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BR's annual loss brought down to Tk 85cr this yr

The average annual loss of Bangladesh Railway has been brought down to Tk 85 crore this year from Tk 180 crore of 1990-91. The loss in railway during 1982-83 was, however, only Tk four crore.

Communications Minister Oli Ahmed was talking to BSS on various measures taken by the government to set railway sector in order.

Giving a pitiable condition of the vitally important communication sector, the minister said some donor agencies including Asian Development Bank, Germany and Canada has suspended their loans and grants to Bangladesh Railway in 1990-91.

In this context, he thankfully recalled the Saudi loan of 27 million rials in 1993 for procurement of sleepers and passenger coaches for the railway to keep train service in operation.

The size of railway employees which was 58 thousand, has been reduced to 42 thousand through the voluntary retirement programme, he said. A total of 130 booking clerks and 19 officers have been removed from service for their inefficiency.

The minister said there is urgent need for replacement of engines and coaches which have lost their economic life. He said with satisfaction that it is for the first time that new engines and coaches are being procured from the government's own sources.

He was also happy for what has been described restoration of discipline and establishment of certain degree of accountability in different section of railway. He said, "today the employees are sincerely trying to maintain 60 per cent time schedule as against 30 per cent when BNP came to power."

The minister regretfully said that there had been no procurement of any airconditioned coaches to the fleet of railway since 1962. He said there is need for procurement of 50 metre gauge and 10 broad gauge engines to replace some of the engines which have outlived their utility.

Of the total 275 locomotives, 116 have completed their economic life while 39 others have been in operation for between 20-25 years. As a result, the minister said, the efficiency of locomotives have been greatly reduced. The rate of operative availability of locomotives for broad gauge and metre gauge is 69 per cent and 72 per cent respectively against the minimum requirement of 80 per cent.

He described the condition of railway stations as far from satisfactory as there was no major investment out of government's sources between 1982 and 1992.

The minister said of the total 1107 metre gauge coaches 453 have passed their economic life while out of 345 broad gauge coaches 58 have outlived their utility. He said there was no replacement of dilapidated sleepers in different sectors for years together.

He described the condition of most of the interlocked railway stations as pitiable. He said there is need for either rehabilitation or replacement of interlocking system in 254 railway stations. Meanwhile, he said, of the 135 interlocked stations, 81 have lost their economic life.

Giving a 15 year perspective plan for the railway sector the minister said, it would require a total of about Tk 7,400 crore to replace locomotives and passenger coaches, rehabilitation of rail tracks, culverts and bridges and improvement of the signalling system.

He frankly admitted that there is absence of minimum facilities suiting the needs of passengers either in stations or on trains. But he said, "we have inherited problems accumulated over the decades. It will require collective efforts to help develop a modern railway system suiting the demands of passengers."

Oli tells officials

Make BRTC profitable

Communications Minister Oli Ahmad urged the officials and staff of Bangladesh Road Transport Corporation (BRTC) to make it a profitable organisation, reports UNB.

The minister was inaugurating the BRTC luxury chair-coach service yesterday at Motijheel bus depot. The coaches are built in BRTC's own factory.

Addressing the function, Oli Ahmad also stressed the need for developing the service standard of the corporation.

The minister said, "Though it was a loosing concern since its inception, BRTC is earning operating profit from last fiscal year due to proper measures taken by the government and appropriate administrative management."

Presided over by Roads and Road Transport Secretary Sayed Rezaul Hayat, the function was also addressed by Finance Secretary Nasimuddin Ahmed and Chairman of BRTC AR Khan.

Barings collapse

S'pore inspectors fault Bank of England

LONDON, May 30: Singapore inspectors investigating the spectacular failure in February of Barings commercial bank have faulted the Bank of England for having delayed in responding to questions posed Barings executives, The Financial Times reported yesterday, says AFP.

"A delay of more than one year by the Bank of England in responding to questions from Barings executives about the funding of the merchant bank's derivatives trading in Singapore is expected to be highlighted in Singapore's official inquiry into the collapse," the paper said.

