Star
BUSINESS

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Excess freight charges taking the edge off garment export

M ABDUR RAHIM

Freight forwarders and shipping agents are charging beyond the limit, taking the edge off Bangladeshi apparel export at a time when competitiveness is key to survival for garments in the quota-free regime beginning next year.

The freight forwarders and shipping lines' agents are pocketing about Tk 450 crore in excess a year, pushing production costs, garment exporters said recently in a charter of recommendations on post-MFA survival.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in the recommendations submitted to the Prime Minister's Office said the government must save the exporters from 'clutches of freight forwarders and shipping lines agents' to make the $5.5 billion export earning sector competitive.

The claim of exorbitant and unauthorised charges by freight forwarders and shipping agents often creates disagreement with exporters which delays the release of both imported raw materials and export products, casting bad impact on lead time, which is key factor in quota-free regime, the BGMEA said. And because of delay, exporters sometimes are forced to air-freight cargo, which increases cost, the association added.

As per rules of Chittagong Port Authority (CPA), terminal handling charge of a 40-foot full container load shipment is Tk 2,100 but many leading shipping lines charge between Tk 4,875 and Tk 6,147.

Under the existing law, other than freight charges, the freight forwarders and shipping agents can only charge NOC (No-objection certificate) fee of Tk 1,250 and terminal handling charge, which is Tk 1,500 for a 20-foot full container load, Tk 2,100 for a 40-foot full container load and Tk 170 per CBM (cubic feet) and Tk 335 for per 1,000 kg in loose container load.

However, freight forwarders are charging for documentation charge, agency fee, China purpose charge, status change, Singapore consul charge, China additional charge, Hong Kong additional charge, Singapore EBS charge, payment of charges, NOC and handling charge.

Shipping agents charge for documentation, import service, administration, documents origin, bill of lading, cleaning, payment of charge, survey, unapplied charge and security charge.

Although exporters and importers book full container loan container (FCL) shipment, most of the forwarders and shipping lines realise charges of loose container load (LCL), said BGMEA.

Against FCL shipment the terminal handling charge is Tk 1,850 for 20-foot container but exporters and importers are forced to pay the LCL rate which is Tk 4,930. The agents charge Tk 100 crore in excess alone from this way, BGMEA said.

There is a lack of accountability and transparency in collection of charges as freight forwarders and shipping line agents do not disclose the charge details, BGMEA said.

Amirul Islam Chowdhury, president of International Freight Forwarders Association of Bangladesh, admitted that some freight forwarders are charging higher.

"Freight forwarders are still not recognised by the government. There is no progress in customs licensing and port enlistment of forwarders," he said.

"Of the 800 forwarders operating in Bangladesh, only 250 are members of this association. If government issues lincences and makes it mandatory for forwarders to obtain membership of the association, we will be able to stop the malpractice within three months," Chowdhury told The Daily Star.

Farid Ahmed Chowdhury, president of Bangladesh Shipping Agents Association, also admitted some shipping agents charge higher than the government rate. "We have formed an internal committee to find out which agents are charging higher rates. After report of the committee we will take steps to ensure implementation of government-fixed rate," he told this newspaper.

BUDGET PROPOSAL FOR 2004-05 FISCAL

Ceramic industry for minimum duty slab on raw materials

STAR BUSINESS REPORT

Ceramic ware manufacturers have urged the government to cut import duty on raw materials to a minimum slab to help the rising industry compete in the international market.

Bangladesh Ceramic Wares Manufacturer Association (BCWMA) in a budget proposal for the 2004-05 fiscal to the National Board of Revenue recently demanded the government to reduce the raw material import duty from existing 7.5 percent.

At present, the 7.5 percent duty is applicable for import of China clay, ball clay, fire clay, feldspar, quarters plaster of Paris, aluminium oxide, aluminium hydro-oxide, zinc oxide, colouring items and liquid gold which are used in ceramic industry as raw materials.

Apart from this, the manufacturers also recommended reducing the import duty on zirconium, iron oxide and cobalt oxide to minimum level from existing 15 percent.

The association in the proposal also asked the government to increase the import duty on finished ceramic products to help grow the domestic industry.

