The Daily Star BUSINESS
DHAKA, TUESDAY, JANUARY 5, 1999

NBR denies duty-free equipment import

Private CNG cos hit last-minute snag

By Inam Ahmed and Monjur Mahmud

When the private companies started to get going in full force to set up CNG plants in the country, a sudden note by the NBR seems to have thrown the whole process in jeopardy.

NBR on December 15 told the private companies that they would not get the duty-free equipment import facility to set up their CNG conversion and filling plants for vehicles as promised before.

As a result, the three companies, which obtained permission to set up conversion plants, are now thinking of abandoning their projects.

The companies say if they are not allowed duty-free import of equipment, which the state-run Rupantarita Prakritik Gas Company Ltd (RPGCL) had obtained, their cost of operation will be too high.

An inter-ministerial meeting was called on December 17 to settle the issue with NBR. Finance Minister SAMS Kibria has in principle agreed to a duty- free import of equipment for CNG plants and asked the NBR authorities to fix the issue.

But NBR is yet to come up with a new order.

Meanwhile, CNG plant companies say it would cost them about Tk 52,000 to convert a petrol or diesel-run car into the gas system. With the duty-free import facility, they can do the same job for Tk 24,000.

"Nobody will be interested to convert their cars at such high costs," said the chief executive of a private company which wants to go into CNG conversion business. "We can never compete with RPGCL at such rates."

The National Board of Revenue notice comes as a direct contrast to the National Energy Policy.

According to the National Energy Policy formulated on September 1995, "the use of CNG in all types of road and water transports including locomotives by replacing motor spirit and diesel will be commercialized. No duty, sales tax or surcharges will be levied on equipment imported for compression and refueling of natural gas and for conversion of vehicles. Local as well as foreign private capital investment in all phases of CNG business would be welcome."

The three companies - Texas Gascon Services (BD) Ltd, East Coast Trading (Pvt) Ltd and Natural Gas Fuels Ltd - were given permission in November last year to set up compressed natural gas (CNG) conversion, filling and marketing stations.

As per the direction of the National Energy Policy, the Energy Ministry allowed them duty-free import of equipment for the plants.

After receiving the government order, the private companies opened letters of credit (L/Cs) to import equipment for two stations. The companies expected to launch their CNG conversion operations by April.

But the NBR letter on December 15, 1998, said that duty-free equipment import for filling stations and conversion kits for vehicles would not be allowed under the SRO 293 of 1985, which has been dismissed by another SRO 112-Law/93/1509/cus.

The import of equipment would not be free of duty as these are not directly used in oil and gas exploration, development, extraction or production, according to NBR.

On the other hand, the government order issued by the Ministry of Energy and Mineral Resources on November 24, 1998, informed these companies that import of equipment for filling stations and conversion kits for vehicles would be free of duty and VAT respectively under SRO No. 22M Law/94/1539/cus dated January 17, 1994, and 293-L/85/941/cus dated June 30, 1985.

But another letter issued by the NBR on February 11, 1995, to the Collector of Custom House of Chittagong said that import of equipment for filling stations and conversion kits for converting vehicles into CNG would be free of duty.

Meanwhile, RPGCL has so far imported around 1500 kits worth Tk two crore free of duty for its CNG filling and conversion stations.

RPGCL, the sole CNG conversion company in the country, is a subsidiary of Petrobangla.

The Energy Ministry was especially interested to allow private companies in CNG conversion because the use of gas would save huge foreign currencies that is spent on import of fuel. This would at the same time help keep the environment clean.

An actor dressed in "euro" colours pushes a euro balloon in the Saint Honore market in Paris Monday as part of a parade to celebrate the debut of Europe's new common currency, which some traders see as a ready alternative to the US dollar. The parade was sponsored by a leading European bank. The writing on the man's clothing reads. "The euro is born."
— UNB/AP photo

Kyodo poll shows

Japanese economy may deteriorate further

TOKYO, Jan 4: Most leading Japanese companies expect the country's economy to remain in poor shape for another year, a poll showed yesterday, reports AFP.

The poll, conducted by Kyodo news, said 70 of Japan's 100 major firms predicted economic growth to be between zero and minus two per cent for the financial year beginning in April.

The poll, conducted in December, showed 73 companies expected the economy to remain sluggish or deteriorate further, the news agency said.

