Star Business

DHAKA TUESDAY MAY 31, 2005 E-mail: business@thedailystar.net

High import expenses worry BB governor

STAR BUSINESS REPORT

Bangladesh Bank Governor Salehuddin Ahmed yesterday expressed his concern over high import expenditures and said measures to discourage import of unessential items will continue.

Import expenses witnessed a sharp rise during the July-March period of the current fiscal year mounting to $9.61 billion and posting a 26.3 percent growth over the last fiscal year.

"We directed the commercial banks not to allow any letter of credit (L/C) to delinquent importers and the central bank is monitoring the matter closely," the BB governor said at a meeting with the Economic Reporters Forum (ERF) members at his office.

Ahmed said despite increase in consumer products imports, their total volume is still insignificant.

The BB statistics shows that the export cost of food grains marked a 120.89 percent growth during the July-March period followed by capital machinery (63.87 percent) and fuel (27.80 percent).

On the other hand, trade deficit is widening as export earning has noticed only a 12.47 percent growth till July-March period in 2004-05FY earning US$9.61 billion.

The foreign currency reserve stood at $3.01 billion on May 29 this year. The reserve was $2.56 billion during the corresponding period of last fiscal year, according to the BB statistics.

The country's remittance flow has also witnessed a 14.74 percent growth during July-March period. Bangladeshis abroad sent $3.19 billion during the period against $2.78 billion in the same period of the last fiscal year.

However, the total investment in government saving certificates has decreased during the period, as the net investment in the saving instruments stood at Tk1.9 billion against Tk 3.2 billion in the last fiscal year, the governor said.

ERF President Monwar Hossain, General Secretary Nurul Hasan Khan and BB high officials were also present at the meeting.

Andes teams up with Bridal Asia to arrange annual bridal shows

Local Andes Ltd in association with Indian fashion event brand Bridal Asia will arrange bridal shows in the country every year with top designers from Bangladesh, India, Pakistan, Thailand, Sri Lanka and other countries.

An agreement to this effect was signed recently in India between Andes and Bridal Asia, says a press release.

Aneela Haque, chief executive officer of Andes, and Sandeep Gurwaara, managing partner of Bridal Asia, signed the deal on behalf of their sides.

StanChart opens ATM booth at Hatirpool

Standard Chartered Bank, Bangladesh has opened its 25th ATM (automated teller machine) booth at Hatirpool in Dhaka.

Osman Morad, chief executive officer of the bank, formally inaugurated the booth at Motalib Plaza on Sunday, says a press release.

M Sajidur Rahman, head of Consumer Banking, and other senior officials of the bank were also present at the inaugural function.

LG phones jump to no 2 in US

ANN/THE KOREA HERALD

LG Electronics Inc., Korea's No2 electronics maker, said Sunday that it was the second-biggest seller of mobile phones in the United States during the first quarter this year.

According to Strategy Analytics, a US mobile handset market researcher, LG sold 5.8 million handsets that accounted for a 17.2 percent share of the US market.

That beat the 12.9 percent of Nokia Corp., the company's Seoul headquarters said in a statement. In first place is Motorola Inc.

"We hope to sustain this strong growth to become a top player," said Park Mun-hwa, head of the company's mobile communications division.

The electronics maker's strategy is based on its domination in the US CDMA market and a growing presence in the third-generation phone market. CDMA, or Code Division Multiple Access, is a mobile-phone standard used in Korea and some parts of North America.

In the United States, LG Electronics said earlier this year that it has already begun selling next-generation cellular phones.

Based on the Global System for Mobile Communication, the mostly widely used digital wireless telephone technology, the new phones is being sold via Cingular Wireless.

In 2003, the domestic electronics company jumped to first place in the CDMA phone market after just three years since entry.

New EC chairman of Mercantile Bank

Golam Faruk Ahmed has been made Executive Committee chairman of the Board of Directors of Mercantile Bank Limited.

Prior to his new appointment, he was the chairman of the now defunct Policy Committee of the Board, says a press release.

