Summit keen on more power, port projects

MD FAZLUR RAHMAN

SUMMIT Group eyes more power and port projects after the successful completion of most of its ventures in Bangladesh, the chairman of the company said.

The group has taken a $2-billion investment plan in order to set up a terminal for liquefied natural gas, two LNG-based power plants and ports, said Muhammed Aziz Khan.

"We have kept our promises by implementing all of our projects on time," he said.

Summit Group is the largest private sector power producer in Bangladesh, generating over 1,500MW of electricity.

Recently, it completed the 115MW Barisal power plant and 55MW Narayanganj plant, while the 115MW plant in Gazipur and a floating liquefied natural gas terminal are under implementation.

The group has set up Summit Power International Pte Ltd in Singapore to get funds for investment in Bangladesh and plans to be listed on the city state's stockmarket next year.

Bangladesh's capital market is too small to cater to the capital-intensive energy and power projects, he said.

"Summit has committed to investing $2 billion by 2021," said Khan.

As part of the investment plan, the group will have to invest $600 million as equity, as 30 percent of an investment project has to come in the form of equity.

Of the $600 million, about $200 million will come from Summit's own profits while the rest will be raised from local and international sources. The Singaporean office will primarily raise about $400 million.

Investors led by the International Finance Corporation have already invested $175 million into the company, Khan said.

The investment will enable Summit to execute the Summit LNG terminal project.

Summit Group is awaiting a final nod from the government to set up the floating LNG terminal on Moheshkhali Island in Cox's Bazar at a cost of $500 million to supply 500 million cubic feet of gas a day.

Summit LNG Terminal Company is expected to sign agreements today with Petrobangla and the energy and mineral resources division for terminal use and implementation in Dhaka.

The company has signed an agreement with an international provider of the floating storage and re-gasification unit (FSRU) on a hire-purchase basis.

For Bangladesh, this will be the second LNG terminal agreement. The project will be completed in 2018, Khan said.

In July, state-run Petrobangla and Excelerate Energy signed the final deals to set up Bangladesh's first LNG terminal. Summit Group is taking assistance from US-based Excelerate Energy for the floating terminal project.

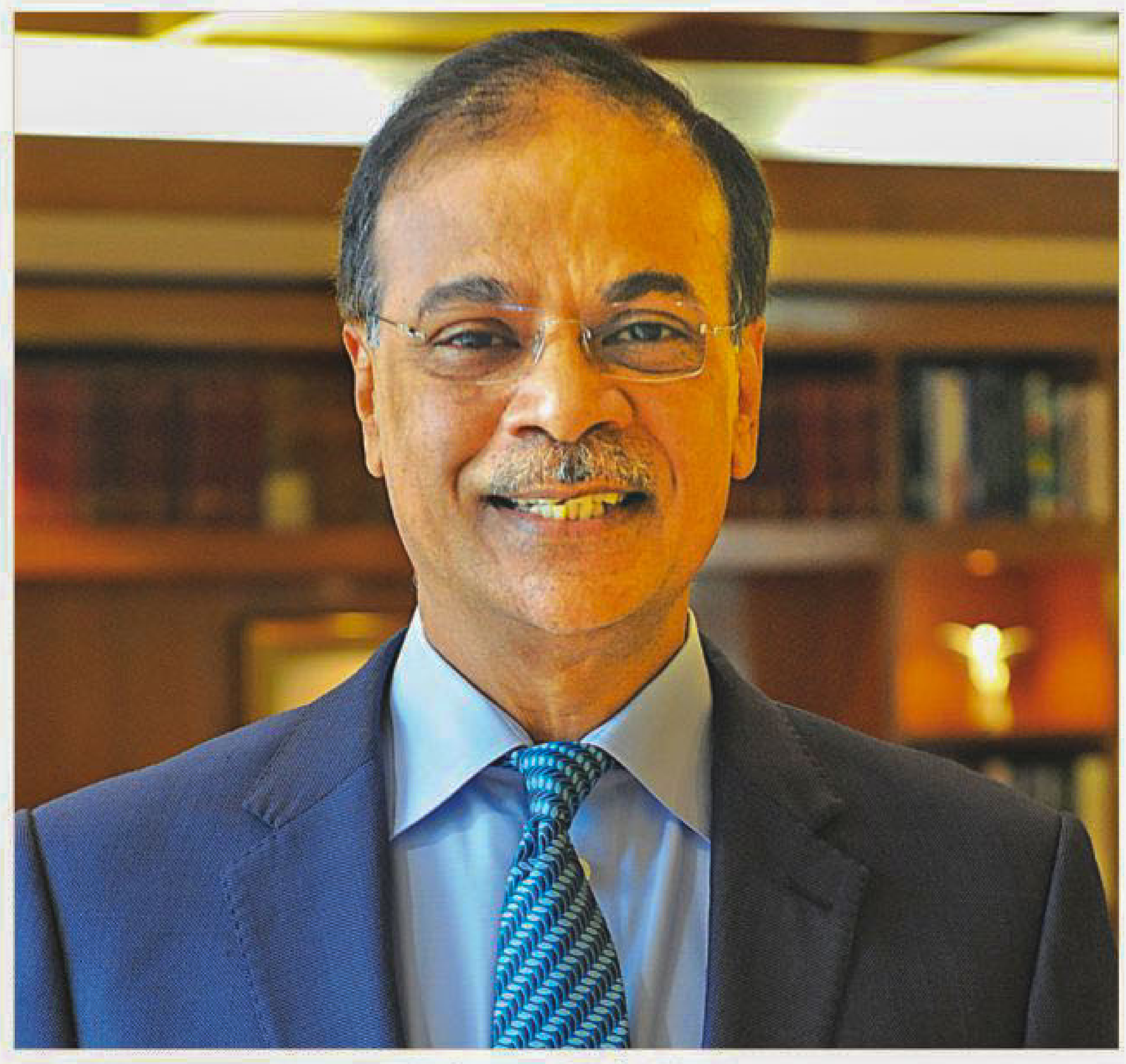
Excelerate Energy operates the largest fleet of FSRUs in the world. It provides LNG transportation, marketing and storage, and floating re-gasification services.

"So it is very natural that we talk to them," Khan said.

Khan said geophysical, metocean, and geotechnical surveys need to be carried out for an FSRU project.

Summit's terminal will be located 4 kilometres away from the terminal of Excelerate. Due to its proximity, Summit will be using the study reports from the US company.

Khan hopes that once the LNG is made available, Summit would be allowed to set up two 600MW LNG-based power plants. "We also want to



Muhammed Aziz Khan

set up a few more 100MW power projects."

The net worth of Summit as valued by KPMG is $1 billion. It has invested $2 billion in the energy sector alone.

In recent years, Summit has been able to attract investment from multinational lenders such as the International Finance Corporation, the Asian