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Star BUSINESS

DHAKA FRIDAY MARCH 13, 2015, e-mail:business@thedailystar.net

Land grabbers target KEPZ

STAR BUSINESS REPORT

Some influential people have grabbed a portion of Korean Export Processing Zone (KEPZ) in Chittagong, halting the development work of the zone.

The incident has created tension in the country's largest private EPZ in Anwara upazila.

The trouble began on February 21 after more than 200 miscreants stormed into the premises of KEPZ, uprooted its boundary pillars and erected new ones to take control of around six acres of land, its officials said.

Mohammad Hasan Nasir, managing director of KEPZ, said some former employees of a factory in the EPZ, who were suspended earlier for breaking discipline, are trying to grab the land with the help of the local miscreants.

"They are doing so in the name of saving the land of a graveyard. But we have not used any land of the graveyard. Their intention is clear: to grab the land of KEPZ," he said.

The KEPZ authorities wrote to the Prime Minister's Office that oversees the EPZs, seeking immediate action.

"The situation is now getting worse, and the miscreants are grabbing KEPZ's land almost every day by removing its boundary pillars," said Jahangir Saadat, president of KEPZ, in a letter to the PMO yesterday.

He said all the development work of the EPZ has been put on hold since March 9. The miscreants have already occupied a key entry and exit point of the zone and camped in the area.

"This has stopped movement of import and export products from the zone through the gate."

Saadat said around 40 members of industrial police are present in the area, but the local police have remained inactive.

At a media briefing on March 8, Nasir also alleged that the law-enforcement agencies were not cooperating with them.

KEPZ has lodged four complaints with Karnaphuli police station since February 21, but police have not recorded the complaints as cases, said Sadin Tayab, deputy general manager of KEPZ.

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Pangaon terminal still shunned by businesses

DWAIPAYAN BARUA, Ctg

Despite being free of risks of arson, businesses are shunning the river route to transport goods to and from Chittagong port via the Pangaon inland container terminal in Keraniganj.

The reasons put forward are: higher feeder cost and other tariffs, a lack of logistic support in and around the terminal and the unavailability of vessels on the route.

It costs $204.14 to transport a 20-foot equivalent unit (TEU) of container from the Pangaon terminal to Chittagong port for industrial units in Dhaka, Narayanganj, Gazipur and Ashulia.

EXPORT

CONTAINER COST PER UNIT*

FROM PANGAON TO CTG PORT	FROM KAMALAPUR ICD TO CTG	FROM DHAKA TO CTG BY ROAD
$204.14 Vessel cost, other charges	$78.88 Rail freight cost, other charges	$150 Cost of covered van

IMPORT

CONTAINER COST PER UNIT

FROM CTG PORT TO PANGAON	FROM CTG TO KAMALAPUR ICD	FROM CTG TO DHAKA BY ROAD
$207.01 Vessel cost, other charges	$176.61 Rail freight cost, other charges	$300 Cost of covered van

*Twenty-foot equivalent unit of container that can carry up to 15 tonnes of goods

The same container could be transported to Chittagong port by rail for just $78.88 and by road for $150.

Functional since December 2013, the Chittagong Port Authority through its three container vessels has so far transported only 1,150 TEUs from the terminal, which was constructed at a cost of Tk 150 crore.

The route could be the best alternative for exporters, especially during adverse situations, if its drawbacks could be addressed, said Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of Bangladesh Garment Manufacturers and Exporters Association.

Another reason for disregarding the route, Chowdhury said, is that businesses have to bear additional costs, on top of the high freight charges, to get the containers to the Pangaon terminal in the first place.

Subsequently, Chowdhury recommended revising down the costs to make the route and the terminal useable.

Not only that, exporters and importers can get private off-dock facilities for stuffing and un-stuffing goods before shipment and after delivery in Chittagong Port but there is no such facility in Pangaon.

Ahsanul Huq Chowdhury, senior vice-chairman of Bangladesh Shipping Agents Association, said the customs facility at Pangaon terminal is not as well-oiled as in Chittagong, while the store rent for containers in the terminal is much higher than in Kamalapur inland container depot.

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BB relaxes banks' provisioning rules for mutual funds

STAR BUSINESS REPORT

The central bank has relaxed the provisioning requirements for banks against their investment in mutual funds in light of the deteriorating situation of the capital market.

