TAMING CORONAVIRUS RAMPAGE

Neither operators nor customers are happy

Says Robi CEO in Facebook session on taxes

STAR BUSINESS REPORT

Whenever any Robi user tops up Tk 100 for service, the National Board of Revenue is said to get Tk 27.50 from it as surcharge, value added tax and supplementary duty and Tk 11.4 as minimum turnover tax and SIM tax.

Another Tk 14.4 goes to Bangladesh Telecommunication Regulatory Commission in the form of revenue sharing and spectrum and licence fees while Tk 18.2 to the ecosystem licensees, leaving Tk 28.5 for the carrier.

These numbers were shared by Mahtab Uddin Ahmed, chief executive officer and managing director of Robi, in a Facebook live session on Monday evening.

There were about 1,000 concurrent viewers who also engaged in a question-answer session.

Using what was left, Robi has to manage and expand its network, bear staff salaries and run promotions and other expenses, he said, adding that it was quite impossible to run all these efficiently with this sum.

Ahmed also referred to media reports on the government's intent to increase additional supplementary duty on all kinds of mobile services by 5 percentage points in the upcoming national budget of 2020-21.

"If the government incorporates additional taxes on it then it will be unbearable for us to run the service," said Ahmed.

Currently the services carry 15 per cent VAT, 10 per cent supplementary duty and 1 per cent surcharge.

The government has increased taxes on mobile services consistently for the past few years and it had an impact on users, said

COST OF EVERYTHING INCREASED FOR MASS PEOPLE EXCEPT MOBILE SERVICES

SERVICE	2011	2020	CHANGES
ELECTRICITY (Per unit Price)	Tk 7.11	Tk 9.12	Increased 28.3%
GAS (two burner)	Tk 450	Tk 925	Increased 106%
WATER (Thousand Litre)	Tk 6.66	Tk 14.46	Increased 117%
BUS FARE (Per KM)	Tk 1.55	Tk 1.70	Increased 10%
VOICE TARIFF (per minute)	Tk 0.86	Tk 0.56	Decreased 35%
DATA TARIFF (per-MB)	Tk 1.10	Tk 0.03	Decreased 35%

SOURCE: ROBI

Ahmed, also the president of the Association of Mobile Telecommunication Operators of Bangladesh (AMTOB).

"Definitely usage and user numbers will not increase if the tax on usage increases further. We also acknowledge that the government needs money to run the country but how long can a single industry be taxed?" said Ahmed.

"With this tax structure we are not happy and we can't make the customers happy."

He also asked customers to request the government to bring down taxes on telecom services which would ultimately help them reduce service costs and improve service quality.

Ahmed gave a presentation stating that the country's mobile operators were currently paying 53 per cent of their total revenue as taxes and fees. He said this was the highest in the world. Next in line was Argentina and Pakistan at 38 per cent.

According to his presentation, the average tax on telecom services in the Asia Pacific region is 24 per cent, Latin America 18 per cent and Europe 21 per cent.

Ahmed said the viewers could go ahead to get the facts and numbers about investment, revenue and taxes checked to see if they were telling the truth.

"Thanks to the government that they have declared a vision to make Bangladesh a digital country but the tax policy on digital services is contradicting that vision, which needs to be revised," he added.

Bangladesh is a land of opportunities and if policymakers can present the right tax policies, more operators will come over with huge amounts in investments, he added.

"The telecom regulator has tried to bring new operators in Bangladesh in 2013 and 2018 but failed because of the tax policies," he said.

Once there were six players but unfortunately it came down to four and a good number of international investors left this country's telecom industry already, he said.

Ahmed showed a government letter acknowledging Robi as the single foreign investor to bring in the highest amount of foreign direct investment five times in a row. But he also expressed his frustration on their profitability.

Robi's shareholders have so far invested more than Tk 26,500 crore and made a profit of Tk 1,240 crore in its journey of more than two decades in Bangladesh.

The management was able to provide Tk 292 crore to investors as dividend and contributed more than Tk 27,690 crore to the national exchequer as of 2019.

READ MORE ON B3

Shrimp farmers seek soft loans to survive shocks

STAR BUSINESS REPORT

Stakeholders of the country's shrimp industry yesterday demanded soft loans from the government as the sector is in dire straits because of two natural disasters -- the Covid-19 pandemic and super cyclone Amphan.

The Shrimp Hatchery Association of Bangladesh (SHAB), Bangladesh Shrimp and Fish Foundation (BSFF) and Bangladesh Aqua Products Companies Association (BAPCA) made the call in a joint statement.

