Star Business

DHAKA TUESDAY APRIL 29, 2008



## Stocks

| | | |
|---|---|---|
| DGEN | 3,061.68 | 0.82% |
| CSCX | 5,545.79 | 0.24% |

## Asian Markets

| | | |
|---|---|---|
| MUMBAI | 17,015.96 | 0.64% |
| TOKYO | 13,894.37 | 0.2% |
| SINGAPORE | 3,201.63 | 0.39% |
| SHANGHAI | 3,474.72 | 2.33% |

## Currencies

| | Buy TK. | Sell TK. |
|---|---|---|
| USD | 68.25 | 69.25 |
| EUR | 105.23 | 109.84 |
| GBP | 133.74 | 138.91 |
| JPY | 0.65 | 0.68 |

SOURCE: STANDARD CHARTERED

## Commodities

Gold $891.32 (per ounce)

Oil $119.93 (per barrel)

SOURCE: AFP

## More News

**UAE's Etisalat keen to invest in telecommunications**

UAE-based telecoms company Etisalat has shown interest to invest in Bangladesh's mobile and data communications.

**Discontent feared on fuel price readjustment**

Finance Adviser Dr Mirza Azizul Islam yesterday warned that domestic fuel price adjustment to rapidly rising international prices could be a major source of social discontent and cost-push inflation.

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## International

**Emiratis fear being minority in their own country**

The growing concern of Emiratis about being a minority in their own country is surfacing, with a senior official warning that it could lead to the collapse of the regime, as construction boom in the emirate is being fueled by foreigners buying property there.

**India's business confidence declines**

High interest rate regime, appreciating rupee and rising cost of industrial inputs and raw material have together led to the corporate India's confidence take a hard knock.

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# 2 budget carriers take off from Dhaka within June

## Competition set to intensify on ME routes

SOHEL PARVEZ

Budget carriers Air Arabia and Bahrain Air are to start flights from Dhaka in a move that will intensify competition on the lucrative routes carrying workers to the Middle East region.

The entry of the low-cost carriers, analysts say, will help thousands of Bangladeshi workers go to the Middle East region at fares approximately $100 lower than that of the conventional carriers.

Air Arabia and Bahrain Air are expected to fix the launch date of the new services in the next two months.

Sales of agents of these low-cost carriers said they want to begin operation from the country's main international airport Dhaka within June 2008 this year.

Local conventional carriers however expressed concerns over the entry of the low cost carriers saying that it would affect their business if passenger pressure were lower.

The low cost carriers got government approval to start operation from Dhaka following a recommendation from an inter-ministerial committee.

"It's a good start for the market. It will be very much beneficial for the Bangladeshi workers," said an aviation analyst Imran Asif.

Asif also said entry of low cost carriers will be an eye opener for the local airlines, who will have to improve competitive edges to retain their market share.

A file picture of an Air Arabia aircraft. Two budget carriers --Air Arabia and Bahrain Air -- are to start flights from Dhaka within June.

Air Arabia has already been operating from Shah Amanat Airport, Chittagong since June 18 last year.

On receipt of the government endorsement, the carrier will now be able operate its flights on Dhaka-Sharjah-Dhaka route daily. Bahrain Air will operate on the Dhaka-Bahrain-Dhaka route.

Air Arabia will put Emirates, Etihad, Biman Bangladesh Airlines and GMG Airlines into competition, while Gulf Air will face competition from Bahrain Air.

"Our charges will be at least 20 percent lower than the conventional carriers'. We hope to start from Dhaka within May," said Shaheenuzzman Khan, general manager of Air Arabia's sales agent One World Aviation.

The official, however, said the airfare on the low cost carriers depends mainly on the supply and demand situation. The higher the demand for tickets, the higher the fares, he said, adding that the minimum charge on the Dhaka-Sharjah-Dhaka route is $376.

"But it may go up depending on the demand," he said.

Operators said budget carriers can charge low fares due to the cut in various onboard services like food and beverage, restrictions on baggage weight, online booking system and non-refundable tickets.

According to travel agents, conventional carriers operating on the Dhaka-Dubai-Dhaka route charge between $772 and $592. UAE- based Emirates, the leader in Bangladesh aviation market, charges the highest, while local private GMG Airlines charges $592.