Banks will not have to keep provision for losses against investment in mutual funds if the unit's cost price is equivalent to or lower than 85 percent of its net asset value (NAV) in current market prices, Bangladesh Bank said in a notice yesterday.

Earlier, if the cost price was Tk 10 per unit and its value dropped to Tk 5 in the market, the bank had to keep provision for the Tk 5 loss without considering the NAV of the mutual fund. Now if the NAV goes down to Tk 8.5 or less, the bank does not need to maintain any provision.

Bankers said many banks that have huge exposure to different mutual funds will get more investible funds, thanks to the BB's relaxed rules.

"This is a realistic move for banks at the moment," Sayeed Ahmed, chief financial officer of Pubali Bank, told The Daily Star.

At present, about 40 closed-end mutual funds worth Tk 4,440 crore are listed on the Dhaka Stock Exchange.

Banks have exposure to Tk 1,125 crore worth of mutual funds, and most of the mutual funds' market value and NAV have gone down far below the cost price.

If the cost price of the unit is higher than 85 percent of the market value or NAV on the basis of current market price, banks will have to keep the provision by following two methods.

First, if the market value is equivalent or higher than 85 percent of NAV on current market price, banks will have to keep the provision by deducting the market value of the unit from the cost price.

Secondly, if the market value is less than 85 percent of NAV on current market price, banks will have to keep the provision by deducting the 85 percent of NAV on current market price from the cost price of the unit.

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Lawmaker M Nazmul Hassan and Bhutanese Ambassador Pema Choden cut a cake to launch the regular flights of Bhutan Airlines on Paro-Dhaka-Bangkok route, at Amari Hotel in the capital yesterday.

Look beyond garment: EU trade adviser

STAR BUSINESS REPORT

Bangladesh has been missing out on an opportunity to grab a bigger market share in the European Union over the last few decades due to a lack of efforts to diversify its export basket, EU trade adviser Zillul Hye Razi said yesterday.

"The trade policy in Bangladesh has been formulated as if it is only for garments. During my long stay in the EU, nobody has come to me to relax the rules of origin (RoO) for footwear, or any other item other than garments," Razi said.

Bangladesh has an immense opportunity in increasing its earnings through the exports of leather and footwear, agro-products, ships and bicycles to EU, he said at the Business Networking Lunch organised by Bangladesh German Chamber of Commerce and Industry (BGCCI) at Westin Dhaka.

Razi, who will leave his current role in December, said Bangladesh should also focus on the leather and footwear industry during negotiations with the EU, in addition to the garment industry.

For the last 30 years, the RoO for Bangladesh's footwear exports to the EU has remained the same. As a result, local footwear exporters have to pay high duties to export to the trade bloc, he added.

The trade adviser also said any financial crisis in Europe, eventually turns into a "boon" for Bangladesh as the country mainly exports basic garment items. For example, during the financial crisis in 2008, garment exports from Bangladesh registered positive growth as it exported basic garments, Razi said.

In 2008, only Qatar and Bangladesh registered export growth in the European market as both countries supply basic items -- apparel and petro-chemicals.

In his speech, Razi ruled out the possibility of apparel work order shifts from Bangladesh to other destinations, as the EU is still heavily dependent on Bangladesh for its price competitiveness.

Bangladesh supplies around 13 percent of all the apparel items that enter the EU in a year. The country meets 25 percent of the EU markets' demand for four items -- shirts, T-shirts, sweaters and trousers.

"So shifting orders is not easy."

Bangladesh's total exports to the EU are more than $18 billion a year, of which more than $15 billion are garments.

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Slash corporate taxes to attract foreign investors: FICCI

STAR BUSINESS REPORT

Foreign investors operating in Bangladesh yesterday called for a cut in corporate and other taxes to align them with the rates in competitor countries and attract investment from overseas.

Rupali Chowdhury, president of Foreign Investors' Chamber of Commerce and Industry (FICCI), said India has cut corporate taxes from 30 percent to 25 percent in its latest budget for over four years, to attract inward investment and match the country's rate with those in Southeast Asian nations.

"This is in contrast to our current corporate tax rate of 35 percent, which was 37.5 percent last fiscal year," she said at the chamber's monthly meeting at Sonargaon Hotel in Dhaka.

In the case of the super rich tax at 2 percent in India, Bangladesh has an effective 8 percent; the value added tax is at 15 percent and supplementary duty at 5 percent to 20 percent on locally manufactured goods, compared to 11-13 percent excise and sales taxes in the neighbouring country, she said.

