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# Car congestion at Chittagong Port

## Slow delivery of vehicles spells space dearth

**NURUL ALAM,** *Chittagong*

Due to a slowdown in taking delivery by importers, more than 4,000 imported vehicles have been kept inside Chittagong Port jetty, causing space congestion.

The huge number of vehicles, mainly cars, already exhausted two sheds, F and P, of the port jetty, forcing the authorities to shift some of those to elsewhere inside the jetty, port sources said.

Normally these two sheds are meant for keeping the imported vehicles before taking delivery by the importers.

As per port rules, the imported vehicles can be kept inside the jetty for 45 days after unloading from the ships and the importers have to pay extra charges if they fail to take the delivery within this period.

Port sources and automobile traders attributed the backlog of such a large number of vehicles in the port jetty to slow delivery against the backdrop of sluggish demand and sale of vehicles in the market.

Customs department sources said the delivery of imported vehicles has been witnessing a slowdown for the past six months.

At present, on an average 500 imported vehicles are delivered from the port sheds per month as against over 1,500 vehicles per month a few months earlier, a senior customs official said on condition of anonymity.

"Due to such a fall in the delivery, revenue earnings also came down," he added.

M Iqbal, a trader of imported vehicles, talking to this correspondent said their business was passing a dull time due to poor buying capacity of customers, increase in fuel price and excess duty on imported vehicles.

However, sources said a section of car traders are using the port sheds as their 'showroom' to sell their imported vehicles, creating an artificial space constraints.

Those traders reportedly take the customers inside the port sheds allowing them to choose vehicles before buying. Such a practice continued unabatedly for long in connivance with some port security personnel, sources said.

But officials of the port authority denied the allegation and claimed that such a practice had already been stopped after taking proper steps.

