

The Business

Chief Editor

Irfan Athar Qazi

E-mail: editorthebusiness@yahoo.com

thebusinesslhr@gmail.com

Tijarat House, 14-Davis Road, Lahore
0423-6312280, 6312480, 6312429, 6312462
Cell # 0321-4598258

1st Floor Ahmed Plaza near Zong Office
Susan Road, Faisalabad, Ph: 041-8555582

ISLAMABAD / RAWALPINDI
N-125 Circular Road, Ph: 051-5551654,
5532761, Cell # 0300-8567331
KARACHI
3rd Floor Kehkashan Mall 172-I Block II PECHS
Opp Rehmania Masjid Main Tariq Road
Ph: 021-34524550, Cell # 0300-8251534

Tax refunds

The government understands well enough that it does itself no favours by announcing timely relief measures, giving hope to employers and employees alike in these uncertain times, and then not following up on one promise after another. And some relief measures are more time-sensitive than others.

For example, manufacturers have had to urge the Federal Board of Revenue (FBR) yet again to release their verified tax refunds before Eid, at least, so they can have enough liquidity on hand to meet immediate expenses; the most urgent being pending salaries/wages of their staff ahead of the festive holiday. It was, after all, the ruling party itself that urged businesses not to lay off any workers because of the slowdown caused by the pandemic because the government, it was claimed, stood ready to provide the necessary cushion – enough concessional liquidity – to survive this profound crisis hopefully without any job losses. Yet since the announcements this administration has also started showing symptoms of the age-old problem of governments; they are big when it comes to making promises and not so big when it comes to honouring them.

On April 16 the Ministry of Finance was heaping lavish praise on its own relief measures for trade and industry. It also announced that tax refunds of Rs50 billion 'stuck since 2014' would be released 'within a week'. To implement this landmark decision the FBR reportedly issued a letter titled, 'Income Tax Refunds Under Prime Minister Relief Package Covid-19', to chief commissioners, asking for lists for verified refund claims along with IBAN numbers of claimants so necessary amounts could be transferred by FBR directly to their accounts. Seems like a simple, and efficient, enough process. Yet, according to further reports, the first lists were sent to the Bureau, as asked, around end-April, early-May, yet no refund amount has been released even though the time period promised was one week. Some experts have claimed that the government and FBR, along with the latter's field formations, are just not on the same page when it comes to the official relief package, and things have been delayed because they have been busy sabotaging the process by finding ways of denying refunds to a majority of taxpayers.

The government must realise that these are not matters that can be allowed to linger unaddressed for long periods. The economy has taken a heavy hit from the lockdown, which is no surprise, and businesses will simply collapse if the promised help does not come very soon. Then it would not matter much even if the money stuck in unrec-

MUSHTAQ RAJPAR

Pakistan is again at a crossroads. The hard-won consensus achieved after decades-long political wrangling is under threat again. From 1977 to 2010, for 43 years, the country's politics was defined by deep-rooted mistrust and divisions among mainstream political parties. The 18th Amendment was a rare hope for political stability, unity and direction for the country. And, though the amendment left much to be desired, it was a step in the right direction and towards reconciliation.

Gen Musharraf's dictatorial rule in the country created waves of unrest, a reign of killings in Karachi, political assassinations, fresh unrest in Balochistan after the killing of Nawab Akbar Bugti. Sindh was burning following Benazir Bhutto's assassination, the ANP suffered huge losses as some one thousand of its workers were killed in terrorists attacked. But the 18th Amendment was seen as something of a gain for all these sacrifices.

Any amount of autonomy is meaningless without fiscal autonomy. Major

What's at stake?

tax collection still lies with the centre. Under the National Finance Commission award, the distribution of financial resources is carried out; the constitution guides on the percentage of resources for the centre and the provinces. The federal government is not a federation; it is a competing component and party to federal resources which are regulated under law by constitutional institutions like the Council of Common Interest (CCI) via the National Finance Commission (NFC).

Pakistan is a federal polity, and resource distribution among the federal government and federating units is guided by the constitution. For years, the centre has ignored its constitutional responsibility of constituting the NFC which is required every year. Several budgets have gone without this constitutionally required new finance award.

