

Taka devalues against dollar 5.5pc in 3 months

STAR BUSINESS REPORT

Taka devalued against US dollar by 5.5 percent in the interbank market in three months.

The taka-dollar exchange rate in the interbank market depreciated from around Tk 60.5 per US dollar in December 2004 to around Tk 63.5 in March 2005, representing depreciation of about 5.5 percent during January-March, 2005, according to a Bangladesh Bank (BB) quarterly publication released yesterday.

After a long period of relative exchange rate stability, foreign exchange market experienced a severe pressure since early January 2005 leading to a sharp

depreciation of exchange rate during January and February 2005. The depreciation mainly reflects much higher growth in import payments than the growth of export receipts and workers' remittance receipts in the preceding months, it said.

"There has been substantial volatility in both the rates and volume of transaction. To reduce the pressure in the foreign exchange market, BB sold around US\$148 million in February 2005," the quarterly said.

As a consequence of that and partly due to improvement in foreign exchange inflows and monetary tightening, exchange rate stabilised

somewhat since mid-March 2005, the central bank added.

After a notable decrease in the second quarter, the 12-month inflation showed an upward trend during the third quarter of FY05. It resulted mainly from increase in food prices and to a lesser extent in non-food prices partly due to rise in the cost of imports induced by depreciation of taka, it said.

Overall 12-month point-to-point inflation increased from 5.5 percent in December 2004 to 6.7 percent in March 2005 propelled mainly by increase in food prices, it explained.

Following a decrease in 12-month point-to-point food price-inflation from 9.5 percent in

September 2004 to 6.7 percent in December 2004, the index increased to 8.2 percent in March 2005, reflecting mainly rise in the cost of imported food due to substantial depreciation of taka against all major currencies and poor harvest of aman crop, BB said.

Looking at the regional developments, after a trend towards moderation during October-December 2004, inflationary situation in South Asian countries seems to have showed a rising trend during the January-March 2005 reflecting rise in commodity prices in the international market combined with demand pressure in the domestic market, it added.

Citibank NA opens new office at US Embassy

Citibank NA yesterday opened a new office at the US Embassy in Dhaka to meet the increasing banking needs of customers on the embassy premises.

Riaz Rahman, adviser to the Ministry of Foreign Affairs, was the chief guest at the inaugural function of the new office.

Harry K Thomas, US ambassador in Dhaka, N Scot Einhorn, United States disbursing officer based in Thailand, and Mamun Rashid, Citigroup country officer-Bangladesh, were also present at the function.

The new office is also equipped with an ATM, says a press release.

India to set rules of origin for Asean FTA

ANN/THE STATESMAN

India's approach to the formulation of a new set of rules of origin (ROO) for the India-Asean FTA will be finalised by mid-July. The expert group on preferential Rules of Origin constituted by the commerce and industry ministry will round off countrywide consultations with industry by the month-end, the expert group's chairman and former CBEC member, PRV Ramanan, said Friday.

The evaluation of new Rules of Origin approach comes in the wake of Asean's rejection of India's general approach towards its various FTAs, on grounds of lack of consistency in the criterion adopted for domestic value addition; inability to recognise China's endorsement of the norms set out by the Asean and the complications in the minimum qualifying operations to confer origin status, Ramanan told in an interactive session on 'Rules of Origin issues in India-Asean FTA', organised by Ficci in cooperation with the ministry and various industry associations and export promotion councils.

Rules of Origin are the criteria that determine the country of origin of a product. Tariff concessions under the FTA are available only if the products satisfy the ROO, as agreed between the member countries of FTA.

Ramanan said, India was following the 'twin criteria' as the general approach of ROO. This involves two methods to determine the origin of the product. One is value addition, under which a minimum percentage of total value addition should be achieved with the help of domestic inputs.

The second method is change in tariff heading (CTH), under which origin is granted if the exported product falls into a different tariff heading (four-digit level of HS classification) to any imported input used in its production.

This approach is used in the most of preferential trade agreements and features in both EU agreements and the Nafta.

Asian energy confce to focus on challenges as prices spiral

AFP, Kuala Lumpur

More than 1,000 oil and gas industry leaders and politicians are gathering in the Malaysian capital to ponder challenges facing world oil supply against a backdrop of rising prices, at a major conference starting Monday.

The annual Asia Oil and Gas Conference will see delegates from 40 countries meet over three days, including Royal Dutch/Shell Group chief executive Jeroen van der Veer and Association of Southeast Asian Nations (ASEAN) Secretary-General Ong Keng Yong.

A session on political and economic scenarios is likely to dominate discussions as delegates contemplate supply disruptions and continuing instability in Iraq.

Key among the panellists is Iran's Deputy Energy Minister, Reza Amrollahi. Iran holds the world's second-largest oil and gas reserves, but economic sanctions by the United States and domestic energy sector contract regulations have seen limited production from the nation.

Delegates will also discuss the state of the world's oil reserves and present and future oil markets.

