood Wathra, governor, State Bank of Pakistan, said at the 10th Jazzcash International Mobile Conference in Pakistan.

The one-day conference was organised by Total Communications with the support of State Bank of Pakistan and Pakistan Telecommunication Authority (PTA). The governor said he has been part of the conference on regular basis for the last four years, as "participating at this conference or at IMF and World Bank remains equal for me."

He said the central bank was aware that the high cost on e-payment was "due to risk associated with online payments, but we are also mindful that new mechanism for proactive fraud detection are being developed to safeguard the merchants, consumers and their banks from losses".

Keeping in view the development, he urged upon banks and payment schemes to rationalise the cost of transactions on epayment to further boost mobile and ecommerce in Pakistan.

He said the central bank has allowed the entry of non-banks - Payment System Operators and Service Providers (PSO/PSPs) - into the domain of payment services through intensive regulations in 2014.

However, "their effectiveness remains yet to be seen," he said. He noted that the number of m-wallet accounts stood at more than 16 million in the country. However, majority of these wallets were still inactive.

However, the branchless banking industry has seen acceleration, and basic financial services can now be accessed in the remotest parts of the country through an agent network of around 350,000, he added.

"A total of 110 million transactions worth around Rs520 billion were carried out during quarter of July-September 2016," Wathra said.

Dr Syed Ismail Shah, chairman, Pakistan Telecommunication Authority, said in a video message that the regulator would soon launch more services in Pakistan like Uber and Careem, the apps to call cabs at your door.

He urged upon the industry players of ecommerce to join hands for strengthening the digital market instead of trying to dominate each other. He also urged upon them to keep investing in technology and big data houses to keep up with the world.

Nadeem Hussain, founder and coach, Planet N Group of Companies, said Pakistan was evolving through a digital revolution, which directly contributed towards the economic growth of the country.

The revolution has allowed people to open basic bank accounts via mobile phones literally in one minute, and purchase half a dozen oranges against digital cash. "The time is not far when a woman in a remote area would have access to main markets for her products through six clicks only," he said.

Nadeem Hussain said 8-10 entities were establishing big data houses in Pakistan that would pace up the revolution. However, challenge remained with the industry players as how to get activated the dormant m-wallet accounts.

Ghazanfar Azzam, president and CEO, Mobilink Microfinance Bank, said the number of active m-wallet accounts stood at two million only. "Telecom led banks are aimed to increase number of m-wallet accounts to 50 million by 2020," he added.

Ali Riaz Chaudhry, president and CEO, Telenor Microfinance Bank, said industry players should join hands to fight against poverty, as this would help them achieve the goal of financial inclusion. He anticipated agriculture as potential growth area for ecommerce.

The Nation on Web
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Ogra recommends up to 29.5pc hike in POL prices

Fawad Yousafzai

ISLAMABAD - The Oil and Gas Regulatory Authority (Ogra) has recommended an increase of up to 29.5 percent in the prices of POL products for the month of April.

In its recommendations, the Ogra has advised the government to increase Petrol and High Speed Diesel (HSD) prices by Rs2 per litre, respectively. According to a working paper sent to the Ministry of Petroleum and Ministry of Finance, the Ogra has suggested 2.74 percent or Rs2 per litre increase in the prices of Motor Spirit (Petrol) and increase of 2.43 percent or Rs2 per litre in the price of High Speed Diesel (HSD) has been proposed. Similarly, double digit increase has been proposed in the price of Kerosene oil while Rs7.75 increase per litre was recommended in the price of Light Diesel Oil (LDO).

It is pertinent to mention here that during last three months the government has multiple times rejected the Ogra's recommendations regarding hike in Kerosene and LDO prices. The Ogra's summary recommended an increase of 29.5 percent or Rs13 per litre in the price of Kerosene oil and 17.6 percent or Rs7.75 increase in the price of Light Diesel Oil (LDO).

According to the summary, an increase of Rs2 per litre has been recommended in the price of Petrol, and if the government approves the same increase price of petrol will go up from the current Rs73 to Rs75 per litre.

Similarly, after an increase of Rs2 per litre in HSD its price will go up to Rs84 from the current Rs82 per litre. The prices of Kerosene Oil after an increase of Rs13 will go up to Rs57 per litre from the existing Rs44 per litre and the price of Light Diesel Oil (LDO) will go up with an increase of Rs7.75 per litre from the current Rs44 per litre to Rs51.75 per litre.

When contacted about the recommended increase in the POL prices despite the decrease in the international market, the Ogra official on the condition of anonymity said that actually the Kerosene and LDO prices are being determined on the average of previous month import price. The prices of Kerosene and LDO were high during the month of February and decreased in March. Since the Ogra determines the prices of Kerosene and LDO on the basis of previous month, February, therefore it recommended a hike in the prices. The official said that for the month of May the Ogra will make determination for Kerosene and LDO on the basis of the import prices of March.

Similarly, the official said that the prices of Petrol and HSD are being determined on the basis of five days average of import. Since the prices of Petrol and HSD were increased in the international market during the five days under consideration therefore the Ogra has recommended an increase, the official added.

Currently, the government is collecting 30 percent GST on High Speed Diesel and 15.5 percent GST on Motor Spirit excluding High Octane Blended Component (HOBC) while there is zero GST on Kerosene and LDO.

The government will announce its decision regarding the Ogra's recommendation today (Friday). It is pertinent to mention here that since February the government has three times increased the prices of the Petrol and HSD in the country.