Now President Arif Alvi has constituted a very controversial finance commission, which already has been rejected by Sindh over its Terms of References (ToRs) and composition. That is a very bad start; federating

units have veto power in the NFC, and a new award cannot be worked out without consensus. The centre's high-handedness could have been avoided by discussing the matter in the CCI. There are two fundamental problems with the newly constituted NFC. One is its composition; the constitution clearly mentions who will be its members, thus the president of the country does not have powers to appoint members not listed in the constitution.

Second, the constitution is clear on the agenda of the NFC. The president cannot add new items, not listed in the constitution; that goes beyond the constitutional mandate of both the president and the NFC. The NFC's sole work is to frame the distribution formula of the tax revenues of the government. In these ToRs, provinces are being asked to pay expenses of the federal government. Under the new ToRs, six new items have been added in the NFC agenda. This essentially alters the federal character of the constitution. If the provinces have to bear the federal ex-

penses then the provinces could demand that they should collect revenue and pay for the federal expenses. That essentially turns the federation into a confederation.

Extracting more financial resources from provinces through unconstitutional means will weaken the federation; such policies will give rise to political unrest in smaller provinces. The case for provincial autonomy is weakened in Pakistan because the largest province does not demand it and also has an upper hand in all affairs of the country, representation in armed and civilian bureaucracy. Any gain of the centre comes at the cost of Sindh because the bulk of resource generation originates in the province.

The NFC has never before asked provincial governments to pay for federal ministries. Azad Kashmir and Gilgit-Baltistan are managed by the federal government; why should people in Balochistan or Sindh share their meager resources? On what ground can this be justified? The rationale behind the center asking provinces to share the burden, we are told, comes from the impact of the coronavirus on the economy.

Sugar report: What to do?

SYED AKHTAR ALI

The Sugar Commission Report (SCR) has implicated the sugar industry of what in many civilized countries would be considered a crime worthy of severe penalties and jail terms; double bookkeeping, falsification of records, price setting, cartelization, avoidance of taxes, benami transactions, Satta, under-payment to farmers and fleecing them on many counts, unauthorized capacity extension and its diversion into black market etc.

People fed up with inflation have generally received the report well. Farmers groups have welcomed the report calling it a victory for farmers. The opposition has rejected the report, while it had no business to do so. The PSMA has rejected the report calling it contradictory, speculative and misleading. Jahangir Khan Tareen (JKT) has rejected the report as well and has proposed freeing up the sector. We will take up his proposal and explore its implications.

It would be very difficult for the PSMA and its members to prove that it is not a cartel engaged in anti-competition practices. The Competition Commission of Pakistan (CCP), although a sleeping organization, had earlier taken them to task, raided their offices and tried to correct the situation. They went to court and got a stay order. The matter is lying with the courts now for many years. In passing, one would like to express his disappointment of our judicial system.

There are two issues that we would like to take up in detail; freeing up of the sugar sector from over-regulation and the Satta. Freeing up of the sector would mean doing away with price support and restrictions on imports and ex-

port of sugar including many other regulations. Satta, forward contracts and the spot market have acquired a bad reputation in Pakistan – although, in other countries, these are quite legitimate practices. The difference is that it is done there in the organized system of commodity market exchanges and here it is being done informally in WhatsApp groups and benami transactions.

Even commodity exchanges are susceptible to abuse and anti-competition conduct but due to strict monitoring and rules, its scope and possibilities are severely controlled. There is the Cotton Exchange in Pakistan where cotton trade is done in an organized fashion under the control of the SECP (Security Exchange Commission of Pakistan). There is another commodity exchange which is lying almost underutilized where the sugar trade can be transferred and conducted safely.

It would be highly desirable to shift the sugar spot trade to the commodity exchange. Even sugar futures and forward contracts can be introduced. Sugar mills may be obligated to sell almost all of their production through the exchange. As revealed by the report, there is a thriving community of brokers which is well versed in spotting and forward contracts which should be readily available to work under a formal exchange system.

The exchange system would improve the lives and businesses of this community as it is under perpetual threat of the FIA and has to afford many risks such as confiscation of advances in case of not lifting the contracted sugar. Exchanges, through transparency, reduce risks and thus prices; higher the risks, higher the margins and profits. Additionally, the market is not monopolized by a small

coterie, hopefully, and ordinary people can also participate in sugar trade as they do in shares buying and selling.

