MCCI seeks licence fee withdrawal from captive power plants

STAR BUSINESS REPORT

Metropolitan Chamber of Commerce and Industry (MCCI) urged the government to immediately withdraw the provision in the Bangladesh Energy Regulatory Commission Licence Regulations, 2006 that imposed licence fee for establishing captive power plants.

The MCCI said such licence fee would increase the cost of the productive sectors.

In the editorial in the August issue of the Chamber News, a monthly of the trade body, it also demanded of the government to publish a white paper on the measures being taken to reduce system loss in the power sector. ofo

The regulations the chamber asked for repealing had proposed imposition of a licence fee ranging from Tk 5 lakh to Tk 25 lakh for power generation facilities.

The MCCI also opposed the Power Development Board (PDB) proposal to raise the average electricity tariff by 40 percent terming the move as 'impractical'.

"Regrettably, instead of giving the highest attention to improve the revenue situation through reduction in system loss, proposals have been submitted to increase tariff," the MCCI journal remarked.

The MCCI publication suggested that the PDB could save around Tk 1750 crore a year by reducing 5 percent system loss in generation and transmission without increasing tariff, adding that the system loss is still approximately 20-25 percent, which is probably among the highest in the developing country.

"System loss makes PDB dependent on government subsidies that divert revenue from important programmes like education and public health," it said.

Meanwhile, the MCCI proposed for a quick resolve of the debate concerning coal use for power generation in the backdrop of the country's rising power crisis.

"The country has reportedly a possible reserve of about 1400 million tonnes of coal, which is equivalent to 37 TCF of gas," noted the MCCI publication, urging that the feasibility of the use of coal, a relatively cheaper input, in power generation should be seriously considered.

The Chamber News criticised the present caretaker government's role in power sector development, saying that the government dropped the Master Plan for power sector development as well as the gas development programme and initiated widely controversial move to formulate policies concerning public-private joint ventures in the sector.

It urged the government to formulate effective and rational policies to deal with the prevailing crisis in power generation, saying that industries, particularly the medium and small enterprises that cannot afford to have captive/standby generation facilities across the country, are incurring huge losses.

HSBC to help NRBs invest in stock market

STAR BUSINESS REPORT

The HSBC Bangladesh yesterday launched a new product titled 'Smart Capital' to help Non-Resident Bangladeshis (NRBs) invest in the country's capital market.

Primarily the investment will be limited to the Initial Public Offering (IPO), officials of the bank said at a press conference in Dhaka.

An NRB has to open a Non Resident Taka Account (NITA) to get the opportunity to invest in Bangladesh's capital market.

"Under this offer, HSBC will facilitate the sales transactions of the shares awarded to the NRBs through IPO," Sanjay Prakash, chief executive officer of HSBC, Bangladesh, said.

Equity Partners and Securities Limited, a brokerage house, will facilitate the sales transactions, he said. Head of Personal Financial Services of HSBC Shafquat Hossain and other senior officials of the bank were present.

STAR

Sanjay Prakash, chief executive officer of HSBC, Bangladesh, speaks at a press conference in Dhaka yesterday to announce the launch of a new product of the bank styled 'Smart Capital' to help Non-Resident Bangladeshis (NRBs) invest in the country's capital market. Other senior officials were also present.

New Products

ACI Pure Brown Atta hits market

STAR BUSINESS DESK

ACI Pure Flour Ltd recently launched a new product 'ACI Pure Brown Atta' for its health conscious consumers, says a press release. It will be available at various supermarkets around the city.

The product is being manufactured using European technology and it assures more dietary fibre, proteins, vitamins, minerals, and anti oxidant properties for the consumers. The brand will also be ideal for patients suffering from diabetes and high blood pressure.

KONKA introduces new ultra-slim television

STAR BUSINESS DESK

Electro Mart Ltd(EML), the sole distributor of KONKA brand colour television and electronic appliances, introduced the new "Prince" series ultra-slim colour television range.

Prince series product is the latest addition in the KONKA range. The specially designed ultra-slim pucture tube makes it easy for the user to set it in a narrow space. All the Prince series products are offered with quality assurance and warranty from EML.

