



## Port city loses glory in car business



Cars are parked at Chittagong Port. Importers are gloomy over the present duty structure.

ANURUP KANTI DAS

**The business of reconditioned vehicles is now at stake. On one hand, reconditioned vehicles have to compete with brand new ones that are mainly imported from India, Indonesia, China, Thailand and Korea. On the other hand, they are not getting appropriate facilities from the government**

ARUN BIKASH DEY, Chittagong

**S**ALES of reconditioned vehicles have fallen in the port city in recent years due to a price hike. The trend is also likely to continue as the government, in this year's financial budget, has only allowed the import of vehicles up to three years old and the prices of cars in the Japanese market have also gone up, says Sujauddin Mamun, proprietor of Maxim Car Centre.

He said car dealers are frustrated over the changes imposed in the budget for fiscal 2011-12. The import of five year old reconditioned vehicles is no longer allowed and as a result, prices will further go up on account of quality, he added.

"We will have to pay almost thirty percent more, but the government will only get a small portion," he said, adding that it means the country will lose large sums of foreign currency.

Moreover, it will encourage importers to import sub-standard vehicles to offer competitive prices to clients, ultimately deceiving the clients, Mamun said.

Maxim Car Centre started business in the port city in 1985, at a time where there were no supplementary duties on

vehicles with over eight seats, he said.

"But now, we have to pay 30 percent supplementary duty on vehicles with over eight-seats, like Noah, Voxy and so on," Mamun said.

As a result, the prices of these vehicles have increased by more than two times, going beyond the purchasing ability of most clients.

Habibullah Don, ex-president of BARVIDA, also criticised the government's decision to allow imports of three-year old vehicles or younger.

He said imports will decrease and the government will be deprived of taxes.

Now-a-days, a private vehicle is not an item of luxury; it is more of a necessity, said Mostafizur Rahman, proprietor of Car Choice that began operations in the port city in 1988.

He said when they first began business, Chittagong was a hub for cars; buyers from all over the country used to gather in the port city to choose their cars in the port shed.

Rahman said their company used to sell 50 automobiles on average a month at that time. Now, their sales have dropped to a dozen a month.

A major reason behind the drop in sales is the perilous journey to Chittagong from other parts of the

country. "Now it takes a person 10 to 12 hours to commute to Chittagong from Dhaka, which is one of the main reasons why buyers avoid coming to Chittagong."

Secondly, the increasing prices of reconditioned automobiles discourage buyers, he said.

"We now have to pay a 365 percent duty altogether on a reconditioned vehicle," Rahman said.

"We used to offer a reconditioned Toyota Corolla in 2009 for Tk 9 lakh. The price for the same is Tk 20 lakh now."

AKM Tauhidul Islam, director of Toyota Collection that started business in 1996 in Chittagong, said, "In the beginning, we used to sell 30 cars on average, which has now dropped to 10."

A Tk 4.5 lakh 6-year old Japanese reconditioned Toyota car in 1996 now costs Tk 19.5 lakh due to the high tariffs, he added.

According to the international rules, if a car is five years old, 69 percent depreciation is deducted from its original price, Islam said. "In Bangladesh, depreciation is only 35 percent."

He said importers are also losing interest in importing vehicles through Chittagong Port as port facilities are reducing day-by-day.

In Mongla Port, rent to place a car in the port shade is Tk 100 a day, which is Tk 495 in Chittagong Port, he said.

"Importers outside Chittagong now prefer Mongla Port instead of Chittagong Port."

Amar Dutta, an accountant at Kiea Car Centre that began business in 2008, said clients used to buy cars before declaration on the national budget. "The scene is totally different now."

From selling 10 cars on average a month previously, they now sell 3. He blames the high duties for the fall in sales.

Kazi Shahidullah Babar, director of Zam Zam Car and Automobile Ltd, said Chittagong has lost its glory as the hub for car trade because of some wrong steps taken by the government.