Ahmed is also a sponsor director and vice chairman of Popular Life Insurance Company Ltd, sponsor director of People's Insurance Company Ltd and advisor to Global Insurance Company Ltd.

Toyota to build seventh plant in North America

AFP, Tokyo

Toyota Motor will invest 50 billion yen (467 million dollars) to build a new plant in Canada, its seventh auto factory in North America, to boost production in the region, a report said Monday.

Japan's top carmaker will construct the plant near its existing factory in Ontario, Canada's most populous province, and it is slated to be operational in 2008, the business daily Nihon Keizai Shimbun.

A spokesman for Toyota declined to confirm the report but added the company was considering expanding production in North America.

Ashuganj Power Co now free from PDB control

Move to fulfil donors' condition

UNB, Dhaka

The state-owned Ashuganj Power Station Company Limited has been made an independent enterprise, free from PDB jurisdiction, as part of power-sector reforms to fulfil one of the major conditions of foreign donors.

A provisional power-purchase agreement (PPPA) was signed between the Power Development Board (PDB) and the Ashuganj Power Station Company yesterday. The agreement contains a provision separating the subsidiary company from the PDB.

PDB Secretary Md Talebor Rahman and Secretary of Ashuganj Power Company S Abdur Rasid signed the deal on behalf of their sides at the PDB auditorium.

Under the agreement, PDB will purchase power at a per unit price between Tk 1.24 and Tk 1.44 "on the basis of plant factor".

The three-year agreement provides that the Power Company would earn and run independently, without any direct control of the Power Board. "It would add a new dimension to conducting operations of the company," said an official announcement.

Under a power-sector reform recipe, the country's second-largest power plant, having the capacity of 724 megawatts, was transformed into a subsidiary company of the PDB in 2003.

Before the new agreement, as a PDB-controlled company the Ashuganj Power Company had sold 594 crore units of power to the PDB from June 2003 to April 2005.

Having acquired all movable and immovable properties of Combined Cycle Power Plant, Power Plant Training Centre and Regional Accounts Department, the Ashuganj Power Plant Complex started its commercial operations on June 1, 2003 under the Provisional Vendors Agreement signed earlier.

PDB also purchases power from six private power-producing organisations.

No deal with Tata against country's interest

Says industries minister

UNB, Dhaka

No deal will be signed with Tata Group on its proposed investment against the country's interest, said industries minister yesterday.

"All the deals will be signed keeping in view the interest of the country," the minister said while addressing a press conference focusing on the performance of his ministry and its subordinate bodies.

Matiur Rahman Nizami however said signing of deals with Tata is still in a pre-mature stage as negotiations have just started. "Even, I'm not aware of any progress in the talks... I'm awaiting briefing on the matter," he added.

He said that presently there are some 7.5 lakh industrial units of different categories running under private and public sectors across the country.

Of those, 8,000 are large industries, 50,000 are medium enterprises and 6,40,000 are small and cottage industries.

The industries minister noted that state-owned sugar industries under the Bangladesh Sugar and Food Industries Corporation (BSFIC) will not be able to attain their production target due to shortage in sugarcane supply.

The BSFIC sugar industries have so far produced 1.06 lakh tons of sugar against a target of 1.77 lakh tons.

On the other hand, he claimed, other state-owned industries under the Bangladesh Steel and Engineering Corporation (BSEC) have made a profit of Tk 82.86 crore and paid Tk 328.31 crore to the national exchequer.

He said state-owned fertiliser factories under the Bangladesh Chemical Industries Corporation (BCIC) have produced a total of 16.65 lakh tons urea fertiliser until May 15 of the current fiscal against the annual domestic demand of 26 lakh tons. The government had to procure 3.15 lakh tons of urea fertiliser from Kafco and import 2.5 lakh tons from abroad.

RUN-UP TO BUDGET FY06

Textile millers seek 15pc cash incentives

STAR BUSINESS REPORT

In a bid to remain competitive in the post-MFA era, textile mill owners yesterday urged the government to provide them with at least 15 percent cash incentives instead of existing 5 percent.