Firms with a pessimistic outlook cited poor domestic consumption and doubts about the benefit of new legislations to help banks shore up capital with public money for bad loan disposals, it said.

Only four companies believed the government's economic stimulus measures would have "considerably favourable effects" on the economy, it said.

The remainder of the firms surveyed said positive effects of the economic packages would be limited or could not be forecast.

The Japanese government has drawn up two huge spending packages, worth a combined 40 trillion yen (348 billion dollars), as well as a 60 trillion yen fund to deal with the banking crisis.

The finance ministry has drawn up a record budget for the year to March 2000, worth 81.86 trillion yen, and promised 0.5 per cent growth in the world's second largest economy.

Kyodo said many firms expected the Nikkei Stock Average on the Tokyo bourse to trade between 13,000 and 17,000 points in calendar 1999.

Minority shareholders' protection aimed

Malaysia announces new rules for takeovers, mergers

KUALA LUMPUR, Jan 4: Malaysia's Securities Commission announced yesterday a new regulatory framework for corporate take-overs and mergers, and capital adequacy requirements for stockbroking firms, reports AFP.

The new takeover and merger code, which replaces a 1987 Act, came into effect Friday and is aimed at offering better protection for minority shareholders together with greater transparency, the Commission said in a statement.

"The new code seeks to ensure that minority shareholders are given a fair opportunity to consider the merits and demerits of an offer and to enable them to decide whether they should retain or dispose their shares," the statement said.

The new law contains provisions to ensure "higher standards of disclosure and corporate behaviour and greater professionalism from all involved in mergers and acquisitions," said Commission Chairman Mohamad Munir Majid.

It also has measures "imposing criminal liability on the relevant parties to a takeover offer for providing false or misleading information" to the Commission and shareholders.

The Securities Commission said it had approved a proposal submitted by the Kuala Lumpur Stock Exchange (KLSE) to amend listing requirements in line with the new code but did not provide details.

In a separate statement, the Commissions said it approved capital adequacy requirements brokerages to "refine the prudential benchmark for maintaining better market integrity at the level of the exchange and clearing house.

"The new requirements will replace the existing minimum liquid fund rules once they are implemented through the business rules in 1999," it said.

"These will enable both the KLSE and its stockbroking companies to identify more clearly the capital available to cover the risks of running a securities business from the actual level of risk faced by the business at any given point in time.

The commission said the new requirements marked a progress in work to develop the prudential regulation of the capital market.

New ICC chief warns against protectionism

PARIS, Jan 4: The new President of the International Chamber of Commerce, (ICC), the world business organisation, today called on governments to resist protectionist pressures generated by the current harsh economic climate in many parts of the world, says a press release.

In a statement on assuming the ICC presidency, Adnan Kassar, a prominent Lebanese banker said protectionism was one of the biggest dangers facing the world economy in 1999.

