

Protect local industry from tax on tax

MCCI asks govt

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce & Industry (MCCI) has urged the government to protect local industries from 'tax on tax' that makes them uncompetitive.

The chamber said an import duty of 25 percent on raw materials ultimately ends up at 51.69 percent, showing an increase of more than 100 percent.

The observation was made by MCCI leaders at a meeting with Commerce Minister Altaf Hossain Choudhury in Dhaka yesterday.

Urging the minister to take steps in this regard, the MCCI leaders explained how tax on tax is increasing the costs of local market-oriented industries.

If the C&F value of an imported item is Tk 100, its CRF value stands at Tk 101 and assessable value Tk 102.01 with the addition of one percent landing charge. When 25

percent import duty is added, it becomes Tk 127.51. After paying 15 percent Vat (Tk 19.13) on this amount, 3 percent advance income tax on assessable value and four percent development surcharge, total duty stands at Tk 51.69.

"Local industry should be spared from such tax on tax. Unless this is done, local market will be taken over by our neighbouring country," MCCI President Kutubuddin Ahmed said submitting recommendations to the minister.

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Irrespective of the Safta agreement, discussion for a bilateral FTA with India with the direct involvement of the Free Trade Group should be a priority for the government, the chamber observed.

In this respect, MCCI cited the example of Sri Lanka, which derived immense benefits from such an agreement with India.

The MCCI expressed the confidence that Bangladesh would derive similar benefits if some fundamental issues were negotiated effectively, such as "asymmetric phasing out period, preparation of suitable negative lists, adequate dispute settlement mechanisms and well-articulated rules of origin."

About the poor healthcare system of the country, the chamber said Bangladeshis spend over Tk 3,000 crore every year for treatment abroad. If the healthcare facilities can be improved, this amount can be

added to the GDP.

"We strongly urge that to enable the healthcare services to contribute more to the GDP the present policy regime should be reviewed and readjusted."

About phasing out of multi-fibre arrangement after December this year, the MCCI said the commerce ministry is working to face the situation but until now, there is no indication as to how the challenge will be faced.

The MCCI suggested increasing the containing handling capacity of Chittagong Port.

Listening to the MCCI recommendations, the commerce minister said he would like to know the issues in details and take measures after having discussions with other ministries concerned.

Commerce Secretary Suhel Ahmed, MCCI Vice-president Shahab Sattar, among others, were present at the meeting.

Philips senior official due today

Jack John Detiger, service manager for Philips Middle East & Asia Pacific, arrives in Dhaka today.

He will inaugurate

"Transcom Service Week" tomorrow.

The aim of the service week is to ensure better service for consumers, says a press release.

As a service manager Detiger supports the Philips agents in the territory.

He also arranges technical training when new products or new technologies are marketed.

At present, Detiger is providing organisational support to 56 agents in 33 countries.

Developers seek govt action to keep rod price stable

Rehab leaders meet Altaf

STAR BUSINESS REPORT

Developers yesterday demanded the government to take immediate steps to control the prices of MS rod and other construction materials.

At a meeting with Commerce Minister Altaf Hossain Choudhury at his office, a delegation of Real Estate and Housing Association of Bangladesh (Rehab), led by its President Toufiq M Seraj, raised the demand.

Price of per ton of 60 grade MS rod is now Tk 39,000-Tk 38,500 while 40 grade MS rod price is Tk 34,700 which was Tk 21,500-Tk

21,800 and Tk 23,500-Tk 24,300 in January last year, the delegation said.

Apart from the MS rod, prices of other construction materials including cement and electrical equipment are also increasing this year propelling the cost of construction to higher level, the association informed the minister.

The association leaders recommended waiving import duty on all types of raw materials and finished goods and withdrawal of Vat on all types of iron products temporarily (for six months or one year). "This will reduce the price of MS rod at least by

Tk 5,000," they said.

"To overcome the present crisis the government should also reduce the registration fee and transfer fee," said leaders of the real estate industry which contributes 12-14 percent to the national GDP and employs around 10 lakh people.

They also called for tax holiday facilities for the real estate entrepreneurs.

The minister assured them of taking steps to bridle the price and solving problems of the fast growing sector.

BTTB's mobile: Whatever happened to the minutes of CCPP meeting of Jan 24, 2004?