The conference comes ahead of a June 15 meeting of the Organization of Petroleum Exporting Countries (OPEC) in Vienna, which is expected to discuss increasing output in response to rising oil prices, which are hovering above 52 US dollars per barrel.

Withdraw Tk 1,200 tax on new subscription

Mobile phone operators urge govt

STAR BUSINESS REPORT

All private mobile phone operators yesterday urged the government to withdraw the Tk 1,200 tax imposed on any kind of new subscription in the proposed budget for the fiscal 2005-06.

The National Board of Revenue issued a statutory regulatory order making effective the imposition of the government duty on SIM (subscriber identification module) card and other cell phone connections.

The decision has created chaos in the industry pushing the price of mobile phone connections higher. Most operators have stopped selling connections while a section of unscrupulous businessmen have been making brisk money by exploiting the situation.

The chief executives of all private cell phone operators yesterday called on the Post and

Telecommunications Minister Aminul Haque at his office and placed a letter demanding his immediate intervention.

In the letter, the cell phone operators said the imposition of the new tax will not only hamper the growth of the country's fast growing cellular phone sector but will also have an adverse effect on foreign direct investment and network expansion.

The letter also noted that the government will still be benefited from other direct and indirect taxes paid by the cell phone operators as well as subscribers even if the duty is withdrawn. VAT and other taxes collected from the sector will be much more than any possible loss due to the withdrawal of the duty, they said.

Referring to the contribution of the country's cellular phone industry, the letter said as the fastest growing industry it has helped increase the teledensity of the

country. The increase of cell phone users has been 100 percent in the current fiscal reaching over five million, sources in the industry said.

"The new tax will have dampening effect on the growth of the sector, particularly at a time when we are beginning to address the lower end market," a telecom ministry official said quoting the letter.

It said, "This new tax, which is five times the present price of the SIM card, will significantly reduce the ability of the lower income groups and rural people to buy a subscription, and in turn the market growth will slow down considerably forcing operators to slow down network expansion."

The telecommunications sector has been able to fetch one of the highest foreign direct investments (FDI) in recent times.

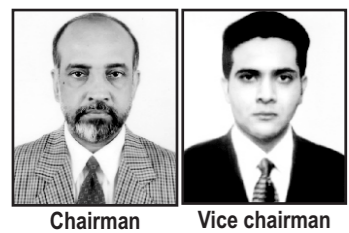
ATN Bangla now media partner of TMSS

Private satellite television channel ATN Bangla has become the media partner of Thengamara Mohila Sabuj Sangha (TMSS), an NGO.

An agreement to this effect was signed Friday in Bogra between the two organisations, says a press release.

Dr Hosne-Ara Begum, executive director of TMSS, and Mahfuzur Rahman, executive director of ATN Bangla, signed the deal on behalf of their sides.

Prime Bank's executive body chairman, vice chairman



Imam Anwar Hossain and Nafis Sikder have recently been made chairman and vice chairman respectively of the Executive Committee of the Board of Directors of Prime Bank Ltd.

They were elected at a recent meeting of the Board of Directors of the bank in Dhaka, says a press release.

Imam Anwar is the chairman of Imam Group while Nafis Sikder is the managing director of Palmal Group.

Asia's budget airline bubble may burst

AFP, Kuala Lumpur

Stiff competition and rising fuel prices will force a shake-out among Asia's budget airlines, and some are likely to be permanently grounded, analysts say.

The success of Malaysia's AirAsia, Southeast Asia's biggest low-cost carrier, has sparked a slew of other budget operators to take to the skies, including spin-offs from major airlines which scrambled to cash in on the phenomenon.

But after a tremendous start which revolutionised travel in the region, a changing business environment may mean an end to the boom, as happened in Europe where no-frills carriers suffered a bloodbath that only the strongest survived.

"Competition is tough. I foresee a drop-out soon," OSK Research aviation analyst Chris Eng told AFP.

Singapore's low-cost carriers are considered the most vulnerable because without a domestic market to fall back on in the tiny city-state, they are forced to fight with the major airlines in the international market.

Eng said there would be a struggle for survival between privately owned Valuair, Qantas-backed Jetstar and Tiger Airways which is 49-percent owned by Singapore Airlines.

As most budget airlines have to stick to routes within a three-and-a-half hour flying time due to their smaller planes and limited cargo space, flying further afield is "less cost-effective and makes it more difficult to compete," he said.

Appoint tax ombudsman

FBCCI asks govt in budget reaction

STAR BUSINESS REPORT

The FBCCI has called for immediate appointment of a tax ombudsman to handle the tax administration free from harassment and bring transparency in investment and economic activities.

The announcement made by the finance minister about appointing a tax ombudsman in the proposed budget should be made clear and implemented accordingly, said the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) in its post-budget reaction.

The country's apex trade body at an emergency meeting with its President Abdul Awal Mintoo in the chair hailed the proposed budget and gave a 23-point proposal, said a press statement issued by the FBCCI yesterday.