It also recommended the government should withdraw the entire supplementary duty on locally made ceramic wares to boost the industry.

The manufacturers, however, have urged the government to increase supplementary duty on imported ceramic nameplate, tiles, cube and other related finished products to 75 percent from present 40 percent.

They also asked the government to increase the supplementary duty on imported ceramic bathtub, sink, basin, commode and ceramic table and kitchen wares to 75 percent from present 50 percent.

Thai business team due next month

BSS, *Dhaka*

A high-level business delegation of Thai Federation of Commerce and Industry will visit Bangladesh next month to exchange views with Bangladeshi businessmen.

Leaders of the Bangladesh-Thai Chamber of Commerce and Industry (BTCCI) disclosed this while they called on Foreign Minister M Morshed Khan at his office on Thursday.

During the meeting the members they also sought cooperation of the foreign minister in holding a Bangladesh trade fair in Bangkok to promote Bangladesh products in Thailand.

Referring to keen interest of both the governments of Bangladesh and Thailand to increase investment and trade, the minister said there are huge potentials for joint venture investment in Bangladesh. In this regard he said agro-processing industry is an area of unlimited potentials.

He also assured them of all cooperation in expansion of trade and investment in private sectors of the two countries.

President of BTCCI Rashed Muksud Khan led the delegation that included FRM Hasan , Matiur Rahman, AY Mohammad Kamal, Zafar Osman, Manzur-ur-Rahman.

Indian govt seeks to limit damage after stock slump

AFP, *New Delhi*

India's new left-leaning government swung into damage-control mode Friday, reaffirming its commitment to economic reform and strong growth as shares slumped after release of its policy roadmap.

The document "reaffirms every reform initiative," Finance Minister Palaniappan Chidambaram told reporters after the communist-backed Congress government announced Thursday its blueprint for its five-year mandate.

The document, entitled the Common Minimum Program, pledges to keep Asia's third-largest economy growing at seven to eight percent while focusing on investment in agriculture, India's largest employer, education, power and infrastructure.

"If (the program) is implemented faithfully, efficiently, effectively over the next five years, our credibility as reformers will be enhanced, not weakened; the economy will be stronger, not weaker; people will be more prosperous, not less prosperous," Chidambaram said.

His statements came as the stock market slumped 4.41 percent to close below the psychologically important 5,000 level at 4,835.39 on investor worries over the fate of reforms championed by the previous Hindu nationalist-led coalition.

"Investors are in exit mode," said Anish Marfatia, assistant vice president at Asit C Mehta Investments. "Selling is across the board and the trigger is the government policy slant which is left turned."

The previous government was unexpectedly thrashed by Congress and its allies in elections this month in what was seen as revenge by India's millions of poorer voters, mainly in rural areas, who felt left out of the nation's economic boom.

The economy logged 10.4 percent third-quarter growth, faster even than China's during the same period, thanks to a bountiful monsoon that boosted demand in the agriculture-dependent nation.

Meanwhile, the defeated Hindu nationalists acknowledged their "feel-good" campaign meant to highlight booming growth had cost them in the election.

"I will accept that two catchphrases coined to highlight the good work done by our government -- 'feel good'... and 'India Shining' -- did not get us any political and proved costly for us," former deputy prime minister Lal Krishna Advani told his first press conference since the election upset.

Former prime minister Atal Behari Vajpayee called the polls early, confident of winning amid surging growth, but instead the coalition was defeated by the left-leaning alliance that painted the former government as out of touch with the poor.

Prime Minister Manmohan Singh is ruling with a 20-party coalition led by his Congress party. Advani called it a "fractured and divided" verdict.

These results are "good for introspection but there's no scope for self-flaggellation," he said. "I'm confident we will come back and fulfil the dream that we have of making India a great country."

Chidambaram, meawhile, reiterated India was committed to reforms but with a "human face" and would keep out the "welcome mat" for foreign investors, saying the country could absorb 10-15 billion dollars of foreign direct investment annually.

"There's so much headroom for foreign investment," said Chidambaram, known as a reformer when he served earlier as finance minister in the mid-1990s.

He added energy-hungry India would have excellent need for private players to improve its woefully inadequate power system.