Abu Saeed Khan

The finance and planning minister has recently blasted the media for "sensational" and "untrue" reporting, which creates "baseless" negative image of Bangladesh. It is imperative to assess the rationale of the finance minister's discontent.

Bangladesh Telegraph and Telephone Board (BTTB) had sent its mobile project's equipment purchase proposal to the telecoms ministry in October 2003. German Siemens and Chinese Huawei were jointly selected as the preferred vendors.

On October 9, 2003 The Daily Star had presented conclusive evidences of gross discrepancies in BTTB's selection of these vendors. Neither BTTB nor the vendors has contested this exclusive report.

The telecoms ministry ignored this investigative report and forwarded BTTB's \$53 million mobile project's equipment purchase proposal to the Cabinet Committee on Public Procurement (CCPP).

The finance minister chairs this nine-member committee where the telecoms minister is also a member.

BTTB's mobile project was tabled for CCPP's approval on January 24, 2004. On that very day The Daily Star and other leading national dailies questioned the consistency of this procurement.

The CCPP members had

detected numerous irregularities in

this purchase and ordered BTTB to invite fresh tender with revised specifications and budget. It has been recorded under paragraph 23 in page 7 of the minutes of this meeting.

Emerging from that meeting the finance minister informed the media about this decision. As he went abroad on the same day the Cabinet Division could not circulate the minutes of CCPP meeting until he returns.

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cook up the demand of additional \$23 million and the ECNEC, chaired by the finance minister, had approved it. By virtue of this approval the BTTB's chairman had unilaterally convened a special board meeting to process the \$76 million revised purchase proposal.

The Public Procurement Regulation (PPR) prohibits BTTB from dealing with this Chinese vendor upon

one of BTTB's mobile equipment suppliers. Neither BTTB nor Huawei has contested this news. This report also alleges that the son of a highly powerful minister holding key positions in the government is backing Huawei. The CCPP's mysteriously generous approval to the \$76 million revised mobile purchase proposal has turned that rumour into reality.

Meanwhile the parliamentary standing committee on telecoms ministry held a meeting, on January 26, two days after the CCPP rejecting the mobile deal. This committee had overstepped its authority and asked BTTB to re-submit the mobile project for CCPP's approval.

The finance minister returned from overseas and approved CCPP's decision of re-tendering BTTB's mobile project on February 11. But he also wrote a note stating the telecoms minister had requested to re-consider the rejected purchase proposal of BTTB's mobile telephone project. "The cabinet secretary would appraise this matter to the Prime minister," he concluded.

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A part-time member of the BTTB board questioned about the originally submitted \$53 million purchase proposal. BTTB's chairman admitted that he had not heard anything from the telecoms ministry on this issue. But he referred to directives from "higher authority" on revising the purchase proposal.

On April 15 the CCPP had approved BTTB's same scandalous mobile purchase proposal, which it had earlier rejected on January 24. Interestingly, this high-powered ministerial body did not even bother discussing if BTTB had complied with its directives.

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The question of corruption in mobile project dominated the press conference. Instead of speaking for the government the telecoms minister was rather busy with defending Huawei's conduct.

He admitted this Chinese vendor's forgery in other telecoms bids. This lawyer-turned-lawmaker had, however, failed to justify the legality of awarding the multi-million dollars mobile phone's contract to such vendor with officially established questionable track record.

The telecoms minister tried to salvage Huawei's image by referring to the Appellate Division's verdict of August 27, 2003. This verdict is the

result of the Supreme Court rejecting a writ petition filed by another Chinese vendor, challenging the consistency of BTTB's technical evaluation of the mobile bids.

No legal wizard is required to understand that such verdict does not provide immunity to any forgery. The reporters attending that press conference had instantaneously rejected the telecoms minister's desperate advocacy for Huawei's forgery.

Then the telecoms ministers came up with the jingles of BTTB's mobile subscription at a cheaper rate and without incoming call charges. Such premature marketing campaign of the proposed state-owned mobile service was surprising. Because the Prime Minister is yet to approve this project.

The media inquired if the telecoms minister was trying to influence the PM's decision by hyping up public opinion. He denied it and promised "privileged packages" for the journalists when the state-run mobile service is launched. But the media brushed aside the telecoms minister's offers of "privilege" and buried him with avalanche of questions.

Lately the cabinet division had

forwarded the BTTB's \$76 million

mobile equipment purchase proposal for the Prime Minister's final decision.

