Star Business

DHAKA SUNDAY JUNE 8, 2008

Stocks

DGEN 0.50%
3,154.19

CSCX 0.03%
6,032.60

(As of Thursday)

Asian Markets

MUMBAI 1.25%
15,572.18

TOKYO 1.03%
14,489.44

SINGAPORE 2.84%
3,146.73

SHANGHAI 0.66%
3,329.67

(As of Friday)

Commodities

Oil $138.12 (per barrel)

SOURCE: AFP (As of Friday)

More News

Experts suggest extensive agri research

Agri experts yesterday urged the government to set up a biotechnology division to boost agri research with a view to enhancing food security in both quantity and quality. The opinion was expressed at a two-day 'International Biotechnology Conference', at the Bangladesh Agricultural Research Council (BARC) in Dhaka. B-3

Bangladesh wants tariff barriers to go

Foreign Adviser Iftekhar A Chowdhury said Bangladesh wants the tariff barriers to go for a level playing field in the global economy.

"Non-tariff barriers are unfair. Our industry should be rewarded for their performance and not punished. We do not want hand-outs from trade partners, we just want a level playing field," said Iftekhar. B-3

DSE witnesses downtrend last week

Dhaka Stock Exchange (DSE) witnessed a downtrend last week as the turnover slightly declined by 0.84 percent. The price indices also fell due to price correction of heavy weight banking shares. B-2

International

Gasoline guzzlers near extinction in US?

America's decades-long love affair with monstrously large vehicles may finally be coming to an end in the wake of a sharp drop off in sales amid high fuel costs. Sales of sport vehicles have been falling steadily in response to the introduction of smaller, car-based SUVs. B-4

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Falling prices, higher costs hit RMG sector

Meeting with major int'l buyers later this month on prices

REFAYET ULLAH MIRDHA

The continuing downward pressure by international buyers on clothing prices is hitting profitability in the Ready Made Garment sector and undermining efforts to improve working conditions, industry leaders have warned.

Despite increases in costs of around 15 per cent in the last year intense competition in the sector has meant producers have been unable to pass the higher costs on to buyers.

In fact unit garment prices have fallen by between 1-2 percent in the past 12 months according Mustafizur Rahman, an economist at the Centre for Policy Dialogue.

In order to try and stem falling prices leading Bangladeshi garment manufacturers have launched a campaign and will press the major international buyers at a meeting later this month.

However economists said in such a fragmented industry it will be difficult for suppliers to force increases.

Fazlul Hoque president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) said the issue would be addressed at a two-day meeting involving international buyers to be held in Dhaka June 28 and 29.

The meeting of the MFA Forum brings together public institutions, labour and civil society organizations and businesses. It was set up following the end of quotas under the Multi-Fibre Arrangement in 2005.

Executives from the major buyers including Wal-Mart, JC Penny, GAP, H&M, and Tesco are expected to attend.

"In the past year the fall has been 1-2 percent but over the past five years we have seen a fall in prices of more than 10 percent in the knitwear sector and the price fall in woven products has been even higher," Hoque said

Nazma Akthar, a founder of the Bangladesh Independent Garment Worker' Union Federation said international buyers are reducing prices all the time.

"Then they say how important compliance is for them. It's a mockery, you can't take what they say seriously."

She questioned how conditions could improve when a pair of jeans was now being sold at a major UK chain store for $6, when a few years ago they had been retailing for more than double the amount.

Hoque said manufacturers have been following social compliances as per the recommendations of the buyers, yet the buyers were now not increasing prices. "They should also follow ethical buying practices," he said.

He said the price index of exportable apparel items declined by more than 1 percent over the last fiscal while the cost of doing business in Bangladesh particularly in ready-made garment sector increased by 15 percent.

According to the industry, the erratic gas and power supply, higher freight charges both in local and international markets, the yarn price hike, implementation of the minimum wage for workers, higher transport costs and higher prices of capital machinery were the main reasons for the higher cost of doing business over the last year.

Hoque said recently exporters have been considering fixing a baseline price for some basic items to avoid unhealthy price competition.

CPD's Mustafizur Rahman said that in Bangladesh it is often a 'race to the bottom' and buyers are able to force prices down.

"The manufactures are trying to produce a united front but it is so difficult and there are so many exporters and producers," he said.

"If some of the big players can unite they may have a chance," he added.

Other economists said the only way out for the industry was to focus on improving productivity.

RMG exports account for around 75 per cnet of the country exports. Knitwear, the largest export earned $3.913 billion during July-March period of the current fiscal, marking a 17.34 percent growth over the same period of the previous fiscal.

During this time, woven garments earned $3.770 billion, a 7.54 percent growth over the same period of the previous fiscal.

Manufactures have been able to increase export earnings despite falling prices by raising the volumes of exports.