3-day Bank and Non Bank Financial Institutions Fair begins tomorrow

STAR BUSINESS REPORT

A three-day fair for showcasing the product and services of banks and non-banking financial institutions will be inaugurated at Dhaka Sheraton Hotel in Dhaka tomorrow.

"It will be the first ever fair of its kind in Bangladesh with the aim to involve more people in the banking system," said Trevor Robert MacDonald, general manager of Dhaka Sheraton Hotel.

He was speaking at a press meet, arranged by the Dhaka Sheraton Hotel, organiser of the fair.

He said the participants at the fair, titled Bank and Non Bank Financial Institutions Fair 2008, would showcase their products and services including different types of loans and financial schemes.

"The fair would help housewives, students and travel lovers, who are presently out of the banking process, to get involved in the banking system," he added.

Around 30 banks and other financial institutions, including Standard Chartered Bank, The City Bank, Trust Bank, Prime Bank, UCB, Exim Bank Limited, Dhaka Bank Limited, AB bank, IDLC, ICB Capital Management, and MIDAS Financing will participate in the fair.

Sinthia Siraj, assistant director of marketing, and Rezwan Maruf, assistant director of sales of Dhaka Sheraton were also present at the press meet.

The fair will be held at the Winter Garden of Hotel Sheraton and remain open for all from 10 am to 8pm everyday.

Asian stocks close mostly down

AFP, *Hong Kong*

Asian stocks closed mostly down Tuesday as investors worried about the cooling world economy, disappointing corporate profits and crucial upcoming interest rate decisions.

Hong Kong and Taiwan led the decliners among major regional bourses, falling 2.5 percent. Poor results from banks such as HSBC and Bank of East Asia helped push the Hong Kong bourse lower.

The mainland Chinese stock market fell more than 1.8 percent, with investors concerned that an upcoming flotation would drain demand for other shares.

A troubled build up to the start of the Olympic Games in Beijing on Friday also dampened the mood.

The bourses in Singapore and South Korea ended in the red, although Indian shares rose more than 2.5 percent.

Indonesia led the decliners among the smaller markets, falling 1.9 percent after the country's central bank raised interest rates to try and tame inflation.

Investors were looking ahead to a US interest rate decision due later Tuesday. The Federal Reserve is expected to keep borrowing costs unchanged at two percent.

The US is struggling to overcome the default crisis among so-called "subprime" -- or riskier -- mortgages, which has inflicted huge financial losses and ballooned into a global credit crunch.

Investors have been worrying about inflation at the same time, but such concerns have begun to wane a little following a slide in oil prices to under 120 dollars per barrel Tuesday from record levels above 147 dollars last month.

TOKYO: Japanese share prices lost ground for a third straight session. The Tokyo Stock Exchange's benchmark Nikkei-225 index slipped 18.52 points or 0.14 percent to end at 12,914.66.

HONG KONG: Hong Kong share prices closed down 2.5 percent, dealers said. The Hang Seng index shed 565.17 points to end at 21,949.75.

SHANGHAI: Chinese share prices closed down 1.86 percent, dealers said. The benchmark Shanghai Composite Index, which covers both A and B shares, lost 50.99 points to 2,690.75 on turnover of 42.5 billion yuan (6.3 billion dollars).

SEOUL: South Korean shares closed 0.49 percent lower, dealers said. The benchmark KOSPI index ended down 7.51 points at 1,535.54.

SINGAPORE: Singapore share prices closed 0.54 percent lower, dealers said. The blue-chip Straits Times Index was off 15.57 points at 2,860.51.

KUALA LUMPUR: Malaysian share prices closed down 1.7 percent, dealers said. The Kuala Lumpur Composite Index shed 19.82 points to 1,128.86.

BANGKOK: Thai share prices closed 1.12 percent lower, dealers said. The Stock Exchange of Thailand (SET) composite index lost 7.55 points to 667.12, while the blue-chip SET-50 index lost 5.99 points to 466.43.

