

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday STANDARD CHARTERED BANK			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.22%	Flat	\$1,770.62 (per ounce)	\$41.02 (per barrel)	▲ 0.94%	▲ 1.13%	▲ 0.55%	▲ 0.30%	BUY TK 83.95	93.14	103.01	11.69
3,969.28	6,818.26			35,171.27	22,512.08	2,604.51	2,979.55	SELL TK 84.95	96.94	106.81	12.29



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Govt may not hike SD on telecom services

REJAUUL KARIM BYRON and MUHAMMAD ZAHIDUL ISLAM

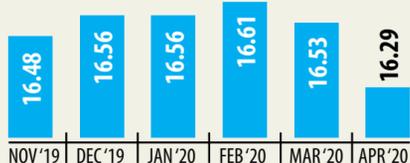
Finance Minister AHM Mustafa Kamal may scrap his plans to raise the supplementary duty (SD) on telecom services and double the deposit in VAT-related disputes following criticism and pleas from various quarters.

While unveiling the budget for fiscal year 2020-21 on June 11, the minister has proposed hiking the SD on all kinds of telecom services to 15 per cent from the previous 10 per cent.

Both operators and users have expressed dissatisfaction at the move and said tax on mobile phone use increased in the last few years, which has negatively affected customers' service-availing trends.

ACTIVE MOBILE CONNECTIONS

In crore; SOURCE: BTRC



On Wednesday, Telecom Minister Mustafa Jabbar, in a demand letter to the finance minister, called for withdrawal of the additional SD, pointing out that it would thwart the process of digitalisation.

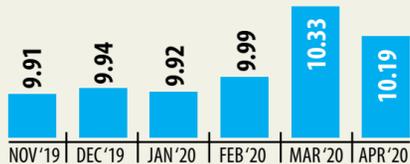
"People are now having a very tough time, so the government should not create any more burden for them," the telecom minister told The Daily Star.

Several other cabinet members and members of the parliament also requested the finance minister to scrap the SD. Apart from the latest hike in the supplementary duty, there is a 15 per cent value-added tax and 1 per cent surcharge on mobile phone bills from before, which make the total tax for mobile phone use 33.25 per cent now.

Kamal may withdraw the proposal while making a statement to parliament on the proposed budget on Monday.

ACTIVE INTERNET CONNECTIONS

in crore, SOURCE: BTRC



Another area that may see change is the deposit needed for appealing against tax claims before VAT commissioners and appellate tribunals.

Kamal has proposed to increase it from 10 per cent of the disputed amount at present to 20 per cent.

This is one of the VAT-related measures businesses and trade bodies have expressed worry about, saying some of the proposed changes in the VAT law will increase their costs and discourage them from seeking justice against inflated revenue claims by field officials of the National Board of Revenue.

In his budget speech, Kamal said the increase aimed at reducing a tendency of lodging illogical cases against VAT claimed by field officials.

The current practice is that firms file appeals for revision of VAT claims before commissioners by paying 10 per cent of the disputed amount.

READ MORE ON B3

Private sector credit growth picks up in May -- on paper

AKM ZAMIR UDDIN

Private sector credit data appears to have gone against the grain in May.

For 24 months on the trot, private sector credit growth was lesser than in the previous month. And the trend was expected to continue given the overall doom and gloom on the economy.

But in May, it edged up to 8.86 per cent from 8.83 per cent a month earlier, according to data from the central bank.

"This is not the turnaround that we are desperately waiting for," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

In May, economic activities

started on a limited scale and both the central bank and the government began to release funds from the stimulus packages for businesses.

For instance, garment factory owners took out funds from the Tk 5,000 crore package allotted from them to provide the salaries of their workers, he said.

Banks had started disbursing loans and opening and settling the letters of credit on a limited scale since May, which also helped push the credit growth, said MA Halim Chowdhury, managing director of Pubali Bank.

"We should take the situation into account while considering the private sector credit growth

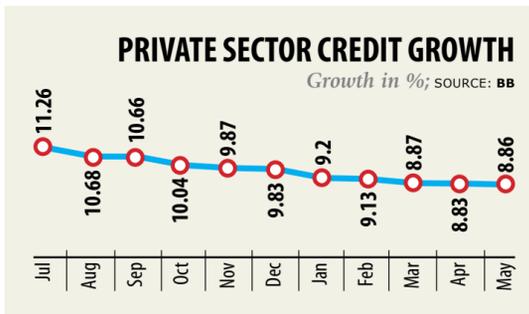


figure in May," said Mansur, a former economist of the International Monetary Fund.

The credit growth will increase in the true sense once the country gets relief from the pandemic after the vaccine for COVID-19 is invented.

Another reason for the uptick is the banks' opting for interest capitalisation in response to the central bank order to not classify any types of loan until September with the view to cushioning the blow for borrowers from the ongoing economic mayhem,

said Mansur, also the chairman of Brac Bank.

Interest capitalisation is the addition of unpaid interest to the principal balance of a loan. The subsequent interests are calculated on this new amount, meaning the loan balance increases over time and borrower ends up with a larger loan amount.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, echoed the same as Mansur about the effect of interest capitalisation on May's credit

growth figure.

Although banks traditionally calculate the interest capitalisation at the end of every quarter, many lenders have perhaps adopted the method in the middle of the quarter given the ongoing terrible situation.

"The stimulus packages and credit relaxation on borrowers are good in the interest of keeping the wheel of the economy moving. But this time the increased credit growth will not contribute to the economy," said Rahman, also a former chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

In fact, given the government's increasing tendency to borrow from the banking sector, the private sector might be crowded out from funds altogether.

The undetermined state of the coronavirus epidemic curve in Bangladesh also suggests that economic activities cannot begin in earnest anytime soon. So, May's figure seems like a blip in the narrative of private sector credit growth rather than a harbinger.

Lack of database hinders youth development: lawmaker

STAR BUSINESS REPORT

The absence of an accurate database is the main barrier towards undertaking any initiative for youths in Bangladesh which could have led to the subsequent reaping of the expected demographic dividend, said one of the country's youngest lawmakers yesterday.

"The lack of database on youth is the major obstacle and weakness towards undertaking any plan regarding youth development," said the parliament member, Nahim Razzaq.

He raised this issue while addressing a webinar on "Development of young population: perspective FY2020-21 budget implementation" jointly organised by ActionAid Bangladesh and the South Asian Network on Economic Modeling (Sanem).

"How is it possible to set a target group without proper information," asked Razzaq, adding that institutional restructuring was also required for ensuring need-based education.

A member of the parliamentary standing committee on the foreign affairs ministry, he also put emphasis on budgetary allocation for young entrepreneurs so that they could deal with the impacts of Covid-19.

The language barrier is also one of the major problems for youth and a lack of this communications

skill was rendering them incapable of competing with others, he further said.

Though budgetary allocations are being made for youth development, there is no monitoring on how it was being spent, said Razzaq.

The health sector's infrastructure is very weak and the government gave priority to it in the proposed budget, said Atiur Rahman, former governor of Bangladesh Bank.

There are inefficiencies in utilisation of the budget for the health sector and it should be addressed for the health sector's development, said Rahman, also a professor of the Department of Development Studies at the University of Dhaka.