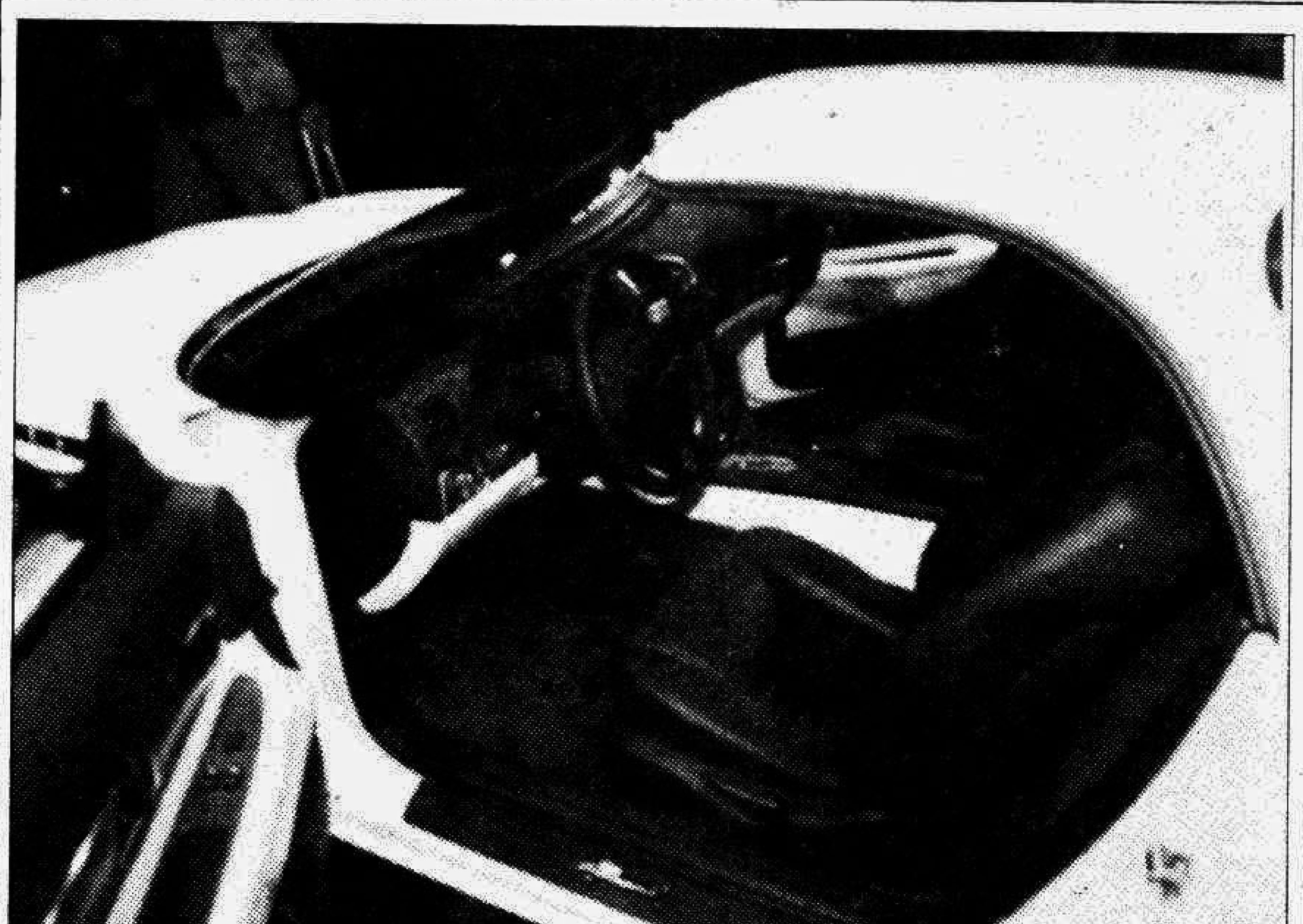
"The lesson of history is that such tendencies must not only be resisted but that when they appear governments should strive with renewed vigour to open markets and further strengthen the rules-based multilateral trading system."

Kassar, Chairman and Chief executive Officer of the Fansabank Group, said liberalisation of international trade and investment was the surest way to secure economic growth, more jobs and prosperity for all nations. Further progress in freeing up markets would create business confidence. "Such a policy will go a long way towards restoring growth and stability."

Kassar said one of the main objectives of his two-year presidency would be to mobilise the worldwide influence of ICC to ensure that developing countries are not left on the margins of the global economy.

The new President has been an active member of ICC since the early 1970s and is a leading figure in the chamber of commerce movement in the Arab world. He is Chairman of the General Union of Chambers of Commerce, Industry and Agriculture for the Arab countries, and President of ICC's national committee in Lebanon.

Kassar takes over as head of ICC from Helmut O Maucher, Chairman of Nestle SA. Maucher remains a member of the ICC Presidency. The new vice president is Richard D McCormick, Chairman of the telecommunications and data networking company, US West.



The interior of Ford's new Thunderbird coupe is seen Sunday at the North American International Auto Show in Detroit where the car made its debut to the American public.
— UNB/AP photo

Euro gets off to a strong start against taka

The newly-launched euro was actively traded on its debuting day yesterday in the local inter-bank market and ended with a strong note against the local currency, dealers said, reports BSS.

They said that the taka was quoted at 58.95 against euro at the close of the trading.

Assistant vice-president Mahmudur Rahman at Arab Bangladesh Bank said that he was the first local dealer to make an inter-bank deal on euro with the standard chartered bank (SCB). He said the bank's deal was done for 281,320 euros against pound sterling.

The SCB had the largest dealing in euros with the local as well as foreign commercial banks and had quoted over million dollars of trading in the new currency. A dealer at a foreign bank said the increased selling of the US dollar in the yen-dollar deals gave the new currency a chance to get stronger.