Abdul Kadir, chairman of Flight Link, GSA of Bahrain Air, said the carrier will take off flights from Dhaka within the next two months. He said the fare difference between Bahrain Air and Gulf Air will be at least $150.

"We are concerned at it. We will be affected much, if passenger pressure is low," said Ismail R Chowdhury, vice president of the country's biggest private carrier GMG Airlines.

According to the GMG official, the international carriers, such as Emirates, will not face any major competition, as they merely offer passengers connecting flights from Dubai.

"Dubai is the hub for these carriers providing connecting flights. But it's a destination for us. At the end, the local carriers will face competition," he said.

Hanif Zakaria, area manager of Emirates in Bangladesh, said their business would not be affected by low cost business because of air traffic growth in Bangladesh. "They (low cost carriers) will have a different market," he said, adding that these carriers will help create new travellers.

Country's aviation industry is growing about 7.5 percent a year, encouraging a couple of local and international carriers to enter in the last one year. At present over 20 local and foreign airlines operate in Bangladesh.

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# No Rupali merger with other NCBs, nor any tight monetary policy

## Govt responds to IMF advice

REJAUL KARIM BYRON

The government will not go ahead with IMF suggestions to merge Rupali Bank with state-owned counterparts Agrani or Janata Bank, according to official sources.

It also rejected IMF advice to adopt a tight monetary policy in the next fiscal year once economic activity and credit demand pick up.

The suggestions from the international lending agency came at a series of parleys with officials from the finance ministry and the central bank during its April 22-27 mission, led by IMF's Asia Pacific Adviser Thomas Rumbaugh.

A finance ministry official told The Daily Star that the IMF mission suggested a renewed effort made for the Rupali Bank divestment.

"Besides suggesting Rupali Bank's merger with either Agrani or Janata Bank, the IMF referred to the case of Oriental Bank and said this could be an option in the Rupali divestment," the official said.

When asked about the IMF suggestion regarding Rupali's merger with other nationalised commercial banks (NCBs), a Bangladesh Bank official said the government is not considering the suggestion as a good option.

"We are planning to corporatise the Rupali Bank like other NCBs after a massive restructuring in the bank," the official said.

On adopting tight monetary policy after a certain period of the coming fiscal, the official said, "We are not considering any tight measure in the monetary policy right at the moment."

The IMF mission told the finance ministry and central bank officials on an increase in economic activity and credit demand, measures would be required to keep inflationary pressures in check.

The mission said several key interest rates are now below inflation and tightening in the policy stance will be needed in the period ahead, especially in view of planned energy price adjustments and salary increase of government employees.

The projected private sector credit growth is 17.1 percent in the current fiscal, which was 15.1 percent the previous fiscal. The IMF suggested a 15 per cent reduction in the private sector growth by applying tight monetary measures.

# Continue tax holiday, cut corporate tax

## MCCI urges NBR

STAR BUSINESS REPORT

Metropolitan Chamber of Commerce and Industry (MCCI) yesterday recommended that the National Board of Revenue (NBR) continue tax holiday facility and reduce corporate tax rate for non-listed companies to 35 percent in the next budget for fiscal year 2008-09.

MCCI leaders led by its President Latifur Rahman made the recommendations at a meeting with NBR Chairman Abdul Mazid at the latter's office.

The chamber said income tax for banks, insurance companies and other financial institutions, which was raised to 45 percent in 2003, is unfair. "We feel that there is no justification for treating financial institutions differently. There is no such differential treatment in other countries in the sub-region," Latifur Rahman said.

He also said tax on dividend should be reduced to 10 percent, which is now 10 percent for individuals and 15 percent for companies.

The MCCI also recommended reduction in customs duty on capital machinery and intermediary goods in the upcoming budget.

The chamber said the supplementary duty on raw materials and components should be eased to make local industries competitive.

For the greater development of industrial sector, flow of technical know-how and technical assistance is indispensable, Latifur Rahman said. However, the situation has been vitiated by limiting royalty and technical fee to 5 percent of profit, he added.

Linking technical fee with profit is not only impractical, it also contradicts the Foreign Exchange Regulation Act and the Board of Investment's guidelines that link technical fee with sales, he said.

Accordingly, to help flow technical know-how and technical assistance, the fee should be linked to sales and the rate should be 6 percent as provided in the Foreign Exchange Regulations and the investment guidelines of the BoI, he suggested.