Regarding a budgetary allocation for small and medium enterprises, he said the small and micro entrepreneurs have no access to formal finance so the central bank could take up an initiative to protect them.

Regarding implementation of the budget for youth, he said the ministry of youth and sports could create a monitoring cell to oversee it. Training should be provided to youths seeking to become entrepreneurs in the future, said Rahman.

Hussain Elius, chief executive officer of ridesharing entity Pathao, demanded policy support from the government for

LABOUR MARKET STATUS OF YOUTH POPULATION

Youth participation	Male	Female	National
Youth working age population (in million)	19.6	21.6	41.3
Youth labour force (% of total LF)	30.1	35.0	31.6
Youth (% of total employed)	27.4	35.0	29.5
Youth unemployed (% of total unemployed)	80.2	79.0	79.6
Youth unemployed (% of total youth)	5.4	5.2	10.6
Youth unemployment rate (%)	8.2	15.0	10.6
Informal employment (% of total employment)	88.0	91.6	89.2

SOURCE: SANEM

companies like his.

At least four lakh drivers are involved with ridesharing companies and their employment and livelihood depended on ridesharing, he said.

He alleged that the government was not allowing the resumption of ridesharing in the city on health safety grounds though mass transportation had again been made available.

He further said the around 1,000 startups created in the past 10 years with around \$200 million in investments were in trouble for the pandemic.

The government should have given emphasis on youth entrepreneurship in the budget, said Mahtab Uddin, a research fellow of Sanem. The allocation Bangladesh made for the health

sector is the lowest among least developed countries, he said.

The budget should have focused on human resource development instead of business for inclusive growth, said Nazmul Ahsan, manager-youth people, ActionAid Bangladesh.

"If we can't create domestic demand, the economy will not rebound," he said.

Vocational and technical education is not market oriented and the curriculum needs to be made up-to-date, he said.

Covid-19 has brought about a new world order which should be accepted to survive the changing situations, said Farah Kabir, country director of ActionAid Bangladesh, while chairing the event.

She urged the government to incorporate sufficient initiatives

in the budget to address the needs of the youth, at least for a short period.

"The youth are in uncertainty due to Covid-19 as they are frustrated over their future. We have to utilise the talent and innovation of the youth," she said.

Selim Raihan, executive director of Sanem, suggested considering employment generation initiatives in the budget focusing on the young population.

The government increased allocation for the health sector in the budget and there is scope to raise the budget for the health service system further, he said.

A long-term plan should be undertaken to reap demographic dividend, said Raihan, also a professor of the Department of Economics at the University of Dhaka.

Some 37 million students have been affected due to the nationwide closure of educational institutions since March 17, said Eshrat Sharmin, a research associate of Sanem, through a presentation.

Very few institutions and students have access to distance learning tools so this is a hiccup to ensuring education, she said.

Sayema Haque Bidisha, research director of Sanem and an economics professor of the University of Dhaka, moderated the event which included youth representatives.

NBR failed to widen tax base despite huge spending

FBCCI says, demands investigation

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday demanded an investigation into the National Board of Revenue's (NBR) failure to widen the tax base despite having spent more than Tk 600 crore on consultancy fees and others for the implementation of multiple VAT rates.

The country's tax administration began the project back in 2012 with an objective to expand the tax base, ease the VAT system, improve compliance and reduce harassment among business people.

A majority of the informal business sector, which accounts for 84 per cent of the national economy, was supposed to be brought under the tax base through these initiatives. However, in reality, the only noticeable outcome was an increase in harassment.

In accordance with the recommendations

made by consultants, the government introduced multiple VAT rates in 2017, but following heavy backlash from the business community, the project was suspended.

Multiple VAT rates were then reintroduced in 2019, but the tax base did not grow as the tax-to-GDP ratio remained stagnant at 9 per cent.

Besides, the collection system is yet to be streamlined while incidents of VAT officials harassing businesspeople, especially those who own small-scale firms, have become far more frequent, said FBCCI President Sheikh Fazle Fahim.

District level NBR officials particularly harass small traders in the name of VAT law implementation, he said.

"The VAT system just became more complicated even though the NBR spent a lot of money to ease the system by paying consultants," added Fahim.

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Faithful to his duty till the very end

AKM ZAMIR UDDIN

"My health condition is not good and I might probably take admission in a hospital, so you guys should send the draft of the monetary policy soon.

"It would be difficult for me to review the draft policy if you do not submit it in the quickest possible time."

The remarks were made by Allah Malik Kazemi, change management adviser of Bangladesh Bank, just days before he was hospitalised on June 22 for coronavirus infection.

He parted for the great beyond on June 26, his elusive retirement finally materialising at the age of 75.

Kazemi's long-time colleagues at Monetary Policy Department are still trying to come to terms with his passing.

"It is a great shock for us that sir will never give the final touches on the monetary policy, what he had done for years," said one.

The central bank had earlier decided to unveil the monetary policy statement for next fiscal

year early next month but it is now difficult to do so due to the absence of Kazemi, he said.

The central bank is highly dependent on Kazemi to frame not only the monetary policy but also other different guidelines for the

financial sector.

For this reason, he had been appointed adviser to the central bank soon after his retirement as deputy governor in 2007.

The central bank was able to tackle the previous great recession



Allah Malik Kazemi

and its aftershock successfully since 2007 by way of implementing different models framed by Kazemi, said Atiur Rahman, a former governor of Bangladesh Bank, who worked closely with him.

He served the central bank until his death and is also a torchbearer for officials of the country's central bank, he said.

Kazemi was also a brilliant student as he achieved first position in his graduation and post-graduation and the recruitment test of the central bank in tandem.

He joined the central bank in 1976 as an assistant director.

"The country is going through a recession. He would have served the economy as a whole if we could protect him from the lethal virus," Atiur said.

He has also educated many officials of the central bank on how to frame the monetary policy.

In addition, he had a great skill on predicting future conditions of the financial sector examining the present circumstances, Atiur said.

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IMF's Georgieva says virus crisis could ultimately test \$1tr war chest

REUTERS, Washington

International Monetary Fund Managing Director Kristalina Georgieva said on Friday that the global economic crisis spurred by the coronavirus could ultimately test the Fund's \$1 trillion in total resources, "but we're not there yet."

Georgieva told a Reuters Newsmaker webcast event that it was now clear that an economic recovery would have to get underway without a medical breakthrough and the virus' presence still widespread throughout the world. IMF member countries were standing by to provide more support to the Fund if necessary, she said.

The IMF on Tuesday forecast a deeper global recession than initially anticipated, as business closures, travel restrictions and social distancing measures persist in most countries. It now anticipates a global GDP contraction of 4.9 per cent this year and a total output loss of \$12 trillion through the end of 2021.

"We still have about three quarters of our lending capacity available," Georgieva said. "I wouldn't put it beyond us that we might be in a place where the IMF resources are being tested, but we're not there yet."

Regarding the possibility of additional resources, she said: "Our members are telling us, 'Everything is on the table. You come to us if you need to do more of something, we are there for you.'"

The IMF has been rapidly deploying some \$100 billion in emergency financing and has

now provided loans and grants to 72 countries in just over seven weeks, Georgieva said.