JAKARTA: Indonesian shares closed 1.9 percent lower, dealers said. The Jakarta Composite Index slipped 42.06 points to 2,185.62.

MANILA: Philippine share prices closed little changed, dealers said. The Philippine Stock Exchange composite index added 2.39 points, or 0.1 percent, to 2,602.38. The all-share index inched up 7.64 points to 1,640.44.

MUMBAI: Indian shares closed 2.63 percent higher dealers said. The benchmark 30-share Sensex index rose 383.2 points to 14,961.07.

"A further easing of crude prices could led to some moderation in India's inflation," said Advait Date, a dealer at brokerage BHH Securities.

TAIPEI: Taiwan shares closed down 2.4 percent, dealers said. The weighted index lost 163.96 points at 6,813.40 on turnover of 99.46 billion Taiwan dollars (3.24 billion US).

BIZ LETTERS

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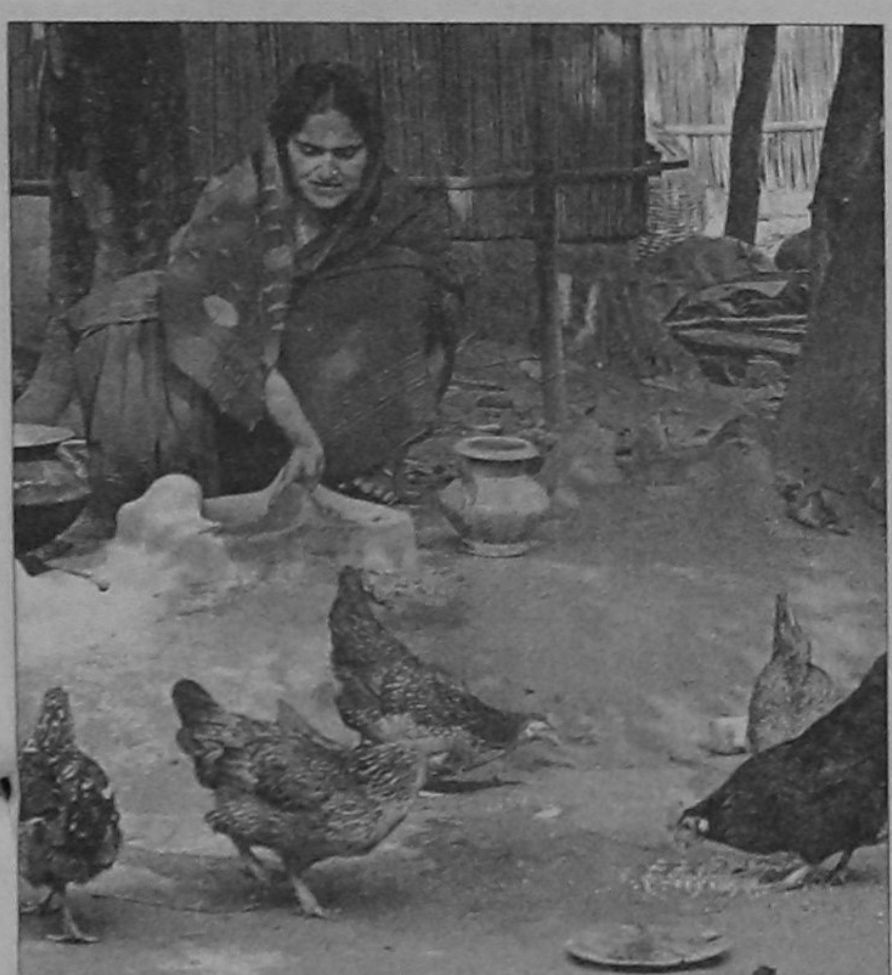
Letters will only be considered if they carry the writer's full name, address and telephone number (if any). The identity of the writers will be protected. Letters must be limited to 300 words.



Eliminating poverty

Nasreen is a 25-year-old mother of three who lives in a village near Patuakhali. She took a loan of Tk 10,000 from a local Non Government Organisation (NGO) to start a poultry business of her own. Her husband is disabled and stays home all the time. The entire family depends on Nasreen's income.