Bangladesh Bank has already issued necessary instructions to all commercial banks for smooth transaction of the new currency.

A dealer at a foreign banks said that though the euro was officially introduced on January 1 it came to the world money market trading on January 4 after the New Year holidays.

However, India was the first market in the world to launch commercial trading in euro on the day of the launching of the European common currency.

Dealers said the local inter-bank market was in a sort of turbulent situation in adjusting the new currency which has emerged as the right competitor of the US currency. The demand for euro is high because the euro-zone represents thirty per cent of the world trading community.

The euro-zone is the destination for nearly 45 per cent of exports from Bangladesh.

Actually we have landed in a change situation with the commercial introduction of the common currency of 290 million people of Austria, Belgium, Finland, France Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain," said a dealer at a local commercial bank.

The central bank held several meetings with all authorised dealing banks and institutions to gauge how fit they are for euro.

Bangladesh Bank has already issued a check list of operational preparedness in the clearing house of the bank with all other authorised banks for the trading of euro.

The Bangladesh Bank has requested banks to contact with its policy sub-cell under foreign exchange department if they face difficulties in trading of euro.

IMF should become world's central bank: Soros

LONDON, Jan 4: The International Monetary Fund should be transformed into a global central bank to help prevent new financial crises from wrecking economies around the world, American financier George Soros said Monday in the London-based Financial Times, says AP.

"Markets can move like a wrecking ball, knocking over one economy after another," Soros said in an op-ed article. "The swings cannot be avoided altogether, but they need to be brought under control."

Changes to the IMF were necessary because it had become "part of the problem rather than the solution." But he strongly disagreed with those calling for the IMF's abolition.

"If global financial markets are inherently unstable we need a stronger regulatory framework rather than the dismantling of existing institutions," Soros wrote. "To be specific, we need to convert the IMF into something resembling an international central bank."

Soros said the IMF should act as lender of last resort, and only for "a select groups of countries that are eager to obtain such protection."

In return, the countries would have to maintain sound economic and banking policies. Countries which failed to meet those conditions would continue to have access to the IMF on terms similar to those which currently are available. But in a crisis, the IMF would be allowed to impose conditions not only on the country involved but also on the creditors.

Soros said that would eliminate the "current imbalance in favour of creditors."

One of the major criticisms of the billion-dollar IMF rescue packages for Asia and Russia in the past year was that much of the money went to bail out international bankers who made bad investments.

Soros is chairman of Soros Fund Management, which suffered its biggest-ever loss last year about $2 billion, because of Russia's financial turmoil.

ROK to make $1b IMF repayment

SEOUL (South Korea): South Korea will repay $1billion more in loans from the International Monetary Fund this week, the Ministry of Finance and Economy said Monday.

The government will repay the loan on its maturing date Friday, ministry officials said.
—AP.

Maharashtra seeks $500m private capital for expressway

NEW DELHI, Jan 4: The Maharashtra government is seeking as much as $500 million in global private investment for two expressway projects in the state, marking the beginning of a trend among states to woo private funds for road development. State authorities would select the developers by March this year from among investors in the projects which envisage laying two roads, each more than 100 km, to link Mumbai with Nashik and Talasari.

Karnataka, Kerala, West Bengal and Delhi are among other states that are seeking private capital for projects meant to meet road transport needs within their boundaries.

These projects are different from the 7,000-kilometre nationwide expressway programme, work on which was inaugurated by Prime Minister Atal Behari Vajpayee in Bangalore yesterday.

The states have set their own terms and conditions for private investment in the road projects despite a model concession document drawn up by the federal government for expressway projects to be supervised by the National Highways Authority of India.

Kerala had invited proposals for engineering consultancy services two months ago for the 73-km-long Phase II of the proposed Pachappika-Kunnamangalam highway to be offered to private investors on "build, operate, transfer" (BOT) basis. National Capital Regional Planning Board looking after the development of the region around Delhi to decongest the capital has declared its intention to throw open the proposed 56-km Faridabad-Noida-Ghaziabad route and 80 km Kundli-Ghaziabad- Meerut expressways to private investment.

The West Bengal government is expecting technical assistance from the Asian Development Bank (ADB) for study of the 80 km Calcutta-Haldia highway which would be the first phase of the 600-km 'North-South Corridor' expressway project.