UCBL to issue Visa card

United Commercial Bank Limited (UCBL) signed an agreement for software licensing and outsourcing services with Bangladesh Electronic Payment Systems Limited (BEPS) Thursday.

Under the deal, UCBL will issue both Visa Credit and Visa Debit cards to its customers.

Hamidul Huq, managing director of UCBL, and Andy Ng, chief operating officer of BEPS, were present at the agreement signing ceremony, says a press release.

BEPS is a third party processor providing linkages to the bank's system through Visa International, VisaNet System for authorisation, online financial, clearing and settlement services.

New IMF chief starts job June 7

AFP, *Washington*

The new managing director of the International Monetary Fund, Rodrigo Rato, will officially start work June 7, IMF spokesman Thomas Dawson said Thursday.

"I would like to announce that Mr. Rato's official start date in the Fund is June 7. That is when he will formally assume his managing director duties here in Washington," Dawson told a weekly news conference.

PHOTO: RELIANCE INS

(From right to left on the dais) Shahnaz Rahman, Romana Rouf Rumee, Yasmeen Khan, Anwarul Huq, M Shamsul Alam, Rokia A Rahman, Habibullah Khan, A Rouf Chowdhury, Latifur Rahman, Asadul Huq, Amanullah Chowdhury, Atiqur Rahman and Imran F Rahman are seen at the 16th AGM of Reliance Insurance Ltd held in Dhaka yesterday.

S'pore, Malaysia firms to bid jointly for share in Indian cellphone co

ANN/ THE STRAITS TIMES

In another sign that Singapore-Malaysia business ties are warming, Singapore Technologies Telemedia (ST Telemedia) is partnering Telekom Malaysia to bid jointly for a share in India's Idea Cellular.

Yesterday, an ST Telemedia spokesman said the company had "entered into an agreement with TM International, a wholly-owned subsidiary of Telekom Malaysia, to pursue a strategic stake in India's Idea Cellular".

The announcement, matched by a similar statement by Telekom Malaysia, followed speculation that ST Telemedia has been eyeing a 33.3-percent stake in the Indian mobile phone company being sold by AT&T Wireless. Still, the two companies did not specify the size of the stake they were seeking.

Idea Cellular provides mobile phone services to about 2.4 million subscribers in India. The ST Telemedia spokesman explained: "India has one of the fastest-growing mobile sectors in the world. Its low mobile penetration and vast telecommunications market potential present an attractive investment opportunity for ST Telemedia."

ST Telemedia is the telecoms arm of the Singapore Technologies group. It provides fixed-line telephone, mobile phone and other services within Singapore and Southeast Asia.

ST Telemedia's ultimate shareholder is Temasek Holdings. Earlier this year, Temasek took a 5 percent stake in Telekom Malaysia, which in turns owns mobile operator Celcom.

In its statement, Telekom Malaysia said its tie-up with ST Telemedia is valid for 12 months and may be extended. The aim is to form a joint venture company to bid for a strategic stake in Idea Cellular, Telekom Malaysia said. The "amount of stakeholding and board representative(s) in Idea would be determined by the equity percentages of the parties", it added.

This is the second sign in a week of closer ties across the causeway. On Monday, Trade and Industry Minister George Yeo announced that Singapore and Malaysia will set up a fund of RM10 million (S$4.53 million) to help businessmen from both countries scout for new ventures abroad.

Reliance Ins okays 50pc stock, 10pc cash dividends

Reliance Insurance Limited declared a 50 percent stock divided and 10 percent cash dividend at the company's 16th annual general meeting (AGM) held yesterday in Dhaka.

The meeting presided over by Rokia A Rahman, member of the board of directors of the company, was the ninth AGM after the company went public in 1995, says a press release.

The AGM transacted a number of important businesses, including the election of two new directors from public shareholders. The newly elected directors are Iftikhar Arshad Husain and Romana Rouf Rumee.

Earlier, an extraordinary general meeting of the company was held which unanimously decided to increase the authorised capital of the company from Tk 10 crore to Tk 50 core.