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STAR

Photo shows workers at an apparel manufacturing unit. The local apparel manufacturers started on a campaign to raise prices of their product on the international market as the cost of doing business increased remarkably.

Jobs, training opportunities in Australia remain untapped

PORIMOL PALMA

Employment and training opportunities in Australia remain untapped due to the government's go-slow nature of work.

Bangladesh signed a Work and Holiday visa arrangement with Australia on March 8, 2006 that allows 100 Bangladeshis aged between 18 and 30 to spend one year in Australia to do temporary jobs and study up to four months, according to the Department of Immigration and Citizenship of Australia.

But even after two years of signing the deal the opportunities are yet to be utilised.

An immigration lawyer said, "Such availability of Australian visa is not only a huge opportunity for a considerable number of Bangladeshis in terms of gaining wide exposure of the developed world, but also triggers economic development for our country."

The areas where Bangladeshis can seek employment include among others plumbing, hairdressing, commercial cooking, hospitality management, construction work, interior decoration and design and accounting.

A foreign ministry official said after signing the agreement it passed the issue to the home ministry, as the immigration issues fall under the purview of the latter.

An official of the expatriates welfare and overseas employment ministry said home ministry sought opinion from expatriates' welfare ministry that nodded the activation of the Holiday and Work visa arrangement with Australia. "We do not know what happened after that," he said.

When contacted, Home Secretary Abdul Karim said it was not possible for him to comment on the progress of the arrangement.

On the other hand, Bangladesh mission in Canberra wrote to expatriates' ministry in late 2006 that Training and Further Education (TAFE), an educational institute of New South Wales, has prepared a Bangladesh Capability Statement to cooperate in training Bangladeshi workers.

The TAFE in its statement noted that Bangladesh runs no shortage of skilled workers, but it does not have a certification system, which made it tough for other countries to recognise the skill level of this country's workers.

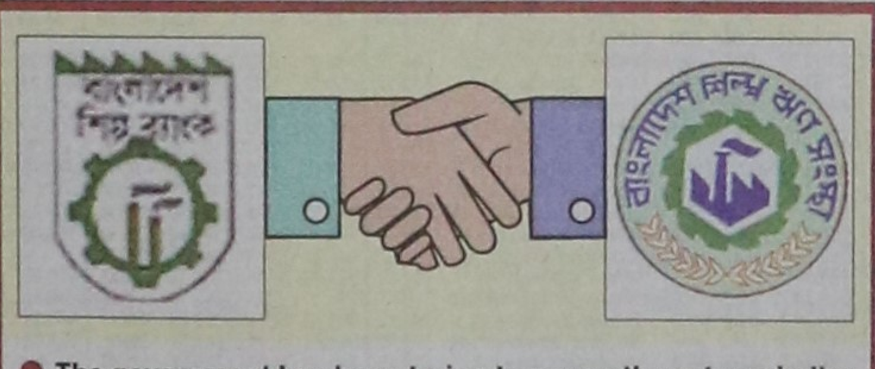
The Bangladesh mission said it asked TAFE for vocational training, which could be provided either through partnership with a local educational institution or establishing a TAFE college here.

The mission suggested at the initial stage it would be better to develop a pilot project comprising 5 vocational schools in Bangladesh to impart such professional training.

"On a long-term basis such a rigorous training regime may also help train up semi-skilled manpower for markets even beyond Australia, given the growing shortage of manpower in many other European countries," the mission observed.

Merger of two state-run lenders gets delayed

SAJJADUR RAHMAN



The government has been trying to merge these two similar agencies since 1992. After ups and downs with its decision for many times, the government has recently initiated the issue. A high-profile finance ministry meeting will decide on the issue on June 15.

The merger of two ailing state-run industrial credit providers is being delayed by the two concerns who have failed to carry out government directives, sources said.

Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha (industrial credit agency) have shown least interest to appoint chartered accounting and law firms for valuation of their asset and liabilities and legal aspects despite a government deadline of 35 days.

"Both the agencies have been asked to submit reports on their asset and liabilities and legal issues relating to the merger by June 15," a finance ministry official said quoting a letter issued on April 24. A high profile meeting of the ministry will decide on the merger issue on this date.

"We are yet to get any reports from the agencies despite the expiry of the 35-day timeframe on May 30," the official confirmed.

Set up in 1972, both Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) provide financial and technical assistance to broaden the private and public sector industrial base of the country.

Pioneer industries like Beximco Pharma, Moonno Ceramics, Acme Laboratories, Saiham Textile, Ashraf Textile, Hotel Sheraton and Agrabad in Chittagong were built with the financial credits of these two organisations. These two organisations have played a very important role in establishing garment and textile industries in Bangladesh.

But their necessity waned when private sector banks and other financial institutions have started taking the ground since 1990s despite the lower interest rates of 10 to 12 percent offered by these two state-run lending agencies.