This is to be opened up to private investment later. According to the Public Works Department of Maharashtra, the Mumbai-Nashik and Mumbai-Talasari "high speed corridors" running parallel to the existing two-lane highways, are urgently needed for quick movement of goods to various growth centres within the state as well as in neighbouring states from Mumbai. Although both highways are proposed to be widened to four lanes, the growing vehicular traffic leaves much scope for laying down of expressways.

It has been estimated that the traffic in terms of passenger car units (PCUs) per day on the Mumbai-Nashik expressway will grow from 35,000 in 2005 to 75,000 in 2020 even after the current highway, carrying 28,000 PCUs at present, is widened. Similar traffic growth is envisaged on the Mumbai-Talasari expressway even after widening of the existing highway.

Developers will be allowed to charge toll ranging from Rs. 60 to Rs. 300 per entry in these access-controlled expressways. The state government has also promised investors permission to develop 1,500 hectares along each expressway for commercial use like building of hotels, motels, petrol stations and other wayside facilities.

Feasibility study for the two dual-lane expressways, which would later be widened to three lanes, is being done by U.S.-based Wilbur Smith Associates alongwith New Delhi-based Consulting Engineering Services. This is the second attempt by Maharashtra to woo private funds for expressways.

It had earlier invited tenders for building the Mumbai-Pune expressway but, dissatisfied with the high capital costs quoted by prospective investors, decided to start building the 84-km road on its own.

—India Abroad News Service.

S'pore sinks further into recession as '98 ends

SINGAPORE, Jan 4: Singapore fell into recession as 1998 ended, according to negative growth figures for the fourth quarter revealed in Prime Minister Goh Chock Tong's New Year's speech Thursday, reports AP.

The city-state's growth for the last three months of the year was a negative 1.5 per cent, Goh said in his speech.

That follows negative growth in the third quarter, and means Singapore is in recession, according to the International Monetary Fund's definition of two consecutive quarters of reverse growth.

Singapore fell into recession as 1998 ended, according to negative growth figures for the fourth quarter revealed in Prime Minister Goh Chok Tong's New Year's speech Thursday.

The city -state's growth for the last three months of the year was a negative 1.5 per cent , Goh said in his speech.

That follows negative growth in the third quarter, and means Singapore is in recession, according to the International Monetary Fund's definition of two consecutive quarters of reverse growth.

Goh did not mention recession, which had been predicted by many independent economists and investment institutions.

After mentioning the fall in growth from the previous year, Goh also said that it had fallen 1.9 per cent from the previous quarter.

"However, for 1998 as a whole, the economy grew by 1.3 per cent," he said in his message, distributed to news media. "This is not a bad performance, considering the unfavourable climate."

Goh said that 1999 "will be another difficult year," and cast doubt on predictions by the government's own Ministry of Trade and Industry that the economy would grow slightly or decline by only 1 per cent.

"MTI has forecast that the Singapore economy should grow by between minus 1 per cent and plus 1 per cent in 1999," Goh said. "But the prospects are very uncertain."

After escaping the immediate effects of the Southeast Asian economic crisis when it hit in 1997, Singapore was hit in 1998 with its worst financial situation since the last recession a decade ago.

More than 30,000 people have been laid off, bankruptcies are up, and for the first time the government has gotten involved in limited welfare programmes.

Despite wage freezes, tax and fee reductions and other measures aimed at keeping Singapore competitive and encouraging international businesses to stay, more layoffs next year will be unavoidable, Goh said.

"Our economy is driven primarily by external demand," Goh said. "The environment has changed swiftly. Contagion has spread from country to country."

"While we have not been spared," he said, "our economy has been much less affected than others."

Filipino investment approvals up

MANILA (Philippines): Investments approved by the Philippine government in December rose sharply compared to a year earlier, mainly because of improved foreign and local business sentiment toward the country, the Board of Investments said Monday.

BOI-approved investments rose 234 per cent to 97.9 billion pesos ($ 2.5 billion) in December.

The figure brought the total for 1998 to only 267 billion pesos ($ 6.9 billion), a 63 per cent drop from 1997. The 1998 total also fell short of the government's target of 400 billion pesos ($ 10.3 billion).

The BOI said the government was not disappointed at failing to meet its full-year investment target as the improved December figure showed investments were already picking up. —AP.