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Govt urged to bring insurance firms under finance ministry

Commerce ministry cannot solve problems: Insurers

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Insurers have urged the government to bring insurance companies under finance ministry, saying commerce ministry has failed to solve their problems.

Insurance companies deal many issues with the finance ministry but the problems of these companies are not solved promptly due to inter-ministerial dealings, which take time to address any problem, Bangladesh Insurance Association (BIA) leaders told a press briefing in Dhaka yesterday.

Citing examples of India, Sri Lanka, Thailand, Indonesia and Pakistan, they said although insurance is a subject matter of the finance ministry in these countries, it is still under commerce ministry in Bangladesh as a legacy of the past.

Insurance activities are mostly related to VAT, tax and bank enlistment and the problems arising thereof can be best resolved if the sector comes under finance ministry, they said.

Speaking at the press conference, BIA Chairman M Shamsul Alam said an insurance company is being treated as a trade body for all purposes but it is termed a financial institution when it comes to tax.

Asian Development Bank (ADB) and World Bank (WB) have also recommended insurance as subject of finance, he pointed out.

Corporate tax for general insurance companies should be made at par with other listed companies instead of existing 45 percent, the BIA leaders suggested.

Besides, corporate tax for life insurance companies should be 12.5 percent and extra surcharge 2.5 percent and VAT on accident risk premium attached to a life insurance policy should not be collected, they suggested.

Demanding amendment to the Insurance Corporations Act 1973, they said compulsory placement of 50 percent reinsurance with Sadharan Bima Corporation (SBC) by the general insurance companies should be made voluntary to make the entire 100 percent reinsurance placement voluntary.

Enlistment of insurance companies by the banks is not practised anywhere in the world and the system should be abolished, they felt.

AK Azizul Huq Chaudhuri, managing director of Bangladesh General Insurance Company Ltd, presented a keynote paper at the press conference.

In his presentation, Huq said the premium income of insurance companies in 1986 was around Tk 36 crore while it went up to Tk 2,043 crore in 2004, of which life insurance premium was Tk 1,463 crore and general insurance premium was around Tk 580 crore.

Total investment of the insurance companies rose to Tk 3,138 crore last year and VAT paid to the state coffer up to 2004 by general insurance companies is around Tk 400 crore.

Chief executive officers and managing directors of other insurance companies were also present at the press briefing.

IFIC Bank, Misys sign deal on online banking software

IFIC Bank Ltd and Misys International Banking Systems Ltd UK have signed an agreement on real-time online banking software.

Ataul Haq, managing director of IFIC Bank, and Guy Harris, director (Sales Retail Banking) of Misys International, signed the deal on behalf of their organisations in Dhaka on Wednesday, says a press release. The real-time online banking solution will enable the customers of the bank to get all the modern facilities.

Mashiur Rahman, deputy managing director of IFIC Bank, Kelvin Loh, country manager of Misys International, and Mustaque Ahmed, chairman of SRM Systems Ltd, the local partner of Misys International, were also present.

Fuel price adjustment in favour of urban well-off

Says CPD review

STAR BUSINESS REPORT

The rural poor will be directly affected by the rise of diesel and kerosene prices while the comparatively low rise in petrol will minimally affect the urban dwellers having private transports, according to a Centre for Policy Dialogue (CPD) review unveiled yesterday in Dhaka.

Octane, which is largely used in cars of affluent people, did not witness any further price hike. "Fuel price adjustment has been thoroughly biased in favour of urban well-off people without due consideration to the rural poor," said CPD in 'State of the Bangladesh Economy in the Fiscal Year 2004-05'.

A substantial increase in diesel price will raise cost of irrigation as well as transportation cost of agricultural commodities. At the same time, enhanced kerosene price will put pressure on cost of living of rural people who use it substantially, it explained.

Prices of diesel and kerosene were increased by 13 percent, while petrol price rose by six percent, increased at a rate less than half of the former, it added.

Bangladesh's annual demand for petroleum products is 3.8 million tonnes. Diesel and kerosene constitute 50 percent of the demand, petrol one percent, octane three percent and others constitute the rest, the CPD review observed.