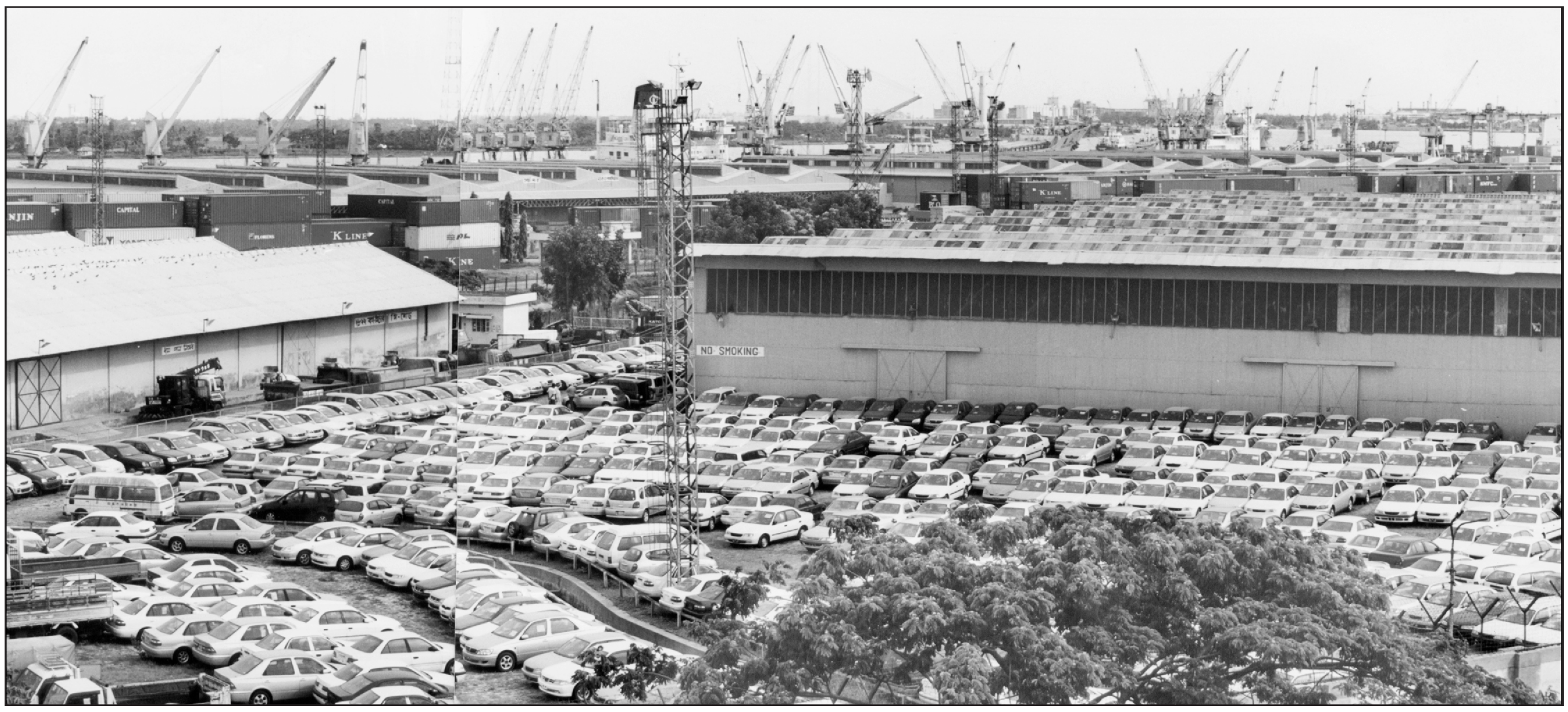


PHOTO: AKM MOHSIN

A bird's eye view of the part of Chittagong Port jetty where a large number of vehicles, mainly cars, await delivery. Due to a slowdown in taking delivery by importers, more than 4,000 imported vehicles have been kept inside the port jetty, causing space congestion.

# DSE under SEC wrath

## Failure to monitor, discipline members

**M SHAMSUR RAHMAN** *and* **NAZRATUN NAYEEM MONALISA**

The Securities and Exchange Commission (SEC) has accused the Dhaka Stock Exchange (DSE) of negligence in detecting, observing and monitoring the malpractice by its members.

In a letter to the DSE on Wednesday, the capital market regulators said despite specific instruction to initiate legal steps against certain brokerage houses, found guilty of misconduct, the DSE management kept mum on the issue.

The SEC said some DSE members are misappropriating their clients' money and shares, which is destroying investors' confidence in the stock markets.

The letter pointed out that despite repeated reminders, the bourse failed to appoint chief executive officer. The SEC is of the view that due to absence of such a key official, there is an administrative vacuum in the DSE.

It said that the DSE is a self-regulatory organisation and one of its key responsibilities is to provide fair, transparent and orderly market place as well as to discipline its members with a view to protecting the interest of investors.

"Your prime duty is also to ensure that all the members are operating fairly, monitored and regulated," the letter said adding, "But under the circumstances, our feeling is that the DSE is not quite active in performing its duties."

The SEC said there is clear evidence of deceiving investors and misappropriating funds of investors by certain brokers.

The letter is a follow-up of an SEC directive to the DSE on June 21 where the SEC, based on the findings of an investigation report, had asked the bourse to take appropriate measures against Times Securities Ltd, Mansura Securities Ltd, Qazi Kamal Securities and Md Ali Hossain & Co.

Based on the findings, the SEC suggested DSE initiating a series of actions, which include taking legal and administrative steps against the four DSE members for misappropriation of clients/customers money and other violation of securities laws.

The market regulators had also asked the bourse to take appropriate steps so that all sums and securities due by the four DSE members to their customers/clients are paid within July 3, 2003.

It had directed the DSE to complete inspection of Global Securities Limited by June 22, 2003 and take necessary actions, if needed, apprise the Commission of the findings and also to bring the issue before the DSE council meeting.

## Nepal's RMG export to US increases

**XINHUA,** *Kathmandu*

Nepal's readymade garment export to the United States increased by 60 per cent in the first half of this year over the same period last year, according to the latest figures released by the Garment Association Nepal.

"Garments valued at 62.03 million US dollars were exported to the United States from January to June 2003, increasing from 46.94 million dollars in the same period of 2002," independent English daily The Kathmandu Post on Saturday quoted the data as saying.

In the last month alone, the export increased by 39 per cent to 9.65 million dollars.

The increment in June gave further continuity to the series of upturn seen by the industry since August last year. The export rose for the eleventh straight month in a range of 30 per cent to 112 per cent compared with the correspondent period of the previous year.

Similarly, the exports of Nepali garment items to Canada and the European Union, though only small fractions of the total Nepali garments, also grew continually.

The garments industry in Nepal is entirely export oriented and accounts for 40 per cent of the country's foreign exchange earnings. It employs over 100,000 workers and sustains the livelihood of over 350,000 people.

## New MD of BIFC

Hasan Iqbal has joined Bangladesh Industrial Finance Company Limited (BIFC), a non-banking financial institution, as its managing director, says a press release.

Prior to his joining BIFC, he was working as the executive director of Flora Limited, a leading ICT company in Bangladesh.