Abuses in derivatives trading by Nick Leeson, a young dealer working in the bank's Singapore office, are alleged to have triggered the collapse of Barings under more than a billion dollars' worth of debt.

The Bank of England, according to the Financial Times, has been found to have "only replied conclusively to a long-standing question about whether Barings could legally advance more than 25 per cent of its capital to cover the trading of Nick Leeson about a month before the bank collapsed."

The paper said "the inspectors last week concluded five weeks of detailed inquiries in the UK" and had gathered "5,000 pages of evidence."

Leeson is currently being held in Frankfurt.

5 nations initial pact on Tumen project

BEIJING, May 30: Five northeastern Asian nations initialled an agreement Tuesday on moving ahead with an ambitious plan to develop a special economic zone along the mouth of the Tumen River, reports AP.

The project, which is expected to cost about 30 billion dollars over 20 years, calls for developing an international port and free trade zone on the Tumen River delta at the border of North Korea, China and Russia.

It is expected to give China and Mongolia long coveted access to the Sea of Japan.

BUDGET '95-96: Business leaders speak out

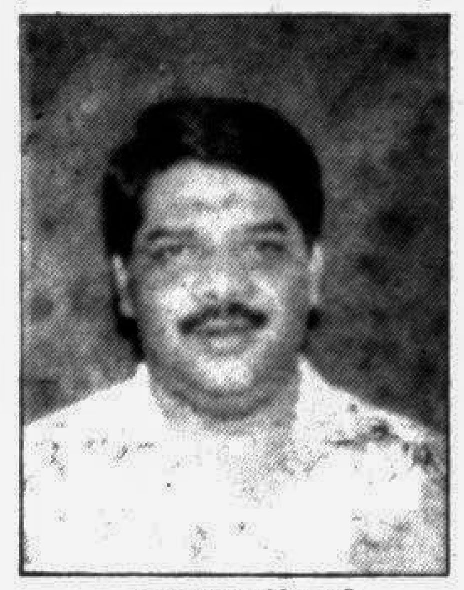
BJSA chief demands removal of policy distortion in jute sector

The Chairman of the Bangladesh Jute Spinners Association (BJSA), **Shabbir Yusuf**, has said the country's jute spinning sector is passing through a critical period.

In an interview with The Daily Star, he warned that the sector would soon collapse unless the government's policy distortion under the ongoing Jute Sector Adjustment Credit, which includes the composite jute mills but leaves out the spinning mills, is immediately redressed.

He was interviewed by **Rafiq Hassan**.

Following is the text of the interview:



Shabbir Yusuf

***The Daily Star (DS)**: What is your sector's expectation from the next budget? Do you think the priorities in the last budget were implemented properly?*

Shabbir Yusuf (SY): Private sector development is on the top of the economic agenda of the government. We would expect that the next budget would provide emphasis on stimulating economic growth based on private sector initiatives. The government must create a congenial environment for expansion of private investment and fostering export competitiveness.

The government has taken various steps in recent years to encourage private sector growth in the framework of market oriented reforms.

However, private sector response to economic liberalisation has not been positive. The jute sector which constitutes a major part of our economy has been neglected.

The government must revitalise this sector through adequate policy measures so that jute can regain its lost glory. The priorities given in the last budget have largely been achieved resulting in increased resource mobilisation and large development spending.

However, the current expenditure is likely to escalate because of excess expenditure specially on account of salary increase for the government employees. We are also constrained that micro-economic stability is weakening fast. The shortfall in foodgrain production is worrisome.

DS: What is the recent trend in your sector? Is it growing or declining? Why?

