

Press Release

## **Hike in gas tariffs** **Exporters in deep trouble: TMAP**

**KARACHI:** Towel Manufacturers Association of Pakistan called an extraordinary general meeting on Saturday (Nov 11), which was held at TMA Head Office here to discuss the exorbitant increase in the industrial gas tariff wherein a large number of exporters participated and showed their deep concern over the exorbitant increase.

**Syed Usman Ali, Chairman of South Circle of the Towel Manufacturers Association of Pakistan,** said it is next to impossible for export-oriented units to continue their manufacturing process after the steep increase in the industrial gas tariff.

The prominent members of the association shared their views that “we are already not competitive in the international market due to high energy costs and now the government has put another burden of extraordinary increase in the industrial gas tariff which will create lots of problems with regard to export of goods to the international market.”

Syed Usman Ali said our members belong to the export sector and our cost of doing business is already very high in the region. After the increase in the gas tariff, it is very difficult for the export export-oriented units to continue their export business. He also added that the towel sector uses waste raw materials to manufacture exportable goods through local machines and avoid importing new machinery from abroad for the processing of the same & saving precious foreign exchange of the country. The manufactured goods from the waste raw materials are usually used in the USA for cleaning purposes only.

The Participants of EOGM further said it is impossible for the export industries to carry on their production activities with such exorbitant increases in gas tariffs. The members unanimously said that the industrialists never accepted the decision of gas price increase and the cost of production has become out of control now.

The house also advised to safeguard industries and prevent the economy from descending into deeper crises, potentially reaching an irreparable point of no return.

The participants of EOGM also stated that the Oil and Gas Regulatory Authority (OGRA) had initially set a marginal increase in the industrial gas tariff. However, the energy ministry unilaterally decided to raise the tariff by an additional 100-130%. It made the export industry unsustainable to operate.

Export industrialists urged for a fair industrial gas tariff which will support to growth of our exports. Failure to implement reasonable tariffs may lead to the closure of a significant number of export industries.

The industrialists of Karachi have vehemently opposed the excessive hike in gas tariff, attributing it to the imposition of cross-subsidies benefiting the other sectors, which is unjustified and the industry has no potential to bear the burden of cross-subsidies.

The exorbitant gas prices are making it really hard for the Exporters to sell their manufactured goods in the international market while our competitors are selling the same goods at low prices because our cost of production is very high as compared to the regional countries. This is happening when our country really needs valuable foreign exchange for the national exchequer.

The government's choice to keep the gas prices high will cause huge problems for the beloved country of Pakistan. It will lead to the closure of the industry and decline in the exports and earnings in foreign exchange for the national exchequer.

The exorbitant increase in the gas tariff will also lead to unemployment, which will lead to increase in street crimes in the country as well as an adverse impact on industrial growth.

Chairman South Circle warned that Export Oriented Industries closure will lead to Pakistan defaulting on its foreign payments and the currency rate will deteriorate even further, reaching a point of no return.

The government must take appropriate measures to ensure gas supply to export-oriented industries at a reasonable price, 24/7 at required industrial pressure otherwise it will lead to a huge decline in exports and revenue, including the closure of industries and laying off workers which lead to unemployment.

It will also lead to jamming the wheel of economic activities in the country as well as have a negative impact on the law and order of the country.

The participants of EOGM also showed deep concern about the billions of rupees of the exporters are stuck up in FBR on account of Sales Tax refunds and they are unable to use their own money and take loans at hefty rates from the banks which absolutely enhances their cost of doing business as well as cost wise they become incompetent in the international market.

**The reinstatement of the zero-rated status for the five export-oriented sectors “no payment no refund” as per SRO 1125(I)/2011 is the viable solution to arrest the declining trend of country exports.**

The participants of EOGM further urged the economic managers to save the export sector from its total collapse. “We have the only option to increase our exports for survival. We should trust our own resources rather than loans,” they added.