The AGM was subsequently followed by a meeting of the board of directors in which Shamsur Rahman was elected chairman and Latifur Rahman vice-chairman unanimously.

The board of directors of the company is now comprised of the following members: Shamsur Rahman, chairman, Latifur Rahman, vice-chairman, M Shamsul Alam, managing director, and directors A Rouf Chowdhury, Anwarul Huq, Asadul Huq, Habibullah Khan, Rokia A Rahman, Shahnaz Rahman, Rajiv Prasad Shaha, Amanullah Chowdhury, Yasmeen Khan, Iftikhar Arshad Husain, Atiqur Rahman and Romana Rouf Rumee.

ITU, WorldTel blocking local telecoms reforms

ABU SAEED KHAN

What happens if the World Health Organisation (WHO) runs private hospitals or if the UNICEF builds theme parks? How about the UNESCO printing paperbacks while the WFP expanding its fast-food chain? The International Telecommunication Union (ITU), the UN body for telecoms, has turned such bizarre hypotheses into reality.

In January 1995 the ITU had established WorldTel, an independent telecoms development company. Incorporated in London, with registration number 3056610, WorldTel was launched in July 1996. It had also formed another company in Bermuda named WorldTel Holding Limited. Everybody knows who goes to Bermuda and why.

WorldTel's website (www.worldtel.com) provides no Annual Report, no organogram or any clue about its board of directors. Even there is no telephone or fax number to contact this outfit. Names of its chairman, CEO and legal officer with respective email address along with an obscure post box address in London suffices the contact details of this company.

Its website makes no mistake while flexing international political muscle, "The ITU own a 'Golden Share' in WorldTel that provides that the ITU shall continue its support of WorldTel's mission so long as WorldTel continues to focus on emerging markets for its investments."

The unquantified 'Golden Share' makes the ITU's Secretary-General a board of director in WorldTel. No wonder its website further boasts, "Supported by the ITU, WorldTel is in a position to lobby governments effectively for fair treatment of its portfolio companies."

Okay, we have a telecoms investment company with the ITU chief in its board, which lobbies with the governments "effectively for fair treatment of its portfolio companies." A forensic examination is imperative to explore the kind of "fairness" the WorldTel has been persuading with Bangladesh government.

The then Awami League government, at its twilight, hurriedly and unlawfully, granted a 300,000 lines fixed telephone operating license to WorldTel. It was unlawful because the government had lost its license issuing authority due to the establishment of telecoms regulator.

The press had been sequentially printing numerous stories not yet contested, of WorldTel's questionable efforts to close this deal. Some press reports questioned the legality of WorlTel's license to operate fixed telephones in Dhaka and its adjacent urban area.

The departing Awami League government, deferred the commencement of newly established telecoms regulator by five months. This is how the outgoing government had maintained required legitimacy of the license it had awarded to WorldTel.

Creating the telecoms regulator is more essential than issuing a license. No ITU member country has ever sacrificed its newborn regulator to save an embryonic operating license. One may wonder if the ITU chief, also a board member in WorldTel, appreciates such anti-reform witchcraft.

PASSWORD

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It may be noted our law ministry took less than an hour to scrutinize the license agreement with WorldTel. Therefore, this document contains numerous inconsistencies. One such major inconsistency is granting exclusive operating right to WorldTel. It means, no private operator shall be in the market for some time.

It grossly contradicts WTO's Fourth Protocol where Bangladesh is a signatory. The ITU's competition policy and the telecoms law of Bangladesh equally prohibit such concession. Interestingly the government had already issued a nationwide license to operate fixed telephones long before processing the deal with WorldTel.

On March 25, 1990, the chairman of Bangladesh Telegraph and Telephone Board (BTTB), the then telecoms regulator, had issued a nationwide "Cellular Mobile Radio Telephone" operating license to Bangladesh Telecom (Pvt.) Limited for 20 years.

It allows operating fixed and mobile telephone services using cellular technology. Fixed cellular is nothing but what we call is "Wireless in local loop" today. Unlike typical telephone lines the subscribers are wirelessly connected with the telephone exchange.