She was devoted to her work and was orderly and strict about repaying the loan installments with interest, on time. She dreamt about expanding her business one day. But all her dreams were stubbed out when the area she lived in was severely hit by Cyclone Sidr last year. Not only did she bear the tragedy of her home being washed away and loosing a child, the NGO started pressurising her to repay the outstanding loan.

This is the story of many. Like her, those who took loans from different big NGO's of the country, suffered the same consequences. I doubt whether giving loans to rural people with high interest will at all minimise poverty from our country.

The fight against poverty is usually regarded as a social goal and many governments have institutions or departments dedicated to tackle poverty. One of the main debates in the field of poverty reduction is around the question of how actively the state should manage the economy and provide public services to tackle the problem of poverty. I think the role that our NGO's, banks and financial institutions are playing will never end poverty. A society can never recover from poverty if loans, both for small and medium enterprises, are given at high interest rates.

One of the best ways to eliminate poverty is by introducing a 'ZAKAT System'. By zakat we normally mean giving a saree or a lungi to the poor people. This is not the ideal way of providing zakat and it also does not serve the purpose. Zakat should be such that it provides jobs to the unemployed. Why can the government not make a policy of acquiring zakat money and establish industries and ultimately provide jobs to the people?

A policy can firstly be set up on a test basis to see the adaptability. The zakat system can help eliminate poverty from our society in many efficient ways.

Minhaj Ahmed
Dhaka.

Oil bubble

The International Monetary Fund (IMF) reported Friday that the world economy had improved over the last few months, leading some to think oil may have fallen too quickly this week. The IMF raised its forecast for 2008 to 4.1 percent from the 3.7 percent estimated growth in April. It also increased growth projections for 2009 to 3.9 percent. The report has been making people think that they may have been overly pessimistic.

A key reason for this week's decline was evidence of falling demand for gasoline in the US, despite it being the peak summer driving season, another key factor was the easing of tensions in the Middle East and Nigeria, both major production points for crude. Reports showing a surprise growth in oil, gasoline and natural gas supplies also contributed in the weeks price drop.

Investors were also taking into account a pipeline explosion in the Nigerian state of Bayelsa. Pipeline owner Eni SpA, an Italian energy giant, said it had to shut down pipelines that carry 47,000 barrels a day. Another pipeline belonging to Chevron in the country has been repaired after sabotage in June. Attacks on Nigeria's oil infrastructure over the past several years have cut oil output by almost a quarter.

An oil strike in Brazil drew to a close as oil workers said they would end a five-day strike against state-owned oil company Petrobras as scheduled. However they warned they may call another strike next month. Strike had not affected production in the Campos Basin, a region which accounts for nearly 80 percent of Brazil's oil output.

Top U.S. administrator William Burns will meet this weekend with Iranian and European leaders in Geneva to discuss Iran's nuclear program. Concern that a conflict with Iran, the second largest oil producing member of OPEC, might disrupt that country's crude supply has been one of the major forces pushing oil prices higher over the past few weeks.

Another important OPEC figure offered his thoughts on the price of oil. Venezuela's Hugo Chavez said that crude is in a speculative bubble and that it might hit $200 per barrel. (He also took the opportunity to threaten to cut off supplies to the U.S. and drive the price up to $300 if Exxon did not back off in a dispute over its assets in his country.)

Last year, as the price of oil nearly doubled, OPEC was actually cutting production. The cartel produced 1.5 percent less last year despite adding two countries, Angola and Ecuador, to its ranks. That cutback at a time of growing demand helped drive prices up.

High oil prices have hit bubble territory, a bubble that should pop in the next 12 months. It is the nature of bubbles that they expand farther and last longer than anyone logically imagined but 'they always reverse'. Exactly when the oil price bubble will burst is still unclear, but it could be within the next year.