Shrimp is being cultivated on around 258,681 hectares of land in the south and south western part of Bangladesh, they said.

But in the last three months, production and sales of shrimp came to a halt due to a lack of workforce because of coronavirus, disrupting the whole supply chain.

In the meantime, Amphan appeared and caused 40,800 farmers of shrimp, finfish and crab losses worth Tk 217 crore, according to the preliminary estimate by the Department of Fisheries.

Shrimp farmers, who export their produce to the EU and US to earn the nation $500 million annually, were the worst hit.

Nearly Tk 175 crore was lost by 18,450 shrimp farms in the southern coastal regions due to the cyclone.

Vast expanses of water bodies were flooded and important infrastructures, farm establishments, hatcheries and ponds which were prepared for the next production cycle were badly damaged, according to the statement.

Now farmers are preparing for the next production cycle of black tiger shrimp, which accounts for more than 90 per cent of fisheries' export, they said.

So, the associations demanded special financial assistance for shrimp farmers for their urgent rehabilitation and procurement of post larvae.

Around 90 per cent of shrimp farmers are small entrepreneurs, and they are dependent on imported feed and other inputs, which have also been disrupted in recent times.

The shrimp sector plays a significant role in building the economy as it creates numerous jobs and leaves a positive impact on the aquaculture value chain, poverty reduction and export earnings.

Despite being huge contributors, shrimp farmers have limited access to institutional loans, the associations said.

Besides, loan disbursement from banks decreased significantly amid the prolonged shutdown.

Asheq Ullah Rafiq, president of SHAB; Syed Mahmudul Huq, chairman of BSFF, and Mohammed Tarique Sarker, president of BAPCA, signed the statement.

Revisiting supply chain success through multi-sourcing

AZM SAIF

COVID-19 cracked open the vulnerabilities of global supply chains as it shook the long-established business models to its foundations that took corporations and governments across the globe decades to build.

As nations are grappling to contain a tiny virus, everything from lithium mines in Chile to semi-conductor makers of China's industrial capital came to a standstill.

A supply chain shock that was born in China became a global phenomenon with the blink of an eye.

The domino effects are contributing to the growing conviction that the world has slipped into its first major recession since the global financial crisis more than a decade ago.

Coronavirus spread has been leaving businesses around the globe counting the costs.

As a matter of fact, the US-China trade war had been affecting negatively the companies around the world as they completely rely on China for sourcing business.

A recent study shows the world's largest 1,000 companies or their suppliers own more than 12,000 facilities in the initial COVID-19 quarantine areas of China, Italy and South Korea.

China has been the biggest sourcing hub for companies in Asia, Africa, Europe and South America.

Even prior to the trade war, companies began to look for alternative sources to ensure their business continuity.

It has become harder for companies around the world to go for other countries for alternative sourcing destinations as China has robust infrastructure that is run by a skilled labour force and equipped with resource base.

But it is needless to mention that in China, while the infrastructure is good, compliance with law — including child labour, environmental and intellectual property laws – is a challenge.

After this COVID-19 crisis, it is going to be logical to expect companies to ask suppliers for improvements in social support and healthcare attention to its people as mandatory compliance.

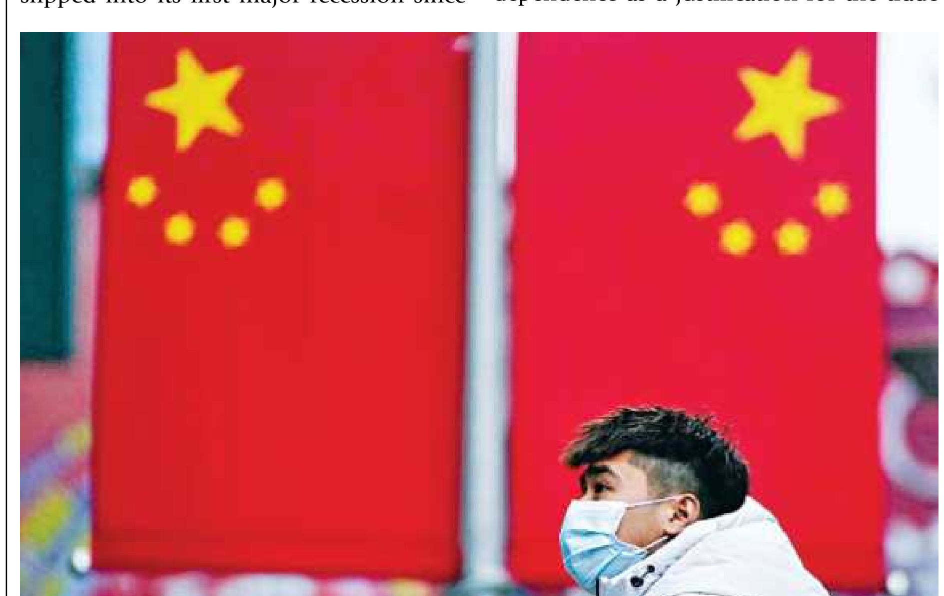
The dependency on one country needs to be reduced. The outbreak has taught the world a lesson on how much they depend on China. Ford and Toyota stopped some of their vast Chinese assembly plans for an extra week, Apple is preparing a plan to re-route their supply chains and Starbucks closed thousands of their stores.

China has become so crucial to the American companies that some members of the Trump administration are citing this dependence as a justification for the trade war that forced American businesses to consider shifting their factories in China to countries with better relations with Washington.

Dominance of one country like China over the global market has grown astronomically in recent years partly due to the availability of large skilled human resources and its large consumer base.

Nevertheless, there are other emerging markets with better and even less expensive workers. Some of them are Brazil, Mexico, Indonesia, South-Korea, Turkey, Colombia, Indonesia, Vietnam, Egypt, Bangladesh and South Africa.

This is the case for developing countries in South Asia, Africa and South America. Global companies need to change their strategies to include new emerging markets that can be alternative sources for their businesses.



REUTERS/FILE

A supply chain shock that was born in China became a global phenomenon in the blink of an eye.

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Cement manufacturers want cuts in import duty on clinker

JAGARAN CHAKMA

The cement manufacturers have sought a 60 per cent cut in import duty on clinker and waiver on existing loan interest, to recover from the losses they suffered since the COVID-19 outbreak.

"We had zero sales during the countrywide closure in the last two and a half months," said Md Alamgir Kabir, president of Bangladesh Cement Manufacturers' Association (BCMA).

"So for our survival we need the import duty on clinker, the sector's major raw material, to be brought down to Tk 200 a tonne from the existing Tk 500."

The sector is heavily dependent on clinker, said Mohammed Amirul Haque, managing director of Premier Cement.

"Clinker accounted for $900 million of the $1.35 billion worth of raw materials that the manufacturers imported last fiscal year. Due to a lack of mineral resources, local cement manufacturers bring in around 18 million tonnes of clinker every year."

The sector counted a loss of around Tk 600 crore from March 26 to May 30. Factories opened on a limited scale on June 1 as the demand was close to zero," said Md Shahidullah, first vice-president of BCMA.

Most factories are now using only 10 per cent production capacity to supply cement to some of the ongoing mega projects, said Shahidullah, also the managing director of Metrocem Cement.

"The rest 90 per cent capacity has remained unutilised, but still the cement makers had to pay staff salaries, including Eid bonus, and set aside money for the loans they have."

The cement makers pay 3 per cent advance income tax for importing raw materials and 3 per cent tax during sales, said Kabir, also the chairman of Crown Cement.

"To ease our burden, we urgently need waiver on our existing loan interest, as revenues have dried up to a great extent."

The association made the demand in its budget proposals, which have already been forwarded to the finance minister and the National Board of Revenue.

Annually $3 billion or Tk 25,500 crore worth of cement is sold, of which 45 per cent goes to government projects, 30 per cent to real estate companies and the rest to individual consumers, Shahidullah said.

"Cement supply has begun, but the sales are nominal," he added.

The rainy season, when demand remains poor, is knocking at the door, Kabir said.

Considering the poor economic climate, cement manufacturers would be willing to sell their products at the manufacturing cost, he added.

"Despite that, we can barely offload the stocks due to a thin presence of buyers."

The industry grew at over 15 per cent on an average a year in the past decade. This tremendous growth rate is enough to draw foreign raw material suppliers, market players said.

The demand for raw materials is increasing in line with the expansion of the manufacturing capacity, Haque said.

"About 80 per cent of the clinkers used for cement production in Bangladesh are imported."

The industry would not need to import fly ash after five years as the component, a byproduct of coal-based power plants, would be produced in the country.

The local production of fly ash would save $130 million annually, he said.

Cement manufacturers import clinker, gypsum, fly ash, and iron slag from China, Hong Kong, India, Indonesia, Thailand, Japan, Korea, Malaysia, Oman, and the UAE.

There are around 125 cement manufacturing companies in Bangladesh, out of which 37 are in operation and they have an investment of around Tk 30,000 crore. The total production capacity of the cement mills was 58 million tonnes in 2018.