Keeping the highest tax slab at 25 percent, it said, duty on industrial raw materials should be fixed at five percent.

It is necessary to reduce subsidy in the state-owned enterprises and cut expenditure in the revenue budget.

Bangladesh is one of the signatories to achieve the Millennium Development Goals (MDGs) and a huge local and foreign investment will be needed to achieve different targets under the MDGs.

It means the country has to increase the income of around 50 million people to place them over the poverty line by 2015 and it is a big challenge, the statement added.

For the first time, the FBCCI thinks, the proposed budget can be considered a strong political commitment in reducing poverty and achieving the MDGs. Political determination will play a crucial role in materialising these issues.

The FBCCI proposed a Tk 25 crore budget allocation to make the Anti-corruption Commission more effective.

It also proposed to withdraw

supplementary duty keeping the highest import duty on sugar for the sake of local industry.

Besides, the FBCCI urged the government to form a monetary policy commission, which will be responsible for looking into money supply and loan sanction policies.

Establishing a good governance is essential for the development of socio-economic condition, facilitating business, increasing investment and reducing poverty, it said adding that the proposed budget did not give any clear direction to address these key issues.

The FBCCI, however, said the desired economic growth and rural development goals, which are the main targets in the proposed budget, will be hampered if non-economic factors such as law and order situation and governance are not improved.

15pc revenue growth in 11 months of FY05

STAR BUSINESS REPORT

The National Board of Revenue (NBR) achieved about 15 percent growth in revenue collection in the first 11 months of the present fiscal year (FY), NBR sources said.

The growth in the revenue collection at the same time in the last FY was about 11 percent.

The NBR collected Tk 25,998 crore out of the Tk 30,500 crore of

the revised budget of the FY 2004-05. It has to collect Tk 4,502 crore within June to reach the target.

NBR high officials, however, said it is possible to collect the rest of the revenue before the deadline.

The growth in revenue collection in the import level stood at 14.52 percent with the total collection of Tk 13,507, while the growth was 13 percent with the collection of Tk 7,974 at the local level.

The growth in the income tax level was 21.64 percent making the total collection at Tk 4,310 crore.

The original target of revenue collection in the present FY was fixed at Tk 32,190 crore, which was made Tk 30,500 crore in the revised budget with a target of 16.45 percent growth compared to the previous FY.

Wintel offers rewards to shoppers

STAR BUSINESS REPORT

Wintel Limited, a telecoms software firm, yesterday launched the first-ever Customer Incentive Card (CIC) to reward customers through accumulative points.

The customers will have rewarding points while buying commodities and services from stores under the network of CIC. Any time customers can claim gifts or cash vouchers on the basis of accumulated points, said

Faisal Alim, managing director of Wintel Ltd.

"This is almost similar to customer loyalty programme 'Air Miles' operating in the North American region," added Alim.

For each purchase of Tk50, customers will get 1 point and it will be calculated accordingly by CIC point processor machines at the stores. Customer will have to produce CIC at the cash counters to have their points accumulated.

Points will be counted with

every purchase and will be updated online at the central server. The customers will be able to claim gift or rewards after gathering 300 points.

Tk 50 is needed to get a subscription of CIC for two years, Tk 100 for five years and Tk 500 for lifetime where bonus 100 points will be added instantly.

Some 300 shops have already joined the programme. As many as 1,500 shops will be brought under the network by the year-end.



Riaz Rahman, adviser to the Ministry of Foreign Affairs, Harry K Thomas, US ambassador in Dhaka, N Scot Einhorn, United States disbursing officer based in Thailand, and Mamun Rashid, Citigroup country officer-Bangladesh, jointly inaugurate a new office of Citibank NA yesterday at the US Embassy in Dhaka.



Minister for Science and Information and Communication Technology Abdul Moyeen Khan visits a stall at a project fair launched by the European Union at Gulshan Spectra Convention Centre in Dhaka yesterday.

EU project fair kicks off in Dhaka

STAR BUSINESS REPORT

The European Union (EU) yesterday launched a project fair in Dhaka with a view to disseminating the impacts of the projects among the entrepreneurs and stakeholders.

Minister for Science and Information and Communication Technology Abdul Moyeen Khan inaugurated the fair at Gulshan Spectra Convention Centre.

The minister hailed the EU for its continuous support in poverty alleviation, infrastructure development and

employment creation in the country. He also acknowledged the EU-support in health and education sectors.

"European approach is more acceptable and development friendly in providing trade and development assistance," Khan added.

European Commission Ambassador in Dhaka Esko Kentrschynskyj said the commission is gradually decentralising its management.

The commission is also bringing changes in approach of assistance

as it is concentrating on the impact of the projects rather than their size, he said.

A project may be small in size but its impact on the community may be huge and significant, the ambassador observed.

The fair might help disseminate success stories among the development partners and NGOs, Kentrschynskyj said. Besides, the project people can share their experience and it would benefit them in implementing other projects, he added.