It would be worthwhile considering the JKT proposal which one would believe his fellow sugar mills members would be willing to do. However, there are some risks in totally opening up the sector. Sugar is an essential item of human consumption. Its availability has to be assured at reasonably affordable and stable prices. Exports may not be made free but imports can be made free under the system of the TCP (Trading Corporation of Pakistan). In fact, in order that competition takes place and prices are held at a reasonable level, there has to be an excess in the market. The reason prices go up whenever exports are allowed is that the excess goes away. There is no way of accurately assessing demand and inventory levels. Imports would allow the government to intervene in the market whenever there are shortages and prices go up.

Sugar prices are seasonal. There is a heavy working capital requirement in the sugar industry. Sugar reaches the retail market through a cobweb of brokers, whole-sellers, transporters and dealers of stores. Also, there is a peculiarity of sugar; it is produced in only three months and is sold in nine months out of inventories. This costs money in terms of financial and storage management costs. Such costs are financed out of hidden money or forward contracts or both.

Informal money is expensive and money coming out of formal channels is cheaper and reduces cost and prices. Amazingly, sugar retail prices in India and Pakistan are comparable, despite twice the support price of sugarcane and highly subsidized fertilizer in India; IRS44 in India and Rs85 in Pakistan. In

India, there is a minimum support price (MSP) for sugar at IRs31 per kg.

While market manipulation and price conspiracy, if not cartelization, is possible in quite competitive situations as well if bad and non-transparent practices, as are common in our business environment, are not controlled. We would like to analyze here a quantitative measure of competition and monopoly of the sugar market in question.

Monopoly or lack of competition, among other tools, is measured by a well-known Hirschman-Herfindahl Index (HHI). There are 89 sugar mills with the following market share distribution; JDW (JKT) 19.97 percent; RYK 10.67 percent; Al-Moiz 10.26 percent; Tandlianwala 9.43 percent; Omni 10.50 percent; Sharif family 9.64 percent and all others 10.39 percent. The HHI in this case comes out to be 692.

The US Department of Justice, in analyzing potential monopoly and antitrust cases, considers any market with a HHI lower than 1,500 to be in a state of healthy competition. The US DOJ also analyzes corporate mergers for the change in the HI that the merger would trigger; any merger that would result in a change in HI of 200 points or more raises serious antitrust concerns. One is not sure if this would be applicable in our situation. Some research would be required in this respect by organizations such as the SECP and the CCP.

It may be a long fruitless battle to try to punish this powerful group for its wrongdoings which it denies that it has done. Seventy percent benami sales is too much to be accepted. The proposed market reforms will bring transparency and may be able to do away with, at least, some of the ills of the system – although we can count



COVID-19 and campuses

DR MANZOOR ALI ISRAN

Where Covid-19 has disrupted economic and cultural life, it has also interrupted our social and educational life. All human activity has come to a crushing standstill and educational institutions have been shut down.

According to observational research by Unicef, 186 countries are currently implementing nationwide closures. Approximately, two billion learners are currently affected due to school closures in response to the pandemic. In response to the closure of educational institutions, Unesco has recommended the use of distance learning programmes and open platforms that educational institutions and teachers can use to reach students remotely and limit the disruption of education.

Universities around the world are grappling with the after-effects of Covid-19. Some universities have decided to go online and others have cancelled classes. In Pakistan, the top regulatory body, the Higher Education Commission (HEC), has directed all universities to conduct online classes. In this regard, it laid down the framework for a Learning Management System (LMS), under which all universities and Degree Awarding Institutions (DAIs) are required to commence online lectures/classes.

No doubt, the HEC's decision to transition to online classes has been widely appreciated by society. Most private universities such as LUMS, IBA, Habib, SZABIST, IOBM, Iqra and MAJU have begun online classes without losing any precious time for students, as they were already equipped with a robust Management and Information System (MIS), complete with digitized examination and admission systems.

I remember when our faculty was called for training on online lecturing software such as Skype for Business and Google meet, the IT team worked diligently to create thousands of IDs for students and teachers and an eLearning portal for online classes that facilitated teachers using either Skype for Business or Google meet to invite registered students to their class portals. Other universities have worked in the same manner and due to the hard work of their IT departments, teachers and students, the spring semester is approaching its end and preparation for the summer semester and admissions for 2020 are underway.

However, amidst the soaring Covid-19 cases and repeat WHO warnings about a probable second peak, private universities are not going to operate conventionally any time soon. These institutions are bound to face a financial hit as admissions for the 2020 academic year may slump with students unwilling to shell out anywhere from Rs100,000-Rs600,000 per semester for virtual classes and without the hallmarks of a campus experience. It is feared that private education, a multibillion businesses, may go for redundancies. But the real picture will emerge once admission processes are over.