A senior banker, Iqbal started his career with United Bank Limited (now Janata Bank) in the year 1968. He joined The City Bank Limited, in 1983.

Iqbal worked with United Commercial Bank Limited, Uttara Bank Limited and Southeast Bank Limited in different capacities.

## Dollar under pressure against taka

### Call money rate steady

**BSS,** *Dhaka*

The US dollar was under pressure against the Bangladesh taka in thin inter-bank trade yesterday due to lower demand from importers amid higher remittance earnings while call money rate remained steady.

Local foreign exchange dealers said the demand for the US dollar and other foreign currencies was very thin yesterday as most international foreign exchange markets were closed due to weekend holiday.

The dollar traded at 58.4100-4300 to the taka compared to its previous rates at 58.4050-4200 on Thursday, dealers of leading commercial banks said.

But trading was depressed due to holiday in the international markets. The volume of foreign currency trading was very thin, dealers said.

Sentiment on taka was bearish as credit flow remained sluggish since the end of last month, they said.

Meanwhile, call money rate was steady amid thin money demand from private banks and financial institutions, fund managers of leading commercial banks said.

The overnight money rate ranged between 2.50 per cent and 6.50 per cent -- its lowest ever level as the demand for short-term money was very thin, fund managers said.

"Huge liquid funds are now in the banks' cash vaults when banks are busy to close their accounts just ahead of June closing," fund managers of leading commercial banks said.

### Corporate governance in Bangladesh part-IV

# Profit transfer under legal cover hinders corporate governance

**M SHAMSUR RAHMAN**

Present government policy disallowing 'consolidated tax return' has opened gates for shifting of profits of companies where there are more public holdings. These profits are transferred to companies with sole ownership of sponsors and directors to deprive general shareholders from getting their share of profit.

Such non-acceptance of consolidated tax returns is setting bad corporate governance as it gives a legal cover to sponsors who redirects profits to another company within the group to minimise overall tax liability, according to a final draft report of the Asian Development Bank (ADB), which was prepared under an ongoing ADB technical assistance project.

"Maximising profits and dividends to the sponsor group through such investments are done at the expense of minority shareholders. This manipulation, when done through inter-company transactions, does not appear to violate Bangladeshi law or accounting standards and therefore it is difficult or impossible for minority shareholders to seek any legal remedy for losses incurred," the report said.

The report pointed out that failure to consolidate could lead to "at least the appearance of fraud".

The paper also highlighted on an investigation report of the Securities and Exchange Commission (SEC) where the Commission through a second audit of a loss making listed company found out that though there was no direct link between the sponsors of two companies yet the listed company in textile business was making all its sales to a particular company at a lesser price than market rate.

The report observed the selling agent has been granted a long-term contract with no apparent benefit to the company. "Sales occur at prices that appear to be below market rates."

Another interesting aspect is that the textile company was also sourcing cotton from the same selling agent at a much higher than market price.

"A surcharge of even Tk five per pound of cotton costs shareholders of the textile company approximately Tk 29 million, an amount equal to nearly half the operating deficit of the company during 2001."

"There is no formal agreement for purchase of cotton. The prices that the textile company pays for cotton and charges for yarn appear to be more in the nature of transfer prices than market prices and are subject to manipulation and the shifting of profits to the agent at the expense of the public shareholders and employees," the ADB final draft report said.

It said while reporting financial statements such facts should be disclosed in the regular audited accounts and the accounts of the textile company and the selling agent concerned should not be treated differently.

"Due to the adverse incentives, unconsolidated entities make poor investments and only a naï ve investor would be willing to invest money into a stock market composed of such firms and failure to consolidate entities under common control is a violation of international accounting standards (IAS)," the report observed.

It recommended changing of the tax code to permit consolidated tax returns. Unless such provisions are made there will always be strong incentives to shift profits within the group to minimise the total tax bills.

"This creates a climate where financial manipulation is acceptable to the detriment of the minority shareholder. However, even if the tax code is not changed, the listing rules of the stock exchange should be changed so that only the consolidated entity is listed using financial statements prepared according to IAS," the report said.

The report said without addressing this critical issue it will not be possible to provide fair and equitable market operations or establish corporate governance. (**Concluded**)

# Leather exports may come to a halt after 2004, says study

## Tanneries, manufacturing units lack ISO certification

**M ABDUR RAHIM**

Bangladeshi leather and leather product exports may come to a halt as none of the tanneries and manufacturing units has ISO certification to be required under WTO environmental provisions after 2004, a study warned recently.