The Fund later on Friday approved a new, \$5.2 billion 12-month loan program aimed at helping Egypt to cope with the coronavirus and plug budget and balance of payment gaps.

The IMF is providing technical assistance to Argentina in the country's debt negotiations

with private creditors.

"What I learned as a crisis commissioner: pray for the best, prepare for the worst," she said of the talks.

The Fund stands ready to negotiate a new program to replace Argentina's \$57 billion 2018 bailout, one that is good for growth, the private sector and poverty reduction, Georgieva added.



Kristalina Georgieva

Some US food suppliers forego China contracts over coronavirus curbs: trade group

REUTERS, Chicago

Chinese demands that overseas suppliers guarantee their food shipments are free of the novel coronavirus are causing some shippers to forego the China trade, an industry group representing US produce growers said on Friday.

Western Growers, which represents companies that produce half of US fresh fruits, vegetables and tree nuts, confirmed that many of its members had received such requests from Chinese authorities.

"It's changing how some of our growers are reacting to the marketplace," said Dennis Nuxoll, the trade group's vice president of federal government affairs. "Some of them are not going to export."

Nuxoll declined to say which companies were backing away from shipments to China.

Western Growers complained this week to the US Department of Agriculture and US Trade Representative over the issue, and the government said it would take it up, Nuxoll said.

The USDA and USTR did not immediately respond to requests for comment.

In a statement on Wednesday, the USDA and US Food and Drug Administration said: "Efforts by some countries to restrict global food exports related to COVID-19 transmission are not consistent with the known science of transmission."

China, where the coronavirus pandemic originated, is trying to prevent any possibility of new infections coming from imported goods as it takes aggressive measures to contain a recent spike linked to a wholesale food market in Beijing.

Global meat exporters like JBS SA, along with some US produce suppliers, have agreed to sign declarations ensuring the safety of their shipments. Others that export produce and soybeans have scoffed.

Produce exporters are nervous that Chinese authorities could reject perishable goods, making the shipments a total loss, Nuxoll said.

"We are aware that the Trump Administration has objected to China's actions and request that the administration continue to pressure the Chinese government until it reverses this ill-timed and scientifically indefensible trade barrier," said Dave Puglia, Western Growers' president and chief executive.

India to end central control of gas prices, lift LNG transport use

REUTERS, New Delhi

India will gradually end central controls on gas pricing as it seeks to attract foreign investment and technology to lift local output, oil minister Dharmendra Pradhan said on Friday.

India, which is a large emitter of greenhouse gases and has multiple gas pricing regimes, aims to raise the share of gas in its energy mix to 15 per cent by 2030, from 6.2 per cent.

"This is an incentive we are giving to investors to come to India and take advantage of pricing and marketing freedom and produce more and invest more," Pradhan said at the BNEF summit.

To boost gas usage, India is expanding infrastructure including building new liquefied natural gas (LNG) import plants and connecting households with an expanding gas pipe network.

New Delhi said recently that no authorisation was needed to set up LNG dispensing facilities for vehicles.

India's top gas importer Petronet LNG said on Friday it wants to partner with fuel and gas retailers on LNG stations along highways for long-haul trucks and buses.

Petronet wants to set up 5 LNG stations in the fiscal year ending March 2021, and 300 by 2023. It eventually aims to have 1,000 LNG stations across India, it said on its website.

Meanwhile, Indian Oil Corp, the country's top refiner and fuel retailer, said this week it wants to start LNG retailing through its fuel pumps.

GAIL (India) Ltd's executive director Rajeev Mathur said his firm is looking for partners to set up LNG dispensing facilities. Mathur said India's gas demand is expected to rise by 3 per cent-4 per cent between October 2020 and March 2021, after witnessing a huge fall in April-May due to a coronavirus lockdown.

Imported LNG accounted for about half of India's 60.8 billion cubic meters of gas consumption in the fiscal year to March 2019.

Vietnam PM warns of economic calamity at Asean summit

AFP, Hanoi

Vietnam warned Friday the virus pandemic had swept away years of economic gains as Southeast Asian leaders met online for a summit also dominated by anxiety over Beijing's moves in the flashpoint South China Sea.

The current chair of the Association of Southeast Asian Nations (Asean) also wants to use the summit to inject momentum into talks on a sprawling China-backed trade pact. The immediate focus for the 10-member bloc is the crippling cost of the coronavirus, which has ravaged the economies of tourism and export-reliant countries such as Thailand and Vietnam.

"It has swept away the successes of recent years... threatening the lives of millions of people," Vietnam's Prime Minister Nguyen Xuan Phuc said in a sobering opening address.

He emphasised the "serious consequences" of the pandemic for economic development among Asean's members.

Asean General Secretary Lim Jock Hoi confirmed the bleak outlook, warning the region's economy is expected to contract for the first time in 22 years. Thailand is bracing for particularly rough news -- its central bank now forecasts its economy to shrink by an unprecedented 8.1 percent. Vietnam,

which has won praise for containing the virus early, is still set to see at least two percent chipped off its GDP in 2020. It hopes the summit will see progress on a trade agreement known as the Regional Comprehensive Economic Partnership, which is being pushed by China. A deal, which would loop in half the world's population and a third of its GDP, has been hampered by India's refusal to join over access to its market for cheap goods from

China, the regional superpower it is now locked in a deadly border row with.

There is also increasing angst that the fallout from the virus has provided cover for new Chinese plays in the South China Sea, the resource-rich waterway Beijing claims most of but is also contested by Vietnam, the Philippines, Malaysia and Taiwan.

In a draft statement seen by AFP, Asean leaders noted concerns over "land reclamations, recent developments and

serious incidents" in the South China Sea.

In recent years Beijing has stepped up its territorial claims in the South China Sea by building artificial islands.

In April it officially named 80 islands and other geographical features in the disputed waters. The same month Vietnam also accused Beijing of sinking a trawler, prompting the United States to warn it was "exploiting the distraction" of other states "to expand its unlawful claims".

China is always advancing its pieces on the "South China Sea chessboard", a senior Southeast Asian diplomat told AFP.

Beijing took advantage of the Asian financial crisis in the late 90s and the SARS outbreak to push its claims, he added.

"If there is a space, they move." Without directly mentioning China, Vietnam's Phuc admitted that "strategic problems between big countries had become clear and had deepened".

"While the world is trying its best to fight the pandemic, there were irresponsible acts, violating international laws, that affected the security and stability of some regions including ours," he said.

Vietnam expert Carl Thayer, an academic at the University of New South Wales, believes the past few months have been "business as usual" for China. But he noted that negotiations on a so-called Code of Conduct for the South China Sea had stalled because of the virus.



Vietnam's Prime Minister Nguyen Xuan Phuc

US stocks retreat on disturbing virus trends, banks lower

AFP, New York

Wall Street stocks fell early Friday as rising coronavirus cases continued to slow the US recovery and bank shares tumbled after the Federal Reserve barred banking share buybacks.

About 15 minutes into trading, the Dow Jones Industrial Average was down 1.1 per cent to 25,455.25.

The broad-based S&P 500 fell 0.7 per cent to 3,060.82, while the tech-rich Nasdaq Composite Index shed 0.8 per cent to 9,939.71.