With regard to public-sector universities, it is sad to note that they have been unable to initiate online classes despite being provisioned by the HEC and the provincial government with massive funds to build IT infrastructure. Instead of working on designing a Management and Information System (MIS), these universities bought hardware and dumped it in the laboratories. No records of examination, admission and administration have been computerized. The universities still work under manual systems, which is the major problem in switching to online classes. Online classes invariably require an effective and efficient MIS, a user-machine interface system for providing information to support organizational operations, management and analysis and decision-making functions.

The reason for not developing MIS in universities is attributed to the rising volume of corruption as the management in multiple public-sector universities fear that the introduction of an MIS would expose the corruption that has so far pounded the very bases of higher education. This writer formerly worked at a public university and saw first-hand how politically appointed vice chancellors created a cesspool of corruption that contaminated the quality of education. Teachers and employees are deliberately corrupted through illicit perks and privileges. Universities are facing financial bankruptcies to the extent that some universities in Sindh are even not able to pay pension to their retired employees.

Amidst this deteriorating financial and administrative situation, the government is bent upon opening up university campuses in every district. This won't add anything to the quality of education but will rather worsen the standard of higher education and degrade university degrees. Our politicians have zero interest in ensuring quality education. To them universities are not centers of learning but job factories that are being stuffed with docile political workers. The result is the utter failure of universities to serve as centers of Research and Development that can serve as counselors to the government and to private industry in modernizing the nation's production processes and management in a plethora of sectors. The situation we are facing on campuses begs the question: who is responsible for the state of chaos in our universities?

Apparently, there is no single factor responsible for the dilapidating state of higher education and capacity of campuses to deal with situations like the one created by Covid-19. These factors range from poor leadership, structural weakness, lack of merit in the appointment of faculty and staff, lack of motivation in both teaching and administrative staff to lack of resources and rising mismanagement and corruption (moral and financial). But to me the mother of all evils is political interference, which has devastating consequences for universities in terms of unfortunate management and their lack of capacity to

Letters to the Editor

Tragedy waiting to happen

Pakistan's transport industry, air, road and rail, which must offer citizens safe and reliable transportation within country's geographical boundaries and beyond serving as a vital tool to boost trade and exports is today no longer safe nor reliable. Other than motorways, with their trained police and strict surveillance, the rest are in a mess, where accidents occur with huge loss of life and other than stereotyped messages of sympathy and government taking notice, it has been accepted as fait-accompli.

Almost all civil airports were built far away from residential areas and located in cantonment areas, which until late 70s were free from commercial activities, housing societies, plazas, marriage halls and butcheries etc. Unfortunately, today all these civil airports have been declared as Red for frequent bird hazards that pose a threat to any aircraft especially in critical take-off or approach phases. I shudder to think of catastrophic loss of

human life not just of passengers who pay to travel, but those residing in housing societies that have mushroomed on periphery of all our civil airports, if all engines fail because of bird ingestion in critical Take-Off phase, without sufficient safe height margin and airspeed achieved.

Rapid technological advances in commercial aviation demands airlines to recruit best available talent in country with an oversight by an independent regulatory body, free from any institutional or political interference. No other state or private owned enterprise is subjected to both state and international regulatory oversight like commercial aviation, which is why it is important that those at helm must be qualified and experienced in dynamics and intricacies of commercial aviation and there should be absolutely no conflicts of interest or outside interference. Commercial airlines must operate strictly to satisfaction of revenue paying passengers, market forces and ICAO regulations and not just on command and control structure such as exists in military aviation.

Tariq Ali
LAHORE

Corona menace

Until humanity finds a vaccine, social distancing seems the only weapon against the deadly Coronavirus to stop or at least slow down the loss of precious human lives. It is understandable the economy is critical. However, the people broke all measures to observe and control the spread of corona and rushed to markets as if there were no tomorrow. I wonder, why would we put hundreds and thousands of people at risk just to show off on eid. Why not donate the money to poor and needy, who are really hurt by this deadly virus? The government alone will never be successful in mitigating the virus. Every person must do his or her part and show responsibility by following the distancing measures. Similarly, politicians should also stop bickering and point-scoring just to gain political mileage from this situation. They should declare a ceasefire and collectively ensure that we as a country fight the Corona as one nation.

Raja Shafaatullah
ISLAMABAD