The World Trade Organisation (WTO) has already set up international standards, ISO 9000 and ISO 14000, for leather and leather products under the policy of free market economy agreed by the world community.

The two standards are likely to be effective from 2005, said the study conducted by the Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association (BFLLFEA) and the Bangladesh Tanners Association (BTA).

The WTO provisions make it mandatory for exporters to have effluent treatment plant in their factory to reduce pollution from leather wastage, it said.

Developed countries, major importers and consumers of footwear and leather goods are concerned over both process and product-oriented environmental hazards. They expect that exporters fulfil environmental guidelines set by WTO.

The two associations in their study feared that Bangladesh might lose international market as the leather processing and leather products manufacturing companies in the country are yet to have ISO certification.

Out of the total 206 tanneries of Bangladesh, 186 are located in Hazaribagh area in Dhaka where 84 per cent of the total supply of hides and skins are processed in a congested area of only 70 acres of land.

The unplanned tanneries in Hazaribagh area do not have supporting infrastructure facilities. No tannery in the area has arrangements of effluent treatment.

They discharge about 12,500 cubic metres untreated water daily during peak production period following Eid ul Azha and 5,000 cubic metres during lean period, the study said.

Talking to The Daily Star, BFLLFEA Chairman Rezaul Karim Ansari said setting up of an effluent treatment plant individually is not economically viable as they are highly expensive. A group of enterprises can install a plant to use on shared basis, he suggested.

He said government should assist the entrepreneurs to set up such expensive plants.

About the fear of losing international market of leather and leather products, he said the government and donors should come forward to rescue the sector, as the country's whole economy would be affected by it.

Leather and leather goods export is one of Bangladesh's key export earning sectors. The country earned $290 million in 2000-2001 by exporting leather and leather goods.

Chairman of Bangladesh Tanners Association Harun Chowdhury said they are willing to set up effluent treatment plant but they do not have enough funds required for it.

Lack of adequate space in Hazaribagh is another impediment in setting up treatment plant there, he added.

In this regard he mentioned the government is yet to decide on the proposed relocation of Hazaribagh tanneries to Savar with integrated effluent treatment plant.

"We are willing to shift our units to Savar. If the government provides us land and fund, common treament plant can be set up which would solve the problems regarding WTO environmental requirements," he said.

## Repo auction

**UNB,** *Dhaka*

The reverse repo auction of Bangladesh Bank for commercial banks and financial institutions was held here yesterday.

Twelve bids of 2-day tenor amounting to Tk 915 crore were received, of which twelve bids of 2-day tenor amounting to Tk 895 crore were accepted, said a press release of Bangladesh Bank.

The rates of interest against the accepted bids ranged from 3.70 per cent to 3.95 per cent per annum, the release added.

## Qatar Airways flies to Rome

Rome has become the 41st destination of Qatar Airways.

The airlines added Rome yesterday to its growing number of destinations across Europe, the Middle East, the Indian sub-continent, Far East and North Africa, says a press release.

Qatari Ambassador to Italy and Qatar Airways Regional Manager of Europe Siva Ramachandran, Regional Manager of Qatar and Africa Fathi Shehab and a representative from Rome airport inaugurated the flight.

The inaugural flight was seen off from Doha by the Italian Ambassador to Qatar Iannuzzi and Qatar Airways General Manager Mohamed Saleh Fakhri.

The Qatar Airways will be flying to Rome four times a week. It will service Rome and Milan with four triangular flights a week between Doha, Rome and Milan. The route will be reversed twice a week.

## Indian economy strong enough to grow by 6.5pc

**AFP,** *New Delhi*

India's central bank governor Bimal Jalan said Saturday India's economic position was strong enough to see growth rates of 6.0 or 6.5 per cent in the medium term.

"Our macro-economic position is very strong with low inflation and interest rates and high forex reserves, which is congenial to carry forward the financial sector reforms and accelerate growth by two to three per cent in the medium term," Jalan was quoted as saying by the Press Trust of India (PTI) news agency in New Delhi.

"... I expect growth to be between 6.0 per cent to 6.5 per cent in the medium term," he said.

Last month, the Central Statistical Organisation blamed a withering drought for shaving one percentage point off India's economic growth in the year to March, bringing it down to 4.3 per cent from the year before.

It said despite more than five percent growth clocked by the manufacturing, mining and hotel industries, overall economic growth was pulled down to due to low agricultural output.