They also sought continuation of tax holiday or introduction of alternative benefits such as five percent corporate incentive, duty exemption on dyeing materials and chemical import, and other budgetary measures for the growth of this industry.

They made their demands at a pre-budget press conference of Bangladesh Textile Mills Association (BTMA) in Dhaka.

Addressing the press conference, BTMA Chairman MA Awal said, "As the country has entered a free market economy, this budget has a special importance it should be made very carefully."

He said increased cash incentive is very much needed for the growth of the sector. The existing incentive system is going to be phased out from the upcoming financial year, he added.

Major competitors of Bangladesh such as India, Pakistan and China are getting not only cash incentives but also other facilities from their governments, Awal said.

Citing examples of India, he said the Indian cabinet committee has recently approved an additional capital subsidy of 10 percent for textile processing units under a Technology Up-gradation Fund Scheme.

"When India is giving cash incentive packages to its textile industry, our government is gradually withdrawing cash incentives, which have come down to five percent only," the BTMA chairman said.

The government must consider the proposals including 15 percent cash incentives in the upcoming budget. Otherwise the textile industry will face a stiff competition in the quota-free market, may be out of the competitive track, he felt.

Pointing to the tough international market condition, he apprehended that around 70 woven units may be closed down any time as they fail to keep pace with the new open market era.

"Countries which were only exporters to Bangladesh for quota system, have now become competitor," Awal said explaining the stiff competition in the post-MFA (multi-fibre arrangements) open market.

Moreover, Bangladesh does not produce or manufacture dyeing materials, spare parts and chemicals, which are essential elements of the textile industry. "So we have to import these items. If the government allows to import them without any duty or tax, it will be a great help to us," the BTMA chairman said.

Instead of a three-stage GSP facility, Awal also sought government's policy support for maintaining a two-stage GSP facility, which will be come into effect from 2006.

"If the global cumulation with eased rules of origin comes into effect, it will hamper the textile industry of Bangladesh," the BTMA leader added.

Jahangir Alamin, first vice-chairman of BTMA, said the country's textile sector is yet to get maturity. "The government should provide tax holiday facility for the next five years or a five-percent corporate cash subsidy facility for this sector."

Alamin also urged the government to ease the condition of obtaining bank loan, which limits an entrepreneur to receive loan up to 35 percent paid up capital. "It is indirectly discouraging the investment in the textile sector."

BTMA has a total of 626 members employing more than 1.5 million people.

PHOTO: STAR

Bangladesh Textile Mills Association (BTMA) Chairman MA Awal speaks at a pre-budget press conference in Dhaka yesterday. Jahangir Alamin, first vice-chairman of BTMA, is also seen in the picture.

Textile engineers for steps to promote backward linkage

STAR BUSINESS REPORT

Local textile engineers yesterday urged the government to give 25 percent cash incentive for woven garment and 15 percent for knitwear exports to encourage backward linkage industries.

They stressed the need for lower interest rates on bank loans for encouraging modern textile industries, urging the government to form a Tk 10,000 crore fund so that the entrepreneurs can get loans at 7 percent interest.

"Around 76 percent of the country's total export income comes from readymade garments. Almost all businesses will face serious setback if the readymade garment sector is in trouble in the quota-free regime," said Ariful Haque Khan, secretary general of the Institution of Textile Engineers & Technologists (ITET), Bangladesh at a pre-budget press briefing at a local hotel in Dhaka.

There is no initiative to develop new products in the export basket, he said blaming a section of garment exporters for not investing in the backward linkage industries.

If backward linkage industries are developed and exporters can use local fabric in all woven and knitwear products, retention from export earning will be between 70 and 78 percent, Khan hoped.

Seventy percent of the export income goes out of the country in case of using imported fabric, he said giving examples of Sri Lanka and Mauritius as these countries have not developed backward linkage industries.

Buyers' orders from these countries are being shifted to India, China and Vietnam as they have strong backward linkage support, the ITET secretary general said.

Mentioning that price of raw materials is one of the factors to remain competitive in the global market, Khan said local manufacturers should think about buying cotton from such alternative sources as CIS (Commonwealth of Independent States) countries and Africa.