Sources of fund of these two lenders are their paid-up capital, loans from the government and the Bangladesh Bank, foreign loan giving agencies and customers' deposit.

The government has been trying to merge BSB and BSRS for years. But it was not possible due to reluctance of the agencies. Still the employees of BSRS are opposing the merger saying that they do not want this with a losing concern like BSB.

The first attempt to merge the agencies was taken in 1992. Merger of these agencies is essential for privatisation, according to a government plan.

"We have agreed last week to appoint a CA firm and the BSB will hire a law firm to carry out the reports sought by the finance ministry," a senior BSRS official said.

He said: "We have missed the deadline because these are big entities and need time to do this sort of reports.".

BSB earned net profit worth Tk 49.79 crore in the 2006-07 fiscal and Tk 33.5 crore in the 2005-06 fiscal. While the BSRS's profit was Tk 16.58 crore in FY 2006-07 and Tk 10.59 crore in FY 2005-06.

BSB and BSRS's paid-up capital is Tk 200 crore and Tk 100 crore respectively. BSB has around 750 employees and BSRS only 200.

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Air Arabia to fly from ZIA today

RASHIDUL HASAN

Ending the monopoly business of legacy airlines, the UAE based low cost airliner Air Arabia is to start flights from Zia International Airport (ZIA) in Dhaka today, a move seen as helping Middle East bound workers to travel at a lower price.

The inaugural flight will fly for Sharjah, UAE at 7.40pm from the ZIA. Initially Air Arabia will operate four flights a week from the Bangladesh capital.

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

Low-cost airlines are able to offer airfares lower by $100 to $150 than that of the legacy carriers. This is because of using same category aircraft and crew, low maintenance and fuel cost, short-haul flights, curtailment of onboard services like food and beverage, restrictions on baggage weight, online booking system and non-refundable tickets. The services onboard are however available on demand.

An inter-ministerial committee earlier recommended that the government allow low-cost airliners from Dhaka in order to save huge foreign exchange and earn huge revenue from aviation and other sectors.

Biman earlier feared that allowing low-cost airlines may hamper growth of local airlines.

Fuel price hike hits local airlines hard

SOHEL PARVEZ

A file photo shows an aircraft of Biman Bangladesh Airlines at the Zia International Airport in Dhaka. The aviation industry experts say the recent increase in fuel price would affect local airlines.

Local airlines yesterday expressed worries over their survival saying that they might lose passengers due to continuous fuel price hike.

Padma Oil, one of the state-run fuel marketing companies, triggered the apprehension as it raised the fuel charge last week amid surging oil prices in the global market.

At present, five local airlines, including state-run Biman Bangladesh Airlines, are in operation, three of which launched their operation within last one year to exploit the slice of about 7.5 percent annual growth of Bangladesh's aviation market.

Padma Oil Company increased fuel charge two times in two months from April to June. As a result, airlines, operating on the domestic routes, now have to pay 26 percent higher for each litre of fuel, an increase to Tk 95 from Tk 75.10 in early April.

The price of jet fuel, usually offered to the airlines that fly on the international routes, was raised about 29 percent to $1.25 each litre from $0.97 cent, a Padma Oil Company official said.

In response to fuel price hike, most of the local airlines have passed the burden of additional fuel costs on the passengers. Now, most of the local airlines charge Tk 5,495 per passenger on the busiest Dhaka-Chittagong route. The previous one-way fare, charged by private carriers, was Tk 4,995.

"It's a big threat. We may lose passengers but we have no alternative but to raise fare to narrow down losses," said M Haider Uzzaman, chairman of Best Aviation Ltd, a local private carrier.

Haider said the domestic aviation market is very small and increased fares might lead passengers to look for alternative travel options.

" How many passengers will bear the burden of increased fare? There might be a fall in the number of passengers. And if it happens, it will be tough going for us," he said.

The increased price of fuel has also created concern among the global aviation industry players as International Air Transport Association (IATA) has recently warned that this year's loss of the global aviation industry could stand at $6.1 billion.

The warning came the association's 64th Annual General Meeting and World Air Transport Summit in Istanbul by Giovanni Bisignani, IATA director general and chief executive.

The IATA also called on governments, airports and labour to take immediate action to help the industry survive the growing financial crisis.

Dr MA Momen, chief executive of Biman, said, "We do not want any subsidy. The government should provide us with fuel at the market price."

Momen said the carrier was considering adding fuel surcharge to its fares to narrow down its burden.

Imran Asif, an aviation industry expert, said the recent increase in fuel price would affect local airlines' competitiveness as other foreign carriers buy fuel at lower prices.

"Airlines will have to modernise their fleets as most of them are less fuel-efficient due to operating with old planes," he said, adding that existing duty should be withdrawn to enable the local carriers to have competitive advantage.

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