The governors from Texas and Florida on Thursday both signaled that they would pause the reopening of their economies as the two giant states of the US sunbelt contend with spikes in coronavirus cases.

Stocks have been volatile this week as investors try to assess the implications of the current phase of the coronavirus crisis and whether it will be as devastating to the economy as the shutdowns earlier this year.

US indices fell sharply Wednesday, but recovered some of those losses Thursday on

bargain hunting facilitated by loose monetary policy. Large banks such as JPMorgan Chase and Wells Fargo fell more than three percent as the Fed late Thursday ordered the industry to suspend buybacks and limit dividend payments in the wake of uncertainty over the coronavirus.

Dow member Nike dropped 3.3 per cent as it reported a surprise \$790 million loss following a steep drop in revenues due to coronavirus closures. But Gap surged 30.4 percent as it announced a new venture with Kanye West that will sell West's Yeezy brand in the chain's stores.

Indonesia central bank ready to finance more fiscal deficit to fight pandemic impact

REUTERS, Jakarta

Indonesia's central bank is ready to further finance the government's budget deficit and "share the burden" of fighting the coronavirus outbreak, the bank's chief told an online seminar on Saturday.

Bank Indonesia (BI) Governor Perry Warjiyo said he and Finance Minister Sri Mulyani Indrawati had agreed to accelerate budget deficit financing and for the central bank "to ease the government's burden" of responding to the outbreak.

"The point is BI is ready to provide financing for the state budget and share the burden," Warjiyo told a seminar hosted by the IPB School of Business.

The central bank and the finance ministry are in their final stage of agreement for the deficit financing scheme and they would work with parliament's finance commission and the Audit Board of Indonesia to ensure accountability, Warjiyo said.

Lawmakers last week pressured BI to step up its bond buying and purchase

zero coupon government debt in a bid to help combat the economic fallout of the coronavirus pandemic, even after the central bank made its third interest rate cut this year. Warjiyo reiterated in the seminar that BI has scope to trim its main policy rate further.

BI has so far in 2020 bought 40 trillion rupiah (\$2.83 billion) of government bonds directly in auctions, as a non-competitive bidder, with pricing determined by the market. It has also purchased 166.2 trillion rupiah of bonds in the secondary market.

In total it has injected 614.8 trillion rupiah of liquidity into the financial system, including via bond buying operations, the governor said.

The fiscal deficit this year is expected to be 6.3 per cent of GDP, up from an initial plan of 1.8 per cent, with the government forecasting a 10 per cent drop in revenue and allocating nearly \$50 billion for the COVID-19 budget. Indonesia recorded a total of 51,427 coronavirus cases as of Friday, with 2,683 deaths.

French drugmaker Sanofi to cut up to 1,680 jobs in Europe

REUTERS, Paris

French drugmaker Sanofi, which employs more than 100,000 people worldwide, confirmed on Friday it will axe up to 1,680 jobs in Europe to cut costs and lift profits.

The lay-offs are part of a broader strategy outlined in December by Sanofi CEO Paul Hudson, which includes a cost savings target of 2 billion euros (\$2.2 billion) by 2022.

A Sanofi spokeswoman said the cuts, mainly affecting blue-collar workers, would be carried out over three years.

Reuters reported on Thursday that Sanofi was considering hundreds of job cuts and would hold talks with staff representatives on Friday and on June 29. A source said some 1,000 jobs would go in France, where it has about 25,000 staff.

None of Sanofi's plants will close, a source familiar with its thinking said, but activity at some research centres will cease after it decided last year to end diabetes and cardiovascular research, two areas where it has lost ground.

An internal document seen by Reuters said Sanofi will focus on greater efficiency through digitalisation and IT outsourcing.

A French Finance Ministry source told Reuters that the government will ensure that there are no sites closed and there are no forced lay-offs.

Sanofi has been bulking up in areas where it believes it can secure leading positions, including cancer drugs and last year said it would buy U.S. biotechnology firm Synthorx for about \$2.5 billion.

Vaccines are also a priority for Sanofi which is working on two candidates to prevent COVID-19, one with GlaxoSmithKline and

another with U.S. Translate Bio.

Sanofi said last week it would invest 610 million euros at two French sites to turn them into a hub dedicated to research, development and production of vaccines. Some 200 new jobs are expected to be created at one of the locations.

"Today's news is hard to digest," Thierry Bodin, an official with the CGT union said.



Carlyle buys 20pc stake in Piramal Pharma businesses

REUTERS

US-based Carlyle Group Inc has agreed to buy a 20 per cent stake in the pharmaceutical unit of Indian conglomerate Piramal Enterprises Ltd for about \$490 million, the companies said in a statement on Saturday.

Piramal Pharma will use the capital injection to accelerate its organic and inorganic growth plans, the statement said.

The investment comes a month after the private equity firm bought a majority stake in Indian animal healthcare company SeQuent Scientific Ltd.

"India is a hugely strategic part of

Carlyle's Asia business, and a market where we continue to see many attractive investment opportunities," Greg Zeluck, Co-Head of Carlyle Asia Partners advisory team said.

Earlier this month, India's Economic Times reported that Carlyle had emerged as the frontrunner to grab a minority stake in the pharma unit of business mogul Ajay Piramal, with US private equity firms TA Associates and KKR & Co Inc also submitting offers for the 20 per cent stake.

The transaction is expected to close in 2020.

US consumer spending rebounds; falling income, surging Covid-19 cases loom

REUTERS, Washington

US consumer spending rebounded by the most on record in May, but the gains are not likely to be sustainable, with income dropping and expected to decline further as millions lose their unemployment checks starting next month.

The surge in spending reported by the Commerce Department on Friday is also under threat from a jump in coronavirus cases in many parts of the country, including densely populated California, Texas and Florida. The rising COVID-19 infections chipped at consumer sentiment in the second half of June. Confidence in government economic policies dropped in June to the lowest level since President Donald Trump entered the White House.

The economy has been showing signs of turning around after tough measures to slow the spread of the respiratory illness pushed it into recession in February. Hiring, homebuilding permits, industrial output and orders for manufactured goods rebounded in May, recouping some of their historic losses.

"There are still huge pitfalls ahead for the economy," said Gus Faucher, chief economist at PNC Financial in Pittsburgh, Pennsylvania.

The Commerce Department said consumer spending, which accounts for more than two-thirds of US economic activity, jumped 8.2 per cent last month. That was largest increase since the government started tracking the series in 1959. Consumer spending tumbled by a historic 12.6 per cent in April.

Economists polled by Reuters had forecast spending rising 9.0 per cent in May. Spending was boosted by the reopening of many businesses after being shuttered in mid-March.

Consumers stepped up purchases of motor vehicles and recreational goods. They also boosted spending on healthcare, and at restaurants, hotels and motels.

But personal income dropped 4.2 per cent, the most since January 2013, after

surging by a record 10.8 per cent in April when the government handed out one-time \$1,200 checks to millions of people and boosted unemployment benefits to cushion against the COVID-19 hardship. The payments are part of a historic fiscal package worth nearly \$3 trillion.