SY: The jute spinning sector is passing through a critical phase. There are several reasons for it. First, the industry may soon collapse unless the policy distortion created by the government under the ongoing Jute Sector Adjustment Credit (JSAC) is redressed. Second, the composite jute mills are ignoring the "protection clause" provided under JSAC and are involved in illegal export of jute yarn and twine. Third, the industry is faced with a heavy interest burden. Fourth, our competitors, like India, are equipped with generous export incentives and are gradually driving us out of the international markets. Indian yarn and twine exporters are enjoying 10 per cent External Market Assistance on FOB value.

***DS:** What kind of problems did your sector face with the fiscal policies adopted in the last budget, VAT, tax structure and tariff duties?*

SY: Jute yarn and twine local sale is subject to 15 per cent VAT. This is a hindrance to expansion of the domestic use of jute yarns and twine. Further, the jute sector should have given full rebate on income tax on export earnings.

***DS:** If there is any sick industry in your sector, has the situation improved in the current fiscal compared to the previous one? If not, why?*

SY: There are a large number of jute yarn and twine mills which are sick on account of large debt liabilities and lack of working capital. The situation is not improving as the government is reluctant to reschedule the debt burden of this sector. The jute yarn and twine sector has been excluded from the debt restructuring benefit given to jute industry under JSAC.

***DS:** What is your opinion on the ongoing economic reforms? What has been the impact of the reforms on your sector?*

SY: For the jute industry, the government has taken a reform programme under the World Bank supported JSAC. The premise of this reform is restructuring of the debt burden of the jute industry. The composite jute mills have been largely benefitted from rescheduling of the bank debt under this programme.

However, as earlier mentioned, the jute spinning sector was not included under this package. As a result, we are deprived of revitalising the jute industry.

***DS:** Would you like to suggest any major policy changes to gear up the economy?*

SY: The major challenge facing the government is to generate response from the private sector to ongoing reforms. We feel that the government actions should be directed towards creating an ennobling environment for private sector investment. The major pre-requisites are: (a) promotion of export competitiveness; (b) proper implementation of announced policy measure; (c) administrative reforms and; (d) labour market reforms. In addition, development of infrastructure is critically important to promote investment and growth based on private sector participation.

***DS:** What is your opinion about the current political situation? How is it affecting your sector?*

SY: The current political impasse is adversely affecting the economy. This problem can be resolved only through positive political dialogue.

Unfortunately, the wind of economic development is touching Asia but we are lagging behind. Broad consensus for economic growth is missing from the political spectrum for which our present political leadership from all parties will be held responsible by the posterity. We should attempt to arrive at a consensus that economic development will not be sacrificed for political expediency.

***DS:** How do you look at the overall economic scenario of the country and what are your suggestions to improve it?*

SY: I have already answered this question.

***DS:** How many members are there in your association? When was it formed?*

SY: Formed in 1979, the association has at present 33 members. This industrial sector employs about 20,000 personnel, exports nearly hundred per cent of its products and is one of the largest foreign exchange earners in the private sector.

***DS:** What was the estimated annual turnover of your sector last fiscal year and how much is it likely to be in 1994-95? What is the estimated contribution of your sector to the national exchequer in the form of taxes and duties?*

SY: Last year our export was worth Tk 254 crore. This year it is expected to be Tk 270 crore. Our contribution to the national exchequer in the form of taxes and duties will be around Tk 15 crore.

The 22nd annual general meeting of Bangladesh Export Import Company Ltd was held at Sonargaon Hotel in the city yesterday which was presided over by A S F Rahman, Chairman of the company's Board of Directors. Salman F Rahman, Vice-Chairman, and other directors attended the meeting.

Beximco declares 25 pc dividend

Bangladesh Export Import Company (Beximco) Ltd earned a net profit of Tk 30.53 million for the year 1994. Sales for the year was Tk 229.81 million, says a press release.

The 22nd annual general meeting, presided over by A S F Rahman, Chairman of the company's Board of Directors, also disclosed that the company has paid Tk 11.86 million during the year 1994 as income tax to the government.

The company declared 25 per cent dividend for the year 1994 at the meeting held at Sonargaon Hotel in the city yesterday. A large number of shareholders attended the meeting.