By virtue of acquiring that license in early 90s, Pacific Bangladesh Telecom Ltd. (PBTL) has been offering CityCell brand mobile service. PBTL also provides fixed telephone services at anywhere within its network including Dhaka city. This company makes no marketing noise about this product, as mobile has been its core business.

Therefore, any attempted exclusivity has no relevance in Bangladesh. But WorldTel, blessed by ITU, has been pestering for exclusive operational rights in this market. Even it had served a legal notice to Bangladesh Telecommunication Regulatory Commission (BTRC) claiming its 'monopoly.'

Besides flexing its ITU muscle, the WorldTel has been nailing the Bangladesh government with diplomatic sledgehammers. It has worked. The BTRC has proved its institutional incompetence by precluding the Dhaka metropolis along with the municipal area of Gazipur, Savar and Nrayanganj from the nationwide fixed-telephone licenses.

Recently it has issued one such license to Bashundhara Group. According to Reuters, Bashundhara is investing US$200 million to serve 30 million customers. According to BTRC, this company has paid Tk2.40 million application fees, Tk80 million entry fees and submitted a bank guarantee of Tk200 million. It also pays Tk20 million annual license fees.

It will cost Bashundhara additional Tk1.20 million application fees, Tk50 million entry fees and a bank guarantee of Tk120 million if the regulator allows operating in Dhaka, Gazipur, Savar and Narayanganj. Bashundhara will pay Tk 10 million annual license fees for this unrealistically segregated market.

Such voluminous penalty is equally applicable for Bashundhara's probable competitors. It will certainly diminish the affordability of their services, which is the fundamental objective of deregulating the telecoms sector through competition.

Telephone per 100 people (Teledensity) is the major component of economic growth. Bangladesh is the only South-Asian country having less than one teledensity. The ITU has been persuading its member states increasing this rate. But its business partner, WorldTel, has been the roadblock towards that goal.

BTRC must not grant monopoly to WorldTel, which is yet to pay any license fee let alone investing single cent in Bangladesh. The regulator should rather include the Dhaka city in the nationwide licenses without imposing extra financial burden to the real investors. Protecting the vested interest of WorldTel has already become counterproductive. Little more rendering of such undue concession will be further aggravating. That is undesirable.

The writer is a telecoms analyst

FARM TRADE DEAL

WTO chief urges Africans to respond to EU offer

REUTERS, *Kigali*

The head of the World Trade Organisation (WTO) Thursday urged African trade ministers to respond positively to the European Union's offer to remove a key stumbling block to a deal on farm trade.

"This is the time to seize the gains and move forward," Supachai Panitchpakdi, director-general for the WTO, told a one-day gathering of more than 20 African trade ministers at a conference in the Rwandan capital, Kigali.\

Earlier this month, the EU said it could discuss a timetable for ending export subsidies, a key demand of food exporters such as Australia and developing countries.

"The outcome of this meeting will, I believe, be pivotal in determining whether the Doha Development Agenda will take a substantial step forward by the end of July or whether it will be consigned to the back burner for the rest of this year and probably much of next year as well."

Agriculture has been the main sticking point for the WTO talks -- struggling to regain impetus since September's collapse of a ministerial meeting in Cancun, Mexico -- and has hampered progress toward an overall deal initially hoped for the end of 2004.

Panitchpakdi said by the July general council meeting, WTO needs to have achieved a framework for agricultural and non-agricultural market access and also an agreement on the treatment of the cotton initiative and the so-called Singapore issues.

"We still have to jump this hurdle so we can make substantial progress across the whole of the Doha work programme," Panitchpakdi told the ministers, who included those from Kenya, Mauritius and South Africa, countries that have been at the center of the trade negotiations on the African block.

Umberto Agnelli dies, end of era at Fiat

REUTERS, *Turin*

Fiat Chairman Umberto Agnelli died late on Thursday of cancer, ending an era at Italy's largest industrial group and raising questions about the founding family's commitment to the world's 10th biggest carmaker.

Agnelli, 69, died in the family villa La Mandria on the outskirts of Turin, less than three weeks after his company announced that he had lymphoma, a cancer of the lymph nodes.

Umberto took over at the 105-year-old group only last year after his more charismatic brother Gianni died, also of cancer, in January 2003 at the age of 81.