With these rates, companies would not be able to compete, said Chowdhury, also managing director of Berger Paints Bangladesh.

She said the new VAT Act is good, but there is a need to sort out some differences between National Board of Revenue and the businesses.

"For the next fiscal year, our recommendation is to look into the possibility of increasing the tax net in the budget, instead of creating a burden on existing taxpayers."

The tax collection system needs to be made simple, fair and more efficient, comprehensive and transparent, Chowdhury said. "For tax related issues, FICCI would like to contribute to policy formulation."

Kevin Lyon, vice president of FICCI and president of Chevron Bangladesh, the largest foreign investor in the country, said stable fiscal and tax policies are needed to help foreign investors play a role in maintaining the current GDP growth and even achieving higher growth.

Formed in 1963, the chamber represents 184 foreign companies operating in the manufacturing, trading and financial institutions categories.

Foreign investors contribute 30 percent to the country's total revenue income, Finance Minister AMA Muhith said at the event. "So, foreign investors are very important for Bangladesh."

He said exports might be hampered due to the ongoing slowdown in the global economy. So, the government will give the highest attention to boost domestic demand such that the export-oriented industries survive, he added.

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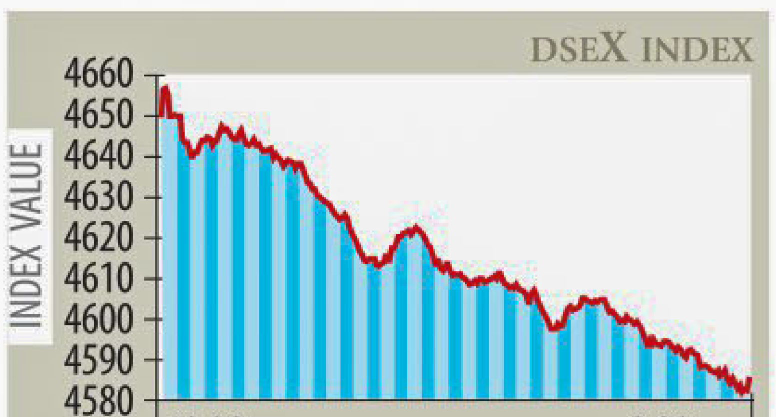
Political chaos jolts stocks

STAR BUSINESS REPORT



Stocks declined for the second day with the benchmark index diving to its six-month low yesterday.

DSEX, the key general index of Dhaka Stock Exchange, closed the last day of the week at 4,556.94 points, after plunging 28.78 points, or 0.62 percent.

The sinking business outlook amid political chaos pulled the market down, said LankaBangla Securities.

However, it said, the investors are still considering taking positions on some manufacturing stocks that have imminent annual declarations.

IDLC Investments, a merchant bank, said the investors showed some discretion, preferring blue-chip and liquid stocks over the broad market.

Private sector credit grew by 13.33 percent year-on-year in January, in contrast to the 13.5 percent growth recorded in the previous month.

Even the sliding lending rates—now 12-13 percent as against 14-15 percent a year ago—cannot boost demand for funds from the private sector.

Banking stocks took the hit with a 2.66 percent fall in market capitalisation, followed by fuel and power that dropped 1.15 percent, textile 0.81 percent and telecom 0.68 percent.

On the flip side, cement stocks managed to make a 1.38 percent rise in market capitalisation.

The day's turnover rose 5.7 percent to Tk 328.06 crore from the previous day.

A total of 0.79 lakh trades were executed, with 6.07 crore shares and mutual fund units changing hands on the premier bourse.

Losers beat the gainers, as 169 declined, 96 advanced and 43 remained unchanged on the DSE floor.

ACI dominated the turnover chart with 4.60 lakh shares worth Tk 20.65 crore changing hands, followed by Shasha Denims, Lafarge Surma Cement, Grameenphone and Ifad Autos.

Northern Jute Manufacturing was the day's best performer, advancing by 8.74 percent, while Social Islami Bank was the worst loser, slumping by 9.62 percent.

Chittagong stocks also fell yesterday with the bourse's selective category index, CSCX, shedding 73.38 points to close at 8,435.69 points.

Losers beat the gainers 141 to 62, with 28 securities remaining unchanged on the port city bourse that traded 55.46 lakh shares and mutual fund units worth Tk 19.23 crore in turnover.