Newspaper sales down in 1994 in rich nations

PARIS, May 30: Newspaper sales continued to slip in most rich nations in 1994 even though economic recovery helped raise advertising revenues, the International Federation of Newspaper Publishers (FIEJ) said yesterday, reports Reuter.

Circulation in the European Union fell 1.87 per cent and 1.33 per cent in the United States. In Japan, the nation with the highest daily newspaper sales with 71.9 million, circulation dipped 0.13 per cent.

"Newspaper circulation (is) ... down in a majority of countries, and this is now looking like a long term trend," FIEJ Director General Timothy Balding said at the opening of the 48th world newspaper congress in Paris.

Newspaper sales have been falling steadily since about 1990 in many western states. EU exceptions are Spain, Germany, Luxembourg and France.

Balding said newspapers in most countries continued to claw back advertising revenue lost in the recession, but had some way to go to regain pre-recession levels.

Despite the boost from economic recovery, newspapers' share of the overall advertising market was "apparently in permanent decline" with television grabbing an ever bigger slice.

'New gas-based fertiliser factory to be suicidal'

A top official of the Bangladesh Oil, Gas and Mineral Resources Corporation (BOGMC) Monday said that giving gas connection to any new fertiliser factory would be "suicidal" for the country.

"If we provide gas to any new fertiliser factory, our gas reserve will be exhausted much before the predicted time (2015 AD)," he told UNB on condition of anonymity.

"It will be simply suicidal," he said while commenting on a proposed joint-venture project for setting up a gas-based fertiliser factory, which is now under active consideration of the Industries Ministry.

The present gas reserve of 10.22 trillion cubic feet, with an increase of 10 per cent demand every year, is likely to be exhausted by the year 2015.

Country's eight fertiliser factories now consume 34 per cent of the daily production of 580 to 600 million cubic feet of gas.

"Our first priority is electricity and we will have to give gas connection go power plants", the official said adding that providing gas to any fertilizer plant will bring serious consequences for power generation.

The 13 power generation plants of the country, which produce around 1,800 MW of electricity, consume 43 per cent of gas production everyday.

The country's fertiliser production is surplus and there is no need of setting up any more fertiliser factory. Moreover, the production cost of fertiliser is higher than the selling price, sources at BCIC said.

Officials at the Energy Ministry estimated that the peak demand for power will rise to 8,950 MW in 2010.

The country urgently requires installation of new power generating units to meet the increasing demand for power. It needs to add 2,329 MW new generating capacity within next five years (1996-2000).

As an alternative to gas, coal is likely to be used in the power generation plants in the future.