Diverse consumer groups from rural and urban areas demand different kinds of petroleum products for irrigation, operation of power tiller, transportation and domestic use.

This indicates that any readjustment in the fuel prices by the government needs to consider its multidimensional impact. It should also consider that one consumer group (particularly the disadvantaged ones) is not left worse off than another, it went on.

In May 2005, kerosene and diesel prices were increased by Tk 3 (from Tk 23 to Tk 26), petrol by Tk 2 (from Tk 33 to Tk 35) while octane remained unchanged at Tk 35.

One of the major reasons cited by the government refining the price hike is to deter the possibility of these petroleum products being smuggling out to the neighbouring country, said the review.

The price differential with West Bengal is highest in case of Octane (Tk 21.2 per litre) followed by petrol (Tk 17), kerosene (Tk 12.4) and diesel (Tk 7.4), it added.

"If diesel can be carried as head load, can't petrol and octane be carried as well?"

Import duty on petroleum products in Bangladesh is very high import duty 25 percent, supplementary duty 15 percent, VAT 15 percent, and surcharge four percent and it is one of the major sources of revenue of the government, the CPD pointed out.

Winners of Pran promo get prizes

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Agricultural Marketing Company Limited (Pran) yesterday distributed prizes among the winners of its promotional programme, 'Chumukaye Lakhopoty'.

Arif Hossain Ali of Mirpur won Tk one lakh prize while Md Mohiuddin of Satkania in Chittagong and Md Nuruzzaman of Lemuabazar in Feni are among the three winners of Tk 25,000.

Company officials handed over prizes among the winners at the National Press Club in Dhaka yesterday. The company launched the promotional campaign in March 2005.

Table clock, blender, charge light and audio system are also on the prize list.

The company recently launched another promotional programme 'Pran khule ghar sajan' for its Pran Cola and mango juice products.

The winners will get cash amount, air conditioner, freeze, television and other prizes.

Ahsan Khan Choudhury, deputy managing director, Ilias Mridha, executive director, Kamruzzaman Kamal, general manager (marketing), among others, were present at the function.

Dollar stumbles

AFP, *New York*

The dollar's rally stalled Friday as a weaker-than-expected report on US payroll growth prompted a rethinking of the outlook for the world's biggest economy and future interest rates.

The euro rose to 1.2229 dollars at 2100 GMT from 1.2270 late on Thursday in New York. At one point the single currency jumped as high as 1.2390 dollars.

Merger, acquisition new route of Indian textile industry

PALLAB BHATTACHARYA, *New Delhi*

Merger and acquisition seem to be the latest buzzwords in Indian textile industry to take on the competitive environment set off by the post-quota regime.

Since setting up new plants takes time, a number of leading mills have gone for merger and acquisition, especially in weaving and spinning sectors, with the primary objective of capacity expansion, textile industry sources said.

Indian Cotton Mills Federation Secretary General D K Nair said merger and acquisitions in spinning and weaving sectors are expected to get momentum in the coming days as India has about 95 percent decentralised units in the two sectors.

Many small spinning and weaving mills were set up between 1965 and 1985. While the government allowed fabric production in organised sector since 1985, fiscal incentives were given to the unorganised power loom sector, putting composite mills at a disadvantage. The duty anomalies were rectified only in 2004.

But fiscal policies now favour big production and the trend is shifting from fragmentation to consolidation as survival depends on economy of scale, industry sources said.

Mergers and acquisitions also help bring down overhead and marketing expenditure and post better financial results, they added.

Besides, they also bring about volume price and cost advantage as far as raw materials, production and input costs are concerned.

Industry sources said merger and acquisition are likely to spread to apparel sector once labour laws are relaxed. But then reforming labour laws has always been a political hot potato.

PHOTO: STAR

Winners of a promotional campaign titled 'Chumukaye Lakhopoty' launched by Agricultural Marketing Company Limited (Pran) pose for photographs after receiving prizes from the company officials yesterday in Dhaka.

Prime Bank's new chairman, vice chairmen

Qazi Saleemul Huq

Nazma Haque

Ferdousi Islam

Qazi Saleemul Huq MP has been elected chairman while Nazma Haque and Ferdousi Islam vice chairmen of the Board of Directors of Prime Bank Ltd.