The chamber president said, "The confusion with regard to completely built up (CBU) and completely knocked down (CKD) should be removed so that the government's revenue does not suffer and at the same time, the local assembling industries can grow."

He suggested withdrawal of discretionary powers of the tax officials as such powers militate against revenue collection and also cause harassments to the taxpayers.

The exemption limit for individual taxpayers, which is now Tk 1,50,000, should be raised to Tk 2,00,000 in view of the spiralling cost of living, Latifur Rahman said.

The government's budget has a major role in providing policy support to the productive sectors, he said.

"We strongly feel that while all-out attention should be given to the agriculture sector, the next budget should provide fiscal concessions to the industrial sector."

AFP

Filipino demonstrators denounce the Japan-Philippines Economic Partnership Agreement during a rally outside the Senate building in Manila yesterday. Two key members of the Philippine Senate endorsed last week the approval of a free trade deal with Japan, but only on certain conditions. Philippine President Gloria Arroyo has warned that if the Senate failed to ratify the much-delayed deal with Japan, it could risk losing out further to its Southeast Asian neighbours.

# Korean EPZ gets 10-yr tax holiday

JASIM UDDIN KHAN

The government awarded Korean Export Processing Zone (KEPZ) 10 years of tax holiday, beginning from its commencement of commercial operation.

The Internal Resource Division of the Finance Ministry issued a circular in this regard on April 20, allowing the tax holiday facility for the only private Export Processing Zone (EPZ) of the country, as per sub section 16 of section 20 of the Bangladesh Private Export Processing Zones Law, 1996.

The step, preceded by the handing over of the operating license of KEPZ to Youngone on May 31 of last year, now enables the Korean company to start inviting investors to invest in the country's biggest private export processing zone, located on 2500 acres of land by the Karnaphuli river in Chittagong.

The commercial operation of the KEPZ is expected to begin in a few months with setting up of its first industrial unit, claimed to be the world's largest shoe manufacturing factory.

Kihak Sung, chairman of Youngone Corporation that owns the KEPZ, said the company would soon start inviting the investors in the EPZ.

The KEPZ authority, however, expressed concern over the existing Karnaphuli Bridge, the bridge being not suitable for heavy cargo vehicles. And the construction in progress of the third Karnaphuli Bridge does not promise an early completion.

Another problem is the lack of fresh water supply in the area in which the KEPZ is located. The area is in close proximity of the Karnaphuli Fertiliser Company (Kafco). The Kafco uses eight deep tube wells and has been using water for fertiliser production for the last one decade. This has reduced availability of underground water in the adjacent areas.

Highly salty water of the nearby Karnaphuli river cannot be put into industrial use, sources mentioned.

The KEPZ, with plans to establish 500 industrial units with an investment of one billion dollars, stands out as the biggest among all other EPZs of the country.

KEPZ sources said they plan to set up a whole range of garment and textile units along with electronics, software, scientific and optical tools, machine tools, and automotive parts manufacturing units, among others.

Youngone will invest $200 million to build up infrastructure inside the EPZ.

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# 21 firms get Licences to run call centres

STAR BUSINESS REPORT

The country's telecoms regulator yesterday issued call centre licences to 21 local companies with a projection of $6.5 billion annual revenue from the service-oriented business after 2010.

"There is no limit to award call centre licences. We will issue more licences to eligible applicants," said Major General Manzurul Alam (rtd), chairman of BTRC.

Alam also said call center business is open to all. He was speaking at a function in Dhaka marking the handover of licences.

A call centre is a physical place where customers and other telephone calls are handled by an organisation, usually with some amount of computer automation.

Typically, a call centre has the ability to handle a considerable volume of calls at the same time, to screen calls and forward them to someone qualified to handle them, and to log calls.

Call centres are used by mail-order catalog organisations, telemarketing companies, computer product help desks, and any large organisation that uses the telephone to sell or service products and services.

The India's turnover of the call centres was $ 65 million in 1999-00 which increased to more than $ 10 billion in 2006.

BTRC forecast that globally call centre business will reach $650billion by 2010 from existing $400billion.

The BTRC yesterday issued licences in three categories including call centre (CC), hosted call centre (HCC) and hosted call centre service provider (HCCSP).