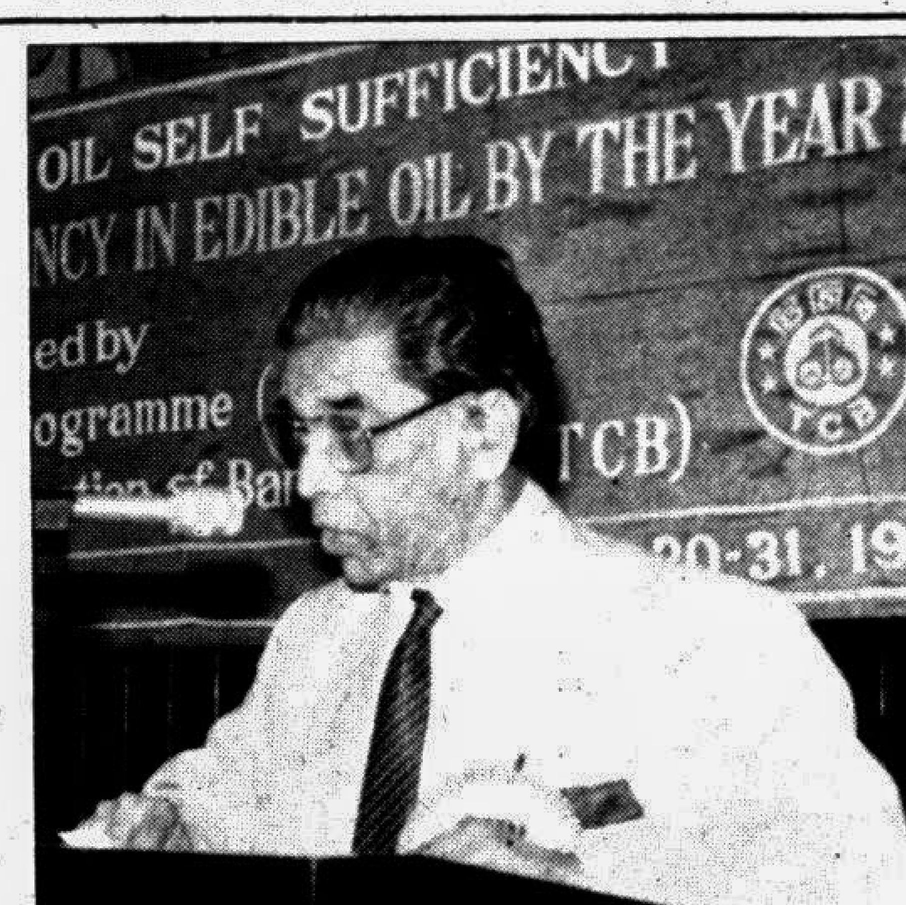
Shamsul opens workshop on edible oil

Commerce and Information Minister M Shamsul Islam yesterday called upon the experts and entrepreneurs to prepare specific proposals and recommendations for attaining self-reliance in edible oil by the year 2000, reports BSS.

Islam said cooperation would be provided to the farmers producing oil seeds for achieving self-sufficiency in edible oil.

The Commerce Minister was speaking as the chief guest at the inaugural function of a two-day workshop on "Attaining self-sufficiency in edible oil by the year 2000" at Bangladesh Agriculture Research Council auditorium.

Jointly organised by TCB and Crop Diversification Programme (CDP), the inaugural function of the workshop was also addressed by Agriculture Secretary M Akhtar Ali, Canadian High Commissioner to Bangladesh Jon J Scott, Ambassador of the Netherlands Robert Vornis and Executive Director of CDP Abdul Kader Munshi.



Commerce and Information Minister M Shamsul Islam addressing as the chief guest the inaugural function of a two-day workshop on edible oil at BARC auditorium in the city yesterday. — PID photo

'Pakistan needs to develop bond market'

KARACHI, Pakistan, May 30: Pakistan needs to develop its fledgling bond market to replace dwindling sources of multilateral credit, Bank of America executives said, reports Reuter.

"The development of debt instruments is vital to an efficiently functioning capital market," Ali Raza, Country Manager of Bank of America in Pakistan, told a symposium on corporate bonds and opportunities for issuers and investors.

"In Pakistan's context however, although the equity market has achieved significant growth over the last few years, by strak contrast, the bond market until very recently was never considered as a practical means for raising funds," Raza said.

The drying up of multilateral lines of credit to Pakistani institutions is closing the only source previously available for term lending and project finance, he said.

Bank of America acted as advisers and lead managers to packages ltd, which floated 233 million rupees (7.5 million) term finance certificates (TFCs) with a yield of 18.5 percent payable semi-annually for five years, in February this year.

In Islamic Pakistan, where interest is forbidden, regularly authorities permit issuance of TFCs an equivalent to bonds.

Packages TFCs was the first private sector bond issue.

An official at the Karachi Stock Exchange said two more bond issues were in the pipeline, but gave no details.

Farrukh Zaman, head of corporate finance at Bank of America, said the potential capital pool was 675 billion rupees, including 220 billion in national savings schemes and 295 billion in bank investment in Pakistani government securities.