Port facilities are being cut drastically and the dilapidated condition of the Dhaka-Chittagong highway deters customers from coming to Chittagong to buy cars.

Some traditional car traders in Chittagong have shifted their businesses to Dhaka as they found it to be more convenient, said Babar.

Diminishing car loan facilities by commercial banks is another reason behind the fall in sales, he said. "Banks now provide 50 percent in loans, which

was up to 80 percent before."

Mohammed Sayem, proprietor of Showdagar trading, said it is primarily government policy that suffocates the car business.

In 2002, when the government stopped giving permission to import reconditioned cars, the business struggled to exist and clients got frustrated, he said. The business later got back life after the government took back its decision.

"We are paying taxes and all sorts of duties, but the government is neglecting us," Sayem said.

He said port facilities should be increased. "We don't have any legal pass to enter the port, but as an importer I have the right to be there."

The Chittagong Port Authority (CPA) restricted entry into the port shed as a measure to combat theft. "But as buyers are not allowed to enter the shed, they are discouraged from coming to Chittagong to buy cars."

Commodore M Anwarul Islam, chairman of CPA, said they took the decision to restrict entry after complaints of theft of different vehicle parts from the port-shed. "After imposing the decision, stealing of vehicle parts from the port-shed has stopped."

"The port-shed is not a show-room."

## Reconditioned vehicles business dull

The BARVIDA president shares his views with The Daily Star

ARUN BIKASH DEY, Chittagong

**T**HE reconditioned car business is dull at present, compared to performance last year, said Mannan Chowdhury Khasru, president of Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA).

There are several reasons behind this present trend, he said. One of the main reasons is devaluation of the Bangladeshi currency against the dollar and devaluation of the dollar against the Japanese yen, he added.

Devaluation of these currencies directly affects the prices of the reconditioned cars here as the cars are imported from Japan against the yen, he said.

Additionally, as vehicle prices

increase, the duty on these vehicles also increases, Khasru said, adding that the price of a reconditioned vehicle has increased by up to Tk 5 lakh.

He said there is a discriminatory system in the case of duties on a brand new vehicle and a reconditioned one, which should be removed. Discrimination also exists in the valuation of depreciation, he added.

"There was a time when 5 percent of all cars on the roads were brand new and rest 95 percent was reconditioned. But now, 70 percent of all cars are brand new vehicles and reconditioned vehicles account for 30 percent," he said.

The reason is that any customer can buy a brand new Indian TATA ACE pick-up with Tk 668,000; but a reconditioned vehicle imported



Mannan Chowdhury Khasru

from Japan would count duties alone worth Tk 5.5 lakh, taking the total price up to Tk 14 lakh, he said.

However, the longevity of a brand new vehicle imported from India is at best two years but the longevity of a reconditioned vehicle imported from Japan is 20 to 25 years, he said.

"You see many Japanese vehicles running for more than twenty years," Khasru said, adding that the country misuses large sums of foreign currencies in importing vehicles of short longevity as they have to be replaced every two years.

Khasru rejected allegations of pollution and traffic jams from the uncontrolled use of reconditioned vehicles. The government should formulate a policy to free the roads from traffic jams instead of creating obstacles to reconditioned vehicle imports, he said.

Citing examples from developed countries, he said people use subways and tunnels to avoid traffic jams and they do not park vehicles everywhere. "But we do not follow any rules," he said.

"There are very high quality Japanese reconditioned buses worth Tk

25 lakh, which can be imported instead of air-conditioned buses worth Tk 2.5 crore," he said.

"These air-conditioned buses will have to charge higher fees, and most people will not be able to afford it. On the other hand, Japanese buses can fix reasonable fares that the customers can afford."

Khasru said brand new vehicles are sold through dealerships and everyone cannot import these vehicles. The dealers also have scopes to fix prices arbitrarily, with chances that customers pay higher prices, he said.

On the other hand, a customer can bargain when buying a reconditioned vehicle, comparing prices at different showrooms, he said.

He urged Chittagong Port Authority to decrease the charges for using the port yards.