In a separate survey on Friday, the University of Michigan said its consumer sentiment index dipped to a reading of 78.1 from 78.9 in the middle of June. Though sentiment rose from May, consumers in the regions with record rises in coronavirus cases were less upbeat relative to Northeast residents, which could weigh on the overall mood in the months ahead.

Stocks on Wall Street fell, pressured by the rising virus infections and the Federal Reserve's move to cap big bank dividend payments and bar share repurchases until at least the fourth quarter. The dollar rose

against a basket of currencies. US Treasury prices were higher.

Income in May was weighed down by a decrease in government welfare payments. The government will stop paying an additional \$600 per week in unemployment benefits on July 31. Economists estimate about 26 million people, two-thirds of whom do not qualify for the regular 26-week state unemployment insurance benefits, would be left without income.

About 30.6 million people, roughly a fifth of the labor force, were collecting unemployment checks in the first week of June. Government transfers to households rose at an annualized \$1.1 trillion rate compared to \$3 trillion in April.

Wages rebounded 2.7 per cent after dropping 7.6 per cent in April. But gains could fizzle amid record unemployment and raging COVID-19 infections.

Economists said the plunge in income underscored the need for additional government stimulus to avoid a so-called fiscal cliff on July 31.

"It is clear that the major force in keeping things from falling apart is the enhanced unemployment compensation," said Joel Naroff, chief economist at Naroff Economics in Holland, Pennsylvania. "Without action, income could crater in August and spending will follow."

Consumer spending in May was funded from savings, which decreased by \$1.9 trillion. The saving rate dropped to a still-high 23.2 per cent from a record 32.2 per cent in April.

Historically high savings could support spending. Economists, however, caution that heightened uncertainty could prompt consumers to hunker down and conserve their income.

Inflation remained weak in May, with food prices moderating and the cost of energy goods and services declining for a fifth straight month. The personal consumption expenditures (PCE) price index excluding the volatile food and energy components edged up 0.1 per cent after falling 0.4 per cent in April.

In the 12 months through May, the so-called core PCE price index rose 1.0 per cent, matching April's gain. The core PCE index is the Fed's preferred inflation measure for its 2 per cent target.

When adjusted for inflation consumer spending surged a record 8.1 per cent in May after tumbling 12.2 per cent in April. Still the so-called real consumer spending remained 11.2 per cent below its pre-pandemic level, keeping intact economists' expectations for the sharpest plunge in consumer spending and gross domestic product in the second quarter since the 2007-09 Great Recession.

Economists expect GDP could shrink at as much as a 46 per cent annualized rate in the second quarter. The economy contracted at a 5 per cent pace in the January-March quarter, the deepest downturn since the 2007-09 Great Recession.



Shoppers are seen outside a retail store as the phase one reopening of New York City continues during the outbreak of the coronavirus disease in New York.

Monsoon covers all India earlier than usual, brightens crop prospects

REUTERS, New Delhi

India's annual monsoon, crucial for farm output and economic growth, has rapidly advanced to cover the entire country, spurring crop sowing and alleviating the economic damage caused by a nationwide lockdown to stem the coronavirus.

"The southwest monsoon has further advanced into the remaining parts of Rajasthan, Haryana and Punjab (states) and thus it has covered the entire country today, June 26," the state-run India Meteorological Department (IMD) said in a statement on Friday.

The monsoon has covered the entire country nearly two weeks earlier than usual, brightening prospects for healthy summer-sown crops and promising higher incomes in the countryside where most Indians live.

The farm sector employs more than half of the country's 1.3 billion population and accounts for nearly 15 per cent of India's \$2.9 trillion economy.

A low-pressure area over the Bay of Bengal and a cyclonic circulation over central India helped the monsoon cover the entire country earlier than expected, the IMD said.

The normal date for this is July 15, and in 2013 seasonal rains covered India on June 16, the IMD said.

Since then annual rains have either covered India around June 15 or later than expected. Monsoon rains arrived on the southernmost Kerala coast on June 1.

The Monsoon delivers about 70 per cent of India's annual rainfall and waters nearly half of the country's farmland that lacks irrigation.

India is likely to receive above average monsoon rains for the second straight year in 2020, the IMD said in its revised forecast on June 1.

IMD defines average, or normal, rainfall as between 96 per cent and 104 per cent of a 50-year average of 88 cm for the entire four-month season.

Farmers plant crops such as rice, corn, cane, cotton and soybeans in the rainy months of June and July, with harvests from October.

IMF approves emergency funding for pandemic-hit Myanmar

AFP, Washington

The International Monetary Fund said Friday it will provide Myanmar with \$356.5 million in emergency funding, as the southeast Asian country battles an economic slump due to the coronavirus pandemic.

"The Myanmar economy is being impacted by the outbreak of COVID-19 through a sharp decline in tourism and remittances and supply chain disruptions," Mitsuhiro Furusawa, IMF deputy managing director, said in a statement.

The fund "will help address Myanmar's urgent financing needs related to COVID-19 shock, and catalyze support from development partners."

"The money comes from two programs put into place to ensure rapid disbursement of funding without the need for lengthy negotiations over a reform program by Myanmar."

Some \$118.8 million will come from the Rapid Credit Facility and the remaining \$237.7 million will draw from the Rapid Financing Instrument.

It was the 72th request for emergency financial assistance approved by the fund's executive board to address the impact of the pandemic. The funding will help Myanmar's government as it boosts health spending, expands food distribution and cash transfer programs to the most vulnerable, as well as businesses and farmers, the IMF said.

Faithful to his duty till the very end

FROM PAGE B1

"Kazemi was a deputy governor when I joined at the central bank as governor. And I worked with him very closely. He gathered versatile knowledge on the ways of the central bank," said Salehuddin Ahmed, another former governor.

On completion of his tenure as deputy governor, he got offers to serve in many government and autonomous entities but he declined those.

"I requested him to serve the central bank as adviser in 2008. And he did it until his death. He was also one of the designers of the country's many digital financial services," Ahmed said.

Nike plans to cut jobs in digital push

REUTERS

Nike Inc on Friday warned of job cuts as the world's largest footwear maker ramps up efforts to sell directly to customers through its online and retail channels.

The planned layoffs come after the company on Thursday reported a \$790 million quarterly net loss, its first in more than two years, as its wholesale business bore the brunt of footwear retailers and department stores shutting down due to the coronavirus outbreak.

Shares of the Dow component were down 6 per cent in morning trading on Friday. "We are shifting resources and creating capacity to reinvest in our highest potential areas, and we anticipate our realignment will likely result in a net loss of jobs," Nike said in an e-mail statement.

"Reductions are not being done for cost savings. Any savings will be reinvested into our priorities," the footwear maker said. Chief Executive Officer John Donahoe told analysts on Thursday the company would now aim for digital to account for 50 per cent of

its overall business, up from the 30 per cent recorded in the reported quarter.

"Our vision is to create a clear and connected digital marketplace ... So we're accelerating our approach," he said.

Donahoe, a former ServiceNow CEO and eBay executive, joined Nike earlier this year as the company was bolstering its direct-to-consumer business. According to media company Complex, Donahoe in a letter to employees said the company does "not yet know how many jobs will be reduced, nor who will be specifically impacted."