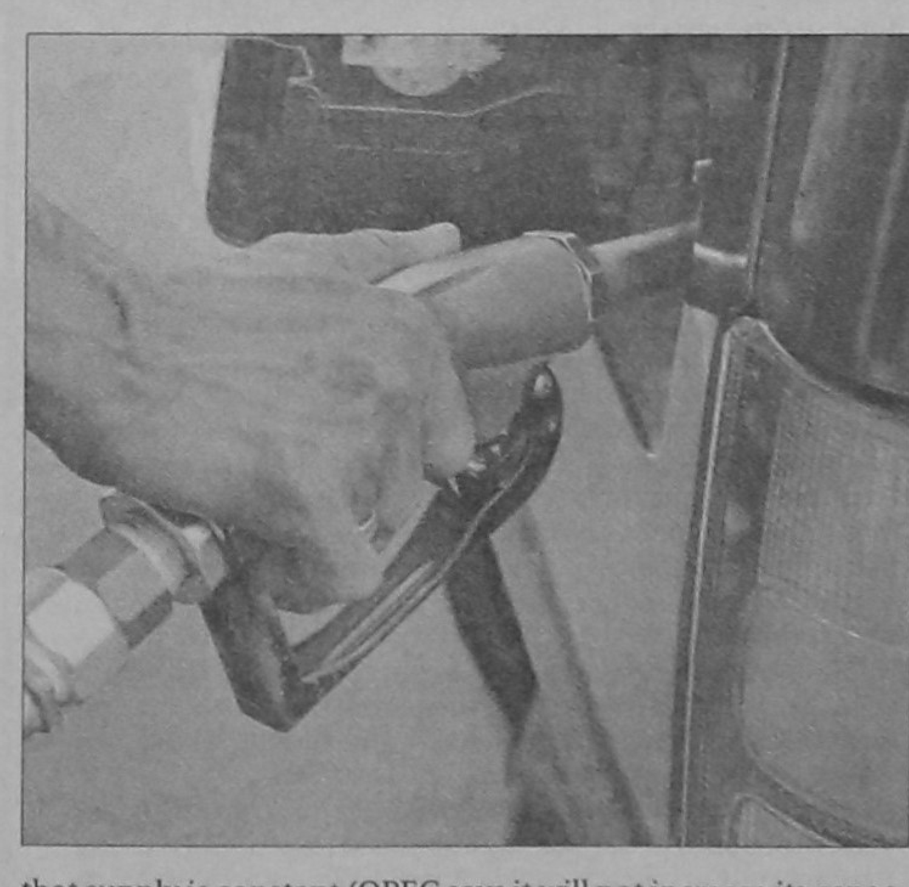
At $200, global GDP growth would fall to a mere 2 percent. Rather than find out if he's right, let's hope OPEC's efforts to drive prices down today are half as effective as its efforts to raise them were in 2006.

(ACCA)
Mahbubur Rahman Khan
Dhaka.

Oil subsidy at a gridlock

Right now the world leaders are pressurising China to lower its oil subsidy. But China has got no incentives or interests to do so. I feel China's Subsidy is at a Grid Lock and it will continue until the Chinese government's financial capacity to continue the subsidy remains. Just take a look at how the Grid Lock stands:

The Chinese economy is at a boom and experiences double digit growth in recent years. The demand for oil went up substantially in China and it is one of the biggest consumers of oil in the world. As demand increases, price also increases assuming that supply is constant (OPEC says it will not increase its capacity).



Subsidies in China allow the Chinese people to avoid the real price of energy and as such, the demand for oil remains at an increasing level in China as there is no price hike. The Chinese government feels that elimination of subsidy and subsequent increase in oil price may hamper the growth, increase inflation & public dissatisfaction.

Moreover, China is not paying subsidy from its own pocket. It is paying subsidy from the peoples' money, which comes from high economic growth.

As a result, China ignores world pressures and has no incentives to decrease the subsidies. Analysts predict that if China eliminates subsidy (which is highly unlikely in the near future), the oil price will decrease to $ 90 a barrel in 2 to 3 months. Analysts also predict that in the current scenario, oil price may be $ 200 a barrel within 2 to 3 months.

We hope the grid lock to breaks and probably the only way to break it is by reducing the subsidy. Let's see how long the Chinese government can afford the subsidy.

Emdad Aziz
Dhaka.