Nabeel Waheed, Bank of America's manager of investment banking and treasury, said TFCs give 16.65 per cent after deduction of withholding tax compared to 12.60 per cent from the government's federal investment bonds

Poor buyers' response blamed for slow privatisation of jute units

As the World Bank funding an ambitious programme on restructuring the ailing jute sector continues to scold slow privatisation of public jute units, the authorities said lukewarm response from buyers was primarily to blame, reports UNB.

Only one of the eight mills of state-owned BJMC (Bangladesh Jute Mills Corporation), offered so far for sale in two phases, received a worthy bid, said a senior official of the Privatisation Board.

Price offered for the Hafiz Textile Mills only matched with its valuation while most other bids were "far from satisfactory," he said.

The official, however, pointed out that another recent bid from workers' union for the Latif Bawani Jute Mills deserves consideration although, he said, the bid cannot be rated as responsive.

There have been intense publicity in and outside the country to attract buyers, the official said, "but without result".

Advertisements were published in famous international financial newspapers and magazines, including The Economist and The Financial Times, both published from London. The authorities also communicated the sale offer to foreign buyers through the country's missions abroad.

The official lamented that no foreign buyer has so far bid for any of the eight mills although, according to him, those are among the best performing public sector jute mills.

The beleaguered Privatization Board is now reviewing tender documents of the mills which have either failed to obtain responsive bids or not received any bids at all.

Consultants at the Board are learnt to have been examining ways for further relaxation in bid conditions to attract prospective buyers.

The World Bank has also suggested relaxation in some conditions of the tender document, including removal of restricting on sale of land within mill compounds.

A board meeting of the Privatization Board is being planned to discus the problems of privatization, particularly in the jute sector.

Privatisation of 18 jute units and closure of another nine have been the major conditions agreed under the three-year jute sector restructuring programme being funded by a 250 million US dollar World Bank credit.

The single largest programmes credit by the IDA to Bangladesh came into effect in April 1994 and is due to end in December 1996.

As agreed, nine jute mills were due to be privatised by December 1994, but not even a single unit went to private hand as yet.

Sale of the Hafiz Textile Mills has been awaiting green signal from the Council Committee on Finance for months.

Reacting to the failure in Privatisation, the World Bank has frozen the second instalment of the Jute Sector Adjustment Credit (JSAC). The instalment, amounting to 75 million US dollar, was due in December last.

In its latest performance rating, the World Bank considers JSAC as a programme with major problem.

According to the Privatisation Board, the first batch of four mills, offered for offloading through tender in October last, had received very poor response.

Despite two extensions in the deadline, tender was received only for Hafiz Textiles Mills. Three others —Aleem Jute Mills, Qaumi Jute Mills and Jessore Jute Industries — have failed to attract any buyer.

Of the second batch of six jute mills, including two from the first batch, eight bids were received. Three bids were received for Latif Bawani while only one each for Hafiz Jute Mills, Qaumi Jute Mills, Gul Ahmed Jute Mills, Jessore Jute Industries and UMC Jute Mills.

"All bids excepting the one from the workers union of Latif Bawani Jute Mills were again poor ... prices quoted were far below the valuations", said the official of the Privatisation Board who wondered at the continued poor buyer-response.

He said the mills on offer have by far the "best possible" incentive package for the buyers as the government shouldered lions share of the liabilities of the mills.

According to sale conditions, the private owners will be free to do away with the excess workers upon taking over the mills, and the government will bear all the retrenchment benefits.

Also, the government will pay retirement benefits to the retained workers and employees for the time until the mill is handed over to the buyer.

All unpaid utility bills will also be the government's responsibility. As for the bank liabilities, one-third of the outstanding loans will be written off while the remaining two-thirds to be paid in easy instalments spread over 12 years with a meagre three per cent interest.

The mode of payment for the mills, to be sold off, is also quite easy. The successful bidder will be given the charge of the mill on payment of only 25 per cent of the quoted price while the rest to be paid in 5 years but with bank guarantee.

Furthermore, there is a provision of 10 per cent discount if the price is paid in one instalment.