NBR failed to widen tax base despite huge spending

FROM PAGE B1

Since the amendments to the VAT system seem to have gone against the NBR's primary objectives, the FBCCI president strongly called for an investigation into the matter.

A section of NBR officials and consultants are keener to undertake new projects rather than see the older ones through.

"Some sections of the multiple VAT law are flawed and go against national interest," he said.

Fahim made these remarks while officially presenting his observations on the proposed budget for fiscal 2020-21.

NBR Chairman Abu Hena Md Rahmatul Muneem could not immediately be reached by phone for comment.

The FBCCI president also suggested that, if the banks are non-cooperative, the government should withdraw funds deposited with those banks for the distribution of loans to firms impacted by the ongoing coronavirus pandemic.

On the other hand, if a financial institution disbursed loans from the stimulus packages in accordance with the guidelines, then the government should increase deposits in that bank, said Fahim.

If necessary, the government could even reward those banks with a 1 per cent reduction in corporate tax, he added.

Following the Covid-19 outbreak in Bangladesh, an additional Tk 70,000 crore was raised for the banking sector by slashing the statutory liquidity ratio to avoid a liquidity crisis and ensure the country's economic survival.

However, certain banks have not disbursed funds from the stimulus packages, citing a liquidity crisis even though those same banks are investing in treasuries, said Fahim.

As of April, about Tk 2,000 crore was disbursed from the Tk 30,000 crore stimulus package while Tk 50 crore was distributed from the Tk 20,000 crore fund geared towards cottage, micro and small firms.

Around \$5 billion is being circulated in the country through informal channels and this amount needs to be brought into the formal economy, Fahim said, adding that the government could utilise various financial tools, such as auctions, bonds and debentures, to cover budget deficits instead of high-cost borrowing from abroad.

In response to the business community's

earlier demand to set corporate tax rates at 25 per cent, the existing 35 per cent corporate tax rate was cut down to 32.5 per cent.

However, the government should reconsider the proposal while advanced income tax should be reduced to 3 per cent before being gradually abolished, the FBCCI chief said.

Fahim termed the proposed budget as one that would help the country rebound both socially and economically amid the coronavirus fallout.

The FBCCI and central bank are coordinating the disbursement of funds from the stimulus packages and will not allow defaulters to obtain financing from the programme.

Only 34 per cent of the country's population are engaged with the formal banking system. Therefore, it can be said that the democratisation of banking and capital is yet to take place in Bangladesh, Fahim said.

For instance, most cottage, micro and small enterprises operate outside of formal banking channels even though those informal sector firms contribute 84 per cent to the national economy.

"Banks only aim to gain finance for large projects for quick and safe returns," he added.

Support SMEs for quick economic recovery

FROM PAGE B4

"Let's not forget that these enterprises, which generally employ fewer than 250 persons, are the backbone of most economies worldwide and play a key role in developing countries," it said on its website.

"Economic recovery would not be sustainable without giving importance to the SME and agriculture sectors," Atiur Rahman, a former governor of the central bank, told The Daily Star yesterday.

The government has announced a Tk 20,000 crore stimulus package to help the CMSME sector recover from the coronavirus fallout. Of which, Tk 10,000 crore will be provided by the central bank under a refinancing scheme.

Commercial banks can charge a maximum interest rate of 9 per cent for the loan. However, it would cost 4 per cent for the CMSMEs as the government would bear 5 per cent of the interest rate as a subsidy.

"But I think the whole Tk 20,000 crore should be lent under a refinance scheme," Rahman said.

Rahman said banks are worried about risk management, so they may not like

to lend to new borrowers and would rather may remain focused on existing borrowers.

The central bank should implement a credit guarantee scheme to help banks lend to the vulnerable CMSME sector, he said.

A partnership can be formed with microfinance institutions (MFIs) to implement the stimulus package because the MFIs know CMSMEs better, the former governor said.

According to the Rapid Assessment Survey 2020, conducted by the Centre for Policy Dialogue, a majority of enterprises surveyed have experienced a high level of adverse impact on production (about 42.9 per cent).

The government needs to think of additional measures to ensure that SMEs are actually able to draw benefits from the stimulus package, the CPD said in a paper recently.

Tk 20,000 crore is a good starting point and the amount would have to be increased in the days to come, Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said recently.

Govt may not hike SD on telecom services

FROM PAGE B1

Then they can appeal before the VAT Appellate Tribunal of the NBR by paying another 10 per cent of the disputed amount.

If they want to seek revision of appellate tribunal verdicts before the High Court, they have to pay another 10 per cent of the disputed amount.

As per the proposed changes for next fiscal year, businesses will have to deposit a total of 40 per cent of the disputed VAT amount - 20 percent to file appeals before the commissioner of respective field and 20 per cent for VAT Appellate Tribunal, said Md Arshed Ali, convener of the research wing of VAT Professional Forum, recently.

Businesses will have to deposit a further 10 per cent of the disputed tax in order to seek revision against the appellate tribunal's verdicts before the High Court, he said.

The finance minister, however, may go ahead with his plan to widen the scope for investing the untaxed money, also known as black money.

Individual taxpayers will be allowed to

disclose any type of undisclosed property by paying a certain tax per square foot, declare undisclosed cash, bank deposits, savings certificates, shares, bonds or any other securities and invest money in the capital market by paying 10 per cent tax on the value of the investment.

Now, black money holders will not face any questions about the sources of their income if they invest in economic zones and hi-tech parks. The provisions will discourage the honest taxpayers, the Centre for Policy Dialogue said in a paper.

If this type of provisions is to be at all allowed, the rate should be the applicable tax rate plus penalty, it said.

Kamal may keep most of his fiscal measures about income tax unchanged. He has already proposed a lot of concessions in the direct tax segment to ease the burden on the individual and corporate taxpayers amid devastating coronavirus pandemic.

The Tk 568,000-crore budget and the Finance Bill 2020 would be passed in parliament on Tuesday.

Aviation industry is in coma. Only the govt can help it wake up.

FROM PAGE B4

The cost of finance must be on par with the world average.

Airlines may be allowed to secure funds from external sources, which are available at very competitive rates.

The fuel price has to be adjusted in line with the world market without forcing an airline to buy at an exorbitant price.

Airlines deserve to be free from the whims of Bangladesh Petroleum Corporation or Padma Oil Company.

No tax should be levied on the import of spares.

The import process should be streamlined and there should be provision for payment of spares through bank transfer.

Civil aviation charges have to be brought down. Stakeholders must be consulted before increasing any charges. Owing to the pandemic,

all CAAB charges should be waived for at least three years.

Structural deformity must be corrected. It has to be done by placing aviation service providing functions under an independent airport authority.

Clear and unambiguous policy, regulation and orders have to be formulated adapting to changing times.

Pandemic-specific lifeline is a must for the airlines to survive in the first place.

Airlines will need a huge sum of money to re-start the operation and continue, and the government needs to come forward with liquidity for airlines with a very nominal rate of interest.

The term to repay the loan should be very soft, carry more than five years in tenure with a grace period of at least one year.

Airlines are the umbilical cord of the aviation industry feeding a whole value chain of maintenance, repair and overhaul organisations, aviation training establishments, travel agents, hotel, motels and guest houses.