Speaking at the briefing, Syed Fakhrul Hassan Murad, senior vice president of the association, mentioned that exports of woven products using local fabric amounted to $707 million last year of which retention was $500 million.

On the other hand, exports of woven items using imported fabric valued $2431 million of which retention was only $566 million during the same period, he added.

He said local currency devalued by 36 percent against dollar in the last 10 years and cotton price went up by 40 percent. But the prices of readymade garment products dipped by 60 percent during the same period.

Airline industry sees losses mounting, further consolidation

AFP, Tokyo

The global airline industry said Monday its losses would mount to six billion dollars this year and predicted more consolidation as high fuel prices and soaring costs in North America outpace growth in Asia.

Meeting in Tokyo, the International Air Transport Association (IATA) called on governments to pursue business-friendly policies and lashed out at a French-German proposal to tax air tickets to aide the developing world.

IATA said it has done its part to adapt after the September 11, 2001 attacks shook up global air travel. It said it had slashed costs and that last year saw its safest year, with only 428 people killed in commercial air crashes.

"Losses between 2001 and 2004 exceeded 36 billion US dollars," IATA director general Giovanni Bisignani told the opening of the meeting attended by 265 companies. "And we will lose another six billion dollars this year."

IATA, which represents 95 percent of the world's air carriers, had previously estimated losses for 2005 at 5.5 billion dollars.

"Parts of the industry are profitable," Bisignani said. "But the margins are not acceptable for a 400 billion-dollar industry. Urgent action and change are needed."

IATA plans to slash costs, including through the complete replacement of paper tickets with electronic ones by 2007.

Air France chairman and chief executive Jean-Cyril Spinetta said high energy costs would accelerate consolidation of the industry.

"One of the problems for our industry is too-easy access to the market," Spinetta said, whose airline has merged with Dutch carrier KLM.

Spinetta said regulators had been pushing to let newcomers into the airline industry without fully considering the implications.

"Consolidation is the future, it's a must," Bisignani said separately.

Robert Milton, chairman of Air Canada, which emerged from bankruptcy protection last year, said airlines needed to band together to fight government policies that can distort the market.

"Only when we speak with one voice and with will, will there be the potential to break through some of the abuse," Milton said.

One of the few to break the chorus of complaint about governments was Tim Clark, president of profit-reaping Emirates Airline, which was founded by Dubai's ruling family and has faced allegations from rivals of subsidisation.

CCCI seeks import duty cut on raw materials

SHAHIDUL ISLAM, Ctg

Chittagong Chamber of Commerce and Industry (CCCI) has urged the government to reduce import duty on capital machinery and raw materials for the growth of industrialisation.

The apex body of the business community in Chittagong suggested 5 percent import duty on capital machinery instead of existing 7.5 percent.

In its budget proposal for the fiscal 2005-06, the chamber suggested reduction of import duty on filter paper and raw material for producing vehicle filter from 15 percent to 7.5 percent.

CCCI also proposed 15 percent import duty on sulpheric acid instead of 25 percent to encourage domestic battery-manufacturing industry.

Besides, the CCCI suggested for 7.5 percent import duty on polyvinyl chloride, propylene and styring polymer, pectic substance, zinc ingot, nickel silver, silicon dye oxide, sorbital, sulphonic acid, soda ash and soda sulphet instead of existing 15 percent.

The chamber also urged to reduce import duty on milk powder from 25 percent to 15 percent, CNG three-wheeler in CKD form from 15 percent to 7.5 percent, organic surface agents from 25 percent to 7.5 percent and paper insulated copper conductor from 25 percent to 15 percent.

The chamber also demanded withdrawal of the system of 25 percent bank guarantee required for delivery of raw materials for industries that produce poly bags and hanger. "The system is creating problem for those industries, known as a key backward linkage industries for RMG sector," it added.

The chamber demanded special tax rebate for environment-friendly recycling and treatment plant industries.

The chamber submitted the proposal to the National Board of Revenue (NBR) recently.