

Textile industry GOVERNMENT SHOULD INTRODUCE BAILOUT PACKAGES, SAYS FCCI CHIEF

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FAISALABAD (March 05 2009): President, Faisalabad Chamber of Commerce and Industry (FCCI), Mian Hamid Javed, said that world-wide economic recession has gravely affected textile industry and the government should introduce bailout packages for textile industry.

Talking to newsmen, he said that the Textile Industry is under great pressure and facing worst situation, as the industry contributes 62 per cent of our total exports and provides 40 per cent of the industrial labour and 10 per cent to the GDP.

Due to heavy losses on account of wide fluctuation in the prices of commodities, Mian Hamid Javed said that the Bank mark-up is not serviceable. The government should advise banks to suspend mark-up on all loans and advances availed during the recession period for four months of crises, he demanded.

Down-ward revision of mark-up rates on bank loans after one year freezing of mark-up should be considered by

the government. As in the entire world interest is being revised downward, he added.

Across the board moratorium on bank loans for period of 2 years should be allowed, he demanded. He said that the actual zero-rated policy should be introduced for textile exporters whereby rates of duty drawback to be enhanced for the exporters.

Commenting over the "energy crisis", FCCI President urged the government to ensure uninterrupted supply of gas and electricity to the Industry across the board throughout the year and priority should be given to the textile industry, especially, during winter season.

Whereby rates of gas and electricity should be reduced due to decreasing prices of oil and must be reduced 30 to 40 per cent to the current prices. The WAPDA may be asked to devise a mechanism to charge MDI to tune of power used during gas disconnection and not for the entire month. Suspension of all government dues for one

year, including payment of social security /EOBI / Cotton and Textile Cess as well as electric duty, moreover, adhesive stamp duty is an extra burden by the provincial government, at the rate of 0.2 per cent, on the dispatch of document must be abolished, he demanded.

Mian Hamid Javed said that the income tax up to 0.25 per cent to be reduced and payment of EDS on textile export to be eliminated forever, adding that sales tax refund must be ensured with immediate effect.

He argued that there should be no import duty on import of PSF and no Income Tax payment on PSF Import and Import of raw cotton should be allowed. He also demanded that R&D should be released with immediate effect on shipment made till 30.06.08 and must be extended at least 30.12.2008 to give immediate relief to the sector to recover from big deficit.

Mian Hamid Javed proposed that the Textile Ministry should hire Consultants to advise how to reduce the cost of doing business, which

may include demand for rationalization of gas and power



Faisalabad: Mian Hamid Javed, President, Faisalabad Chamber of Commerce and Industry talking with media men. --- Recorder photo

prices, reduction in mark-up increase in productivity of workers, availability of various raw material in abundance such as cotton / viscose /polyester and other man made fibers, availability of spare parts locally etc. Moreover he proposed to constitute an advisory council comprising of the technocrats available at all Chambers of Commerce and various institutions.

To increase cotton production he said that

improved and long term plan should be devised to ensure increased and quality production every year, adding that the work on BT cotton should be initiated. This project should be initiated in co-operation with the Monsanto the BT Cotton seed suppliers. By cultivation of BT cotton in Pakistan it will give 40 per cent higher yield per acre. India has successfully acquired this technology and has improved their cotton production significantly. urthemore, he maintained that the government should define agro land areas of the country according to the nature of the crops. The farmers should be held responsible to cultivate the same crops, for which their land is specified by the government. By this way government can easily assess the total yield of each crop and can set the goals for the achievements, he added.

He suggested that the study tour and the official trade delegations should be sent to the various countries so as to conduct the research in order to compete in the international market, and in this connection close

liaison with down stream Industry may be established. We must ensure that Pakistan share in Textile Business all over the World is increased to 50 per cent by 2015, he stressed.

President, FCCI, demanded that the government should provide long-term financing at very low rates to export oriented industries, as the country is full of natural resources, which has reserves of carbon for four hundred years, which must be utilized for strengthening energy sector with immediate planning and development. He further said that the Ministry of Textile in consultation with Ministry of Petroleum & Gas should work out a common strategy for continues supply of gas to the industries especially in winter, moreover, with regard to higher power rates, utility companies should be given task to reduce their 30 to 40 per cent TND losses (theft).

To seek new avenues he stressed that duty free market access for export of Pakistan textile products to EU should be ensured whereby the

25 countries of EU should be approached at government level and dialogues with concerned officials to be started. In this regard the textile ministry in consultation with ministry of commerce should initiate dialogue with France, Netherlands, UK, Turkey and Germany and with other countries for duty free access to their countries.

For the revival of closed textile units he stressed to focus on working in collaboration with State Bank, SECP and PBC under public-private partnership making them viable by enhancing their economy of scale under BMR with the injection of fresh funds by the new investors under ten years resolution trust company, as a model already tested by US and other countries.

China is very keen to supply their textile machinery for such units as their investment, he added. To discuss the legal aspects to run the business he said that there is dire need to introduce certain laws (liquidation and chapter 11) for the respectable exit in case of default or close down of the units. Release of the personal

guarantees of the sponsors will also be a part of it. Commenting over the remedial steps, short-term strategy and long term steps, FCCI president mentioned that the cause of inflation is misinterpreted by the Finance Managers of our country, whereby according to the government point of view the inflation can be controlled by increasing mark-up and discount rate of the banks and it is clear that inflation rate has been increased from 18 to 24 per cent even the government has increased interest rate. In this context the major cause for the inflation is production led down due to severe energy crises, shortage of cotton, political uncertainty and deteriorating law and order situation.

Mian Hamid Javed said that Business community is waiting for change in Prudential Regulations, which includes no CIB reporting of non payment up to 270 days instead of 90 days. Further relaxation in maintaining current ratio 1:1 for one year, as many mills in view of losses cannot maintain current ratio 1:1, he concluded.