Approving or rejecting this deal is now the PM's discretion.

The PM's office should inquire why

the secretary general of the ruling party and two coalition partners in the cabinet avoided the CCPP's April 15 meeting

despite being in the capital. The mysteriously disappeared CCPP meeting's minutes of January 24 also needs to be recovered and circulated.

The writer is a telecoms analyst.

NBR launches Vat collection drive in Dhaka

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday began a special drive at different business establishments in Dhaka to increase Vat collection.

Under a special taskforce, four teams conducted the drive at hotels, restaurants, decorators, community centres, catering houses, guesthouses, boutique shops in some posh areas of Dhanmondi, Mohakhali, DOHS, Banani, Gulshan, Baridhara and Uttara.

During the drive, one team found an 80-seat Chinese restaurant in the city's Gulshan area, which paid only Tk 3,000 as Vat (value added tax) last year. But according to the Vat rule, the restaurant with such capacity should have paid Tk 1.5 lakh.

Another team found a 52-seat fast food shop in Uttara, which paid Tk 5,000 as Vat last year which is much lower than what found in NBR spot assessment yesterday.

According to a high NBR official, about 70 percent of the total realisable service sector Vat is being dodged by such establishments.

NBR Chairman Khairuzzaman Chowdhury and Member (Vat) Sheikh Hafijul Kabir visited some spots of the drive area, while NBR Joint Commissioner Fouzia Begum led the programme.

JS body for reopening of Khulna newsprint, hardboard mill

UNB, Dhaka

The parliamentary standing committee on industries ministry asked the ministry and authorities concerned to take steps to reopen the Khulna Newsprint and Hardboard Mill after a review of the latest overall position of the closed industrial units.

The parliamentary watchdog bodies on industries gave the directive at a meeting held at the Sangsab Bhaban yesterday with its chairman Maj Gen (retd) Mahmud Hasan in the chair.

It elaborately discussed a report on papermaking from jute as raw material in the paper mills under the Bangladesh Chemical Industries Corporation (BCIC).

The meeting was informed that research under the ongoing biopulping project for producing paper from pulp of green jute had completed and final report made in conjunction with International Jute Study Group recently submitted to the BCIC and UNIDO.

Public agriculture loan providers disburse only 47pc credits in 8 months

STAR BUSINESS REPORT

Public sector banks and financial institutions could disburse in the first eight months only 47 percent of targeted Tk 4,388 crore in agricultural loans for the current fiscal.

The four nationalised commercial banks, two specialised banks and two public sector financial institutions disbursed only Tk 2,053 crore during the July-February period.

The disbursement rate was 52 percent during the corresponding period of the previous fiscal, officials said.

The total disbursement target was Tk 3,560 crore in 2002-2003 but the public sector banks and

financial institutions were able to disburse Tk 1,868 crore during July-February period.

Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (Rakub) have fared well in loan disbursement. Against the target of Tk 1,715 crore for the current fiscal the BKB disbursed Tk 1,079 crore, or 62.94 percent of the target, in the first eight months.

The total recovery during the July-February period of current fiscal stood at Tk 1,966 crore which was Tk 2,124 crore in the corresponding period of the previous fiscal year.

Rakub disbursed Tk 377 crore during July-February period against the target of Tk 700 crore for the fiscal.

Apart from the BKB and Rakub, the loan providers are Sonali, Janata, Agrani and Rupali banks, Bangladesh Rural Development Board (BRDB) and Bangladesh

Samabay Bank Limited.

Of the total Tk 2,053 crore loans, Tk 1,060 crore have been spent on crop, Tk 1.72 crore on irrigation, Tk 9.74 crore on agri equipment, Tk 118 crore on livestock, Tk 44.14 crore on fisheries, Tk 162 crore on grain, storage and marketing, Tk 486 crore on poverty alleviation and Tk 170 on other purposes.

The total recovery during the July-February period of current fiscal stood at Tk 1,966 crore which was Tk 2,124 crore in the corresponding period of the previous fiscal year. The total loan due for recovery stood at Tk 8,328 crore while the total outstanding loan stood at Tk 11,069 crore during the period.



A delegation of Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka led by its President Kutubuddin Ahmed met Commerce Minister Altaf Hossain Choudhury at his office in Dhaka yesterday. Commerce Secretary Suhel Ahmed and other officials of the ministry were present.

Bakers want steps to control prices of