After obtaining his MBA degree from IBA of Dhaka University in 1979, Huq started his business career with GQ Ball Pen Industries, says a press release.

Huq is also the chairman of GQ Group of Companies.

Nazma Haque is also a sponsor director of Prime Insurance Company Ltd while Ferdousi Islam is chairman of Bajnabo Textile Mills.

Beacon Pharma launches website

Beacon Pharmaceuticals Ltd has recently launched a healthcare information website.

The site, www.beacon-pharma.com, contains information such as name, chamber address and contact number of specialist doctors of all categories.

Oil prices fall in Asian trade as US crude stocks surge

AFP, *Singapore*

Oil prices fell in Asian trade Friday after news of a surge in US crude stockpiles eased concerns over a supply crunch, dealers said.

At 12:50 pm (0450 GMT), New York's benchmark July contract for light sweet crude was trading at 53.56 dollars a barrel, down seven cents from its close of 53.63 dollars in New York overnight.

World oil prices had dipped nearly a dollar Thursday after official US data showed a larger-than-expected jump in US crude inventories.

Victor Shum, a Singapore-based analyst with US energy consultancy Purvin and Gertz, said the latest price falls were a signal there was adequate crude supplies to cope with market demand.

"Supply is plentiful, some market participants are asking where's the shortage," said Shum, adding that crude stocks are now at their highest levels since July 1999.

The US Department of Energy (DoE) said Thursday crude oil inventories increased by 1.4 million barrels to 333.8 million in the week ending May 27, following a surprise drop of 1.6 million barrels the previous week.

The DoE data also showed gasoline stockpiles rising 1.3 million barrels to 216.7 million, while distillates were up 700,000 barrels to 106.4 million on a weekly basis.

Demand for gasoline, meanwhile, rose to 9.5 million barrels per day in the United States last week, even before the start of the US summer vacation driving season that began Monday.

Shum said prices could slide further when the oil futures market switches back to New York trading hours late Friday.

"The immediate support level for crude looks to be around the 52-dollar level, so there may be some room to fall further beyond that."

INDIAN EMBARGO ON HILSA EXPORT

Exporters seek govt steps to end deadlock

STAR BUSINESS REPORT

Bangladesh Hilsa Fish Exporters Association yesterday urged the government to initiate immediate steps for overcoming the Indian embargo on export of hilsa fish through Bangladesh land ports.

"If the non-tariff barrier on the fish export is not solved immediately, the government will loss a substantial amount of foreign exchange," said association's General Secretary SA Wadud at a press conference in Dhaka.

Presently, Bangladeshi traders earn around US$100 million by exporting 40,000 tonne of hilsa a year.

The general secretary said the India Animal Quarantine and Livestock (AQL) Department has issued a new directive stating that the Indian fish importers will have to take prior permission to import hilsa from Bangladesh.

The new directive caused suspension of export of any fresh consignment of hilsa fish.

Import to resume soon

Says West Bengal minister

PALLAB BHATTACHARYA, *New Delhi*

Imports of hilsa fish from Bangladesh will resume soon, West Bengal Fisheries Minister Kiranmay Nanda told reporters in Kolkata on Friday.

West Bengal state government has taken up the issue of mandatory sanitary permission for importers of the fish from Bangladesh with the federal government.

Nanda said he discussed the matter with Federal Fisheries Secretary P A Hakim. "Hilsa fish will be imported through Bengapole-Petrapole border soon," he added. West Bengal imports more than 5,000 tonnes of hilsa fish during peak season, from May to October, but imports were hit this year by the deadlock on the issue of mandatory sanitary import permits. Secretary of Hilsa Fresh Fish Importers Association Syed Anwar Maqsood said although sanitary import permit had been mandatory from May last year, importers were failing to get the permit from the Federal Agriculture Ministry.

The members of the association import about six trucks of hilsa fish per day. But the fish stock was not being allowed into West Bengal from across the border due to absence of official clearance, he said.

The Kolkata office of federal agriculture ministry had earlier issued no-objection certificates. Recently they intimated the association that they could not do so any more as the mandatory sanitary permit would be required for importing hilsa fish, Maqsood said.