

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.

The MCCI leaders said they feel that India can provide a huge market for Bangladeshi products and signing of Dhaka-Delhi free trade agreement (FTA) is the only way to ensure Bangladeshi goods' entry to the Indian market.

The free trade with India should be given importance by the highest decision making level of the government, the MCCI suggested.

Irrespective of the Safta agreement, discussion for a bilateral FTA with India with the direct involvement of the Free Trade Group should be a policy 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 "asymmetrical 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.

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, guest-houses, 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 Hafizul Kabir visited some spots of the drive area, while NBR Joint Commissioner Foujia 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 step 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 Sangsad Bhaban yesterday with its chairman Maj Gen (retd) Mahmudul 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 bio-pulping 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 of FY 2003-2004.

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.

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.

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

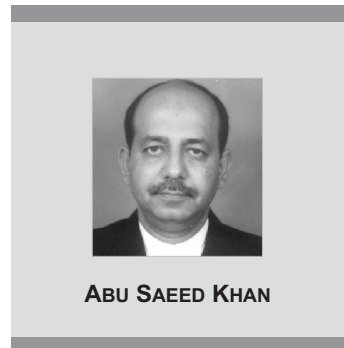
Tk 5,000," they said.

"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 bridge 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.

had twisted that to mean her consent. It asked BTTB to revise the mobile project proposal ignoring the CCPP's directive of re-tendering.

Jubilant BTTB wasted no time to 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.

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.

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

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

PASSWORD

On April 16, quoting the BTTB's internal documents, The Daily Star had again unveiled conclusive evidences of forgeries by Huawei, 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.

The PM neither rejected nor approved the scandalous mobile deal, proposed by the telecoms minister. But the telecoms ministry

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. This statement is recorded in paragraph 15 of BTTB's board meeting minutes of April 4.

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.

On April 16, quoting the BTTB's internal documents, The Daily Star had again unveiled conclusive evidences of forgeries by Huawei,

such disturbing revelations. Surprisingly the telecoms minister has been naïve on this serious issue. He hurriedly called a press conference on April 18 regarding BTTB's mobile and the submarine cable project.

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

Bakers want steps to control prices of sugar, flour, oil

STAR BUSINESS REPORT

Price hike of flour, sugar, oil, butter and other ingredients of bakery items is making the production costs higher, bread and biscuit manufacturers told Commerce Minister Altaf Hossain Choudhury yesterday.

At a meeting with the minister at his office, a delegation of Bangladesh Bread, Biscuits and Confectioneries Manufacturing Association urged the government to take steps to control the price hike of these items.

Jica VP calls on Bhuiyan

UNB, Dhaka

Visiting Vice-President of Japan International Cooperation Agency (Jica) Kunimitsu Yoshinaga yesterday called on LGRD Minister Abdul Mannan Bhuiyan at the latter's office.

During the meeting, they discussed progress of Partnership Rural Development Project (PRDP), which is being implemented in Kalihati upazila of Tangail with the financial assistance of Jica.

The vice-president expressed his keen interest to expand PRDP in the rest eight unions of Kalihati and sought cooperation from the government.

The delegation submitted a letter, signed by association President Jalal Uddin, to the minister also urging the government to stop harassment in the name of testing the quality of raw materials of bakery industry.

"Due to price hike of ingredients we are losing competitiveness while imported biscuits are capturing the local market," Iqbal Hossain Rana, general secretary of the association, said while talking to The Daily Star.

In the meeting with the minister, the association leaders said city corporation's sanitary officials often collected the BSTI-certified raw materials from the factories for testing and fine the bakers for using "adulterated" ingredients.

The bread and biscuit producers have nothing to do if the raw materials, duly certified by Bangladesh Standards and Testing Institution (BSTI), are found adulterated or sub-standard, they told the minister.

They also urged the government to stop harassment in the name of restricting the use of polythene, which is essential for packaging bakery items. "We should not be harassed as we have no alternative to use polythene."

Iqbal Hossain Rana said the minister had assured them of taking steps to resolve the problems in the industry.



PHOTO: RELIANCE INS

(From left to right) Habibullah Khan, director; A Rouf Chowdhury, director; and M Shamsul Alam, managing director of Reliance Insurance Limited, sign the annual accounts for the year ending December 31, 2003 at its head office in Dhaka on Tuesday.

Reliance Ins proposes 10pc cash, 50pc stock dividends

Reliance Insurance Limited has proposed 10 percent cash and 50 percent stock dividends (bonus shares) for the shareholders for the year 2003.

The dividends were proposed at a meeting of the board of directors of the company held at its head office in Dhaka on Tuesday, says a press release.

All the directors were present in the meeting, which also adopted annual accounts of the company.

Chinese co to run management of Barapukuria Coal Mining Co

A contract has been signed between Barapukuria Coal Mining Co Ltd and the consortium of Shangdong Ludi-Geo Mineral Co Ltd and Xinwen Mining Group Co Ltd in Dhaka yesterday.

Under the deal, Chinese Shangdong Ludi will run the management and production services of the mining project for five years, says a press release.

Petrobangla Chairman SR Osmani, Chinese Ambassador to Bangladesh Chai Xi, Hosaf Group Chairman Moazzam Hossain, Barapukuria Coal Mining Co Managing Director Golam Mustafa and Commercial Counselor of the Chinese Embassy Zhu Jin Fun were present at the signing ceremony.