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Star BUSINESS

DHAKA THURSDAY DECEMBER 13, 2012, e-mail: business@thedailystar.net

Scams, political unrest take toll on businesses

LC confirmation charges go up to 4pc

SAJJADUR RAHMAN

The recent scams in the banking sector and the ongoing political unrest have started taking a toll on the businesses that are already coping with a rise in cost, businesspeople and bankers said.

Now an importer has to pay up to 4 percent of his import value as the confirmation fees of letters of credit (LC), which was 2-3 percent a few months ago.

According to bankers and businesspeople, the LC confirmation charge was 0.75-1 percent a year ago.

Exporters also count losses and lose competitiveness as they cannot ship their goods in time due to shutdown and road-blockade programmes.

Many exporters have to count extra charges as their goods-laden trucks remain stranded at ports.

"The LC confirmation charge has increased up to 4 percent in recent days. We used to pay 0.75-1 percent a year ago," said Mostafa Kamal, chairman and managing director of Meghna Group of Industries that has an annual turnover of around Tk 13,000 crore.

Meghna Group imports commodities, such as sugar, edible oil and wheat, in bulk.

MA Jabbar, managing director of DBL,

which exports garments worth more than \$250 million a year, also said the LC confirmation fee has gone up recently.

The LC confirmation charge is imposed when an exporter's (foreign party) bank wants security in receiving payments under the LC.

Accordingly, an importer's (local party) bank approaches renowned banks, such as HSBC, Standard Chartered or Citibank NA, to provide guarantee to the exporter's bank about the payments. And, these banks impose a charge, which is called LC or Ad confirmation fee.

The LC confirmation charge depends on some factors, mainly the country risk and the reputation and strength of the issuing bank. It is also called commitment fee that varies from bank to bank.

According to bankers, the recent scams in the banking sector, particularly those related to Hall-Mark and Destiny, have raised question about the banking industry's capacity. The ongoing political unrests may also dent the country ratings.

Helal Ahmed Chowdhury, managing director of Pubali Bank, said the LC confirmation fee has increased by 1 percentage point to up to 4 percent in recent days. But he said the hike was not for all cases.

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Prime Minister Sheikh Hasina visits a stall after inaugurating the 23rd Bangladesh Apparel and Textile Exposition at Bangabandhu International Conference Centre in Dhaka yesterday.

Biggest garment expo starts on a sombre note

SUMAN SAHA

A giant signboard with a mourning sign -- to express sympathy for the Tazreen fire victims -- greeted the visitors yesterday as they entered the country's biggest apparel and textile exposition.

This was the first day of the 23rd annual Bangladesh Apparel and Textile Exposition (BATEXPO) at Bangabandhu International Confer-

ence Centre, organised by the Bangladesh Garment Manufacturers and Exporters Association -- to boost the country's main breadwinning sector.

Spread across 138 stalls, the exposition has all the stakeholders of the country's apparel industry, starting from the accessories and machineries suppliers to the garment manufacturers, quality and safety service providers to the financial institutions.

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Row over surplus lands at state enterprises

Govt refreshes bid to measure the lands to lease out to private investors

STAR BUSINESS REPORT

The industries ministry has rejected an estimate of the Privatisation Commission that the mills under the ministry have huge surplus lands to lease out.

In the face of disagreement between the two entities, a committee was formed yesterday to see whether the state enterprises have any excess land that can be leased out.

The decision came at a meeting of a panel, formed by the government in March this year to know about the state enterprises' surplus lands and lease the lands to the private sector for setting up mills.

"The committee will set a definition of surplus lands and determine the amount by consulting all stakeholders," said Board of Investment's Executive Chairman SA Samad, who chaired the meeting.

The five-member committee, headed by a director general at the Prime Minister's Office, has been asked to submit a report within a month. If needed, one additional month will be given.

Last year, the Privatisation Commission released an estimate that 39 state enterprises have 1,288 acres of unused lands and suggested that the government can lease out the unutilised lands to the private sector for setting up factories.

Based on the proposal of the commission, the government formed the panel, comprising representatives from the industries, jute and textiles and commerce ministries.

The committee in August asked these ministries to provide information on the excess lands under the enterprises they run.

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