If the mother ship (airline) kicks the bucket, the rest tied up by the very umbilical cord has the same fate accomplish.

Unless a holistic discourse is undertaken to salvage the airlines, doomsday lurks ahead for the aviation industry.

With the rough patchwork support so far visible here and there, a few sailors (airline employees) could be saved like the movie of Perfect Storm, but both ship (airlines) and the skipper (airline entrepreneurs) will be buried deep beneath the ocean floor.

The writer is the managing director of Novair

Aviation industry is in coma. Only the govt can help it wake up.



MOFIZUR RAHMAN

Known Unknown. A term that the airline industry is all too familiar with. It means sudden devastating happenings that periodically hit the industry. But the global coronavirus pandemic has spawned another new term: unknown unknown.

Airlines across the world are passing through a perfect storm and the world has never witnessed such devastation in its history.

One could rightly compare the current situation of the global aviation industry with the plot of the George Clooney-starrer "Perfect Storm".

The film was set on a small fishing boat, helmed by Clooney, caught up in a notoriously devastating Caribbean cyclonic storm. Clooney's desperate efforts to save the boat and the crew is depicted in a heart-wrenching saga.

Like a true captain, he saved his crew with the ultimate sacrifice of his own life. To salvage the airline industry from this dreaded storm, perhaps scores of Clooneys would be an eventual sacrificial lamb.

A BOLT FROM THE BLUE

It was all blue and serene sky, with aircraft manufacturers Airbus and Boeing forecasting needs for thousands of aircraft in the years ahead, creating demand for millions of pilots and technicians with trillions of dollars in revenue.

But everything was upended after the outbreak of the deadly disease, christened as COVID-19, at the turn of the year.

From January, airlines everywhere started to face the strong headwinds and by February it became bumpy. By April, airlines fell into deep uncertainty, with one entering into bankruptcy and liquidation after another.

A plethora of layoffs followed, putting airline employees under a running bus, while the cancellation of new aircraft orders left manufacturers out in the cold.

By now, an estimated 17,000 commercial aircraft are in storage in the deserts of Arizona and the Australian outback, places otherwise

economy.

The world airline body, International Air Transport Association (IATA), was forecasting billions of dollars in profit for 2020.

It now predicts \$314 billion in losses for the year and the loss is being revised upwards with each passing day. How the table has turned!

It is predicted that half of the airlines in the world will vanish from the sky if no lifeline is thrown from governments. And with that, jobs of millions of pilots, engineers and aviation professionals.

MOTHER OF ALL STORMS

The outbreak of coronavirus from Wuhan, China has dwarfed every other previous event combined, affecting the airlines globally.

The first victim was Flybe, the largest European regional carrier from the UK, which filed for bankruptcy.

By now, more than a dozen airlines have filed for bankruptcy, including giants like Virgin Australia, Thai Airways and Avianca, the world's second-oldest airline.

The IATA predicts that half of the world's airlines will perish from the sky if governments do not come forward with direct financial aid and rescue the airlines.

RESCUE EFFORT FOR AVIATION SECTOR ACROSS COUNTRIES

Many governments came forward with financial rescue packages in the form of grants and loans with full comprehension.

The reason being, the policymakers are very well aware that during the post-COVID economic recovery phase, the service of airlines will be central for a turnaround.

The behemoth airlines like American, Delta, United, Southwest in the US, Air France, KLM, BA, Norwegian and Austrian in Europe, Emirates, Qatar, Etihad and Qantas in the Asia-Pacific would have been in the graveyard by now without the billions of dollars from their governments.

The US came up with \$68 billion grant or loans while Air France received \$7.6 billion and Lufthansa \$9.7 billion in state aid. Whether state-owned or private, the governments came up generously to save the airlines.

China has not only declared financial aid for its native airlines but also for the foreign carriers that operate to China.

RESURGENCE OF AN OLD DEBATE

There has always been a debate about the efficacy of pumping public money to keep state-owned airlines afloat.

Whether it is a rich country like Italy trying to bail out Alitalia or a sub-Saharan country Namibia saving Air Namibia, the picture is

reportedly sitting on a \$3 trillion future generation fund.

Switzerland and the Netherlands did not spend a single dime to save flag carriers in the name of phoney national pride.

What compels poor nations, which include Bangladesh, to spend public money to save historically corrupt and structurally inefficient airlines, one must ponder!

PRIVATE AIRLINES IN BANGLADESH IN DOUBLE JEOPARDY

Airlines in Bangladesh are caught up in the severe vortex of the coronavirus pandemic in the same way that the foreign airlines are.

But for the private carriers, the situation went from worse to worst: it was not all well before coronavirus struck.

The backbone of our airlines was already

tighten. When you have lost your trousers, you are in the airline business."

Many airline entrepreneurs not only lost their trousers but walked naked without shirts and ties. If you are an aspiring one, welcome to the world of the bottomless party!

COST, COST AND SKY-HIGH COSTS

A prohibitive and backbreaking cost element makes the aviation industry in Bangladesh untenable and unsustainable.

First, the cost of finance is not just high but prohibitive.

The cost involved with setting up and running an airline operation is multi-fold.

When the cost of finance for the aviation industry worldwide is just 1-3 per cent, in Bangladesh one needs to count it in double digits.

very low fare prevailing in the market, one needs to wonder why one dares to venture into the airline business.

POLICY AND ADMINISTRATIVE REGIME
The quasi-administrative and regulatory framework is an area that gags the growth prospect of the airline industry.

First, there is a fundamental deformity in the regulatory and administrative structure.

The CAAB is putting on the hats of a regulator, airport operator and air navigation service provider. This raises a serious conflict of interest.

Airlines are bound to answer to the CAAB but airports are supposed to be answering to airlines for the standard of service provided.

With the CAAB playing the role of the



fragile due to multi-faceted problems and they were on the verge of collapse. In the past, more than dozens of airlines were lost from the Bangladesh sky.

But with the pandemic, the existing airlines have just gone into a deep coma.

BANGLADESHI AIRLINES: AN AUTOPSY REPORT

The private airline sector is in a nascent state. In true sense, the doors of the private airline industry were opened by Prime Minister Sheikh Hasina in her first term in office with a vision to break the monopoly of state-owned Biman and benefit the common mass.

She also dreamed of making Bangladesh a regional aviation hub.

Many jumped in to set up airlines, some thrilled by the prestige it carried, some with pure business foresight and some with the ulterior motive to make a quick buck and run away.

The entrepreneurs soon found the path is not laid with flower petals. Rather, it is an agonising ride through a dangerous minefield of red tapes.

Some dropped dead in a sinkhole even before they could operate a single flight. Some were stuck up in quicksand after starting with the constant fear of drowning.

Some diehards were in desperation to climb over the dunes only to find earth shifting below their feet with the looming prospect of a sandy grave.

As per the Civil Aviation Authority Bangladesh (Caab) and sources, eight passengers and 19 cargo service licences were given since privatisation began. And we have already lost the 19 cargo and five passenger airlines.

I would request Bangladesh's existing and aspiring airline entrepreneurs to pay heed to a famous quote from Sir Adam Thomson, the legendary founder of defunct British Caledonian Airways, which went: "A recession is when you tighten your belt; depression is when you have no belt to

Airlines being a highly capital-intensive business with the highest investment and the lowest return, one must be living in a fool's paradise to make a profit in the first place with such a sky-high rate of interest, let alone survive.

Second, the cost of fuel makes an airline's sustainability in Bangladesh very rickety.

Typically, fuel bill accounts for 40 per cent of the total operating cost of an airline. And here in Bangladesh, the fuel cost is one of the highest in the world, particularly for the domestic sector. It is currently 23 per cent (previously 42 per cent).

When there is a price escalation globally, immediately we find a jump in the fuel price. But when the price tanks, it stays at the same higher level.

Airlines are simply captive to a single supplier Padma Oil's monopoly.

Third, the expenses on spare is another major driver of cost.

Theoretically, as per taxation rule, spares for aircraft are set at zero where airlines pay anything between 15 per cent and 150 per cent in tax during imports.

Globally, airline spares are costly and adding such exorbitant duty in Bangladesh is another killing factor.

Airlines buy thousands of spares to maintain aircraft in airworthy state, mostly on short notices to avoid grounding.

The only means of payment for the import of aircraft spares is a letter of credit, which is not accepted worldwide in spares trading.

Fourth, the cost in the form of civil aviation charges (aeronautical and non-aeronautical) is exorbitant.

In Bangladesh, some charges for airlines are 7-10 times more than in neighbouring countries.

There are instances when the CAAB hiked fees 1,000 times without any consultation with operators and stakeholders.

In contrast, there is a public hearing before hiking of any price of gas, utility or whatsoever. With such high cost involved vis-a-vis the

airport operator, how can a regulated airline under the same authority have the guts to raise the question for poor service delivered by the airport?

Separation of service providers' role is imperative and that is achieved by setting up independent airport authority.

Second, rules, policy and regulation lack consistency and clarity. An operator often falls prey to opaque, confusing and conflicting orders.

Third, the CAAB is also the de facto organisation for setting aviation tariffs. The finance ministry just gives its seal of approval to whatever the CAAB suggests.

Elsewhere, the regulators fight in favour of airlines and against the tariff authorities if they impose excess charges for the services.

LIGHT AT THE END OF THE TUNNEL

Domestic flights have resumed after a long break of 69 days from June 1. The initial passenger response is not very encouraging, leaving us agonising as to how long the recovery would take.

We also see a ray of hope for the positive mindset in the politico-bureaucratic segment, which matters in the long-run.

The civil aviation ministry has made a reassuring pledge of all-out support to salvage the airline industry.

The airlines are now waiting with bated breath to see the pledges in black and white.

WAY FORWARD

The dismal state of our private airlines stated above is just the tip of the iceberg.

The attack of the coronavirus, an elephant in the room, came along with a magnitude of tectonic destruction.

To salvage the last remaining soldiers (airlines) fighting the battle of survival, a lifeline must be thrown.

We may revisit the steps being taken to save the airlines across the globe and then make a comprehensive must-do list that our government may undertake to salvage the private airlines.

READ MORE ON B3

RESCUE PACKAGE PROVIDED TO GLOBAL AIRLINES

AIRLINES	SUPPORT	SUPPORT MODALITY
American, Delta, United & Southwest	\$68b	Grant, Senior loans, Credit swap, Unsecured Loan
Air France KLM	\$7.6b	Grants, Loans and Stock swap
Lufthansa	\$10b	Loan & Stock swap
British Airways	\$10b	Loan

OPERATORS LICENSED BY CAAB SINCE PRIVATISATION

SERVICE	TOTAL	OPERATION CLOSED	IN SERVICES
Passenger	8	5	Regent, Novoair, US Bangla
Cargo	24	19	5
Helicopter	11	2	9

* Regent suspended operation until September 2020.

* Out of cargo operators, only 2 are in regular service.

known as aircraft graveyards in the aviation community.

Bangladesh's domestic airline industry, which has a reputation of infantile mortality even when times are good, is also dealing with the wrath of coronavirus that came with the devastation of an unprecedented scale and magnitude.

NAVIGATING THE STORMY SKIES

History of commercial aviation goes back merely a little more than a century. In Bangladesh, private operators entered this space just two decades back.

Airlines had always been navigating through stormy skies not so much so as the weather phenomenon is concerned. Their fortunes are contingent on the vagaries of the

identical across the globe.

A paranoia exists when it comes to saving national carriers with poor taxpayers' money to serve the rich.

Some poor nation states drain incomprehensible amounts of public money for having the vanity of national carriers.

The US did not have a national carrier designated from 1992 to 2014. Before 1992, defunct Pan AM and currently American Airlines is the flag carrier of the US although none of them is government undertaking.

The national airline of Switzerland sold Swissair to Lufthansa, a German airline.

The world's very first commercial airline KLM, bearing the Royal Dutch flag, is under the ownership of Air France. The Dutch are

the International Labour Organisation.

Small businesses, including those run by women and young entrepreneurs, are being hit hardest by the economic fallout of the pandemic. Unprecedented lockdown measures enacted to contain the spread of the coronavirus have resulted in supply chain disruptions and a massive drop in demand in most sectors, the United Nations said.

READ MORE ON B3

Support SMEs for quick economic recovery

Say UN, SME Foundation, experts

STAR BUSINESS REPORT

The SME Foundation yesterday called for the extension of credit facilities to small and medium entrepreneurs on easy terms to help them contribute to economic recovery amid the coronavirus pandemic.

The plea made at the 14th annual general meeting of the foundation came as the World MSME Day was

observed across the globe yesterday, in order to raise public awareness about the contribution of the cottage, micro, small and medium enterprises (CMSMEs) to sustainable development and the global economy.

The Covid-19 pandemic has threatened the existence of 2.5 million SMEs in Bangladesh, which employ 40 per cent of the labour force with a GDP contribution of 25 per cent, according to

Export thru' Benapole suspended for three months

OUR CORRESPONDENT, Benapole

Export to India through Benapole port has remained suspended for the last three months, as the neighbour still believes trucks from Bangladesh would spread coronavirus there.

However, import from India began on June 8 after the end of a shutdown, which was imposed on March 22.

"We sat with the Indian stakeholders several times in the no-man's land and urged them to open gates for the Bangladeshi exporters. But no step was

taken by them yet," said Mamun Kabir Tarafdar, deputy director for traffic at Benapole land port.

Normally around 200 goods-laden trucks go to India every day through Benapole, he said.

Different items, including jute, jute bags, jute yarn, knitted fabrics, readymade garments, shrimp, white fish, tissue paper, betel nut, rice husk, curtain rags, batteries, ceramic tiles, soap, bone powder, raw leather, fully prepared leather, medicines, chemical products and cement, are exported

through Benapole.

But due to the closure, hundreds of tonnes of export goods are being dumped in the port area every day, he said.

About 80 per cent of Bangladesh's exports to India go through Benapole. Every year, 9,000 tonnes of goods worth around Tk 10,000 crore are sent through the biggest channel for trade between the two nations.

"Extended efforts are being made now to start exports to India. We hope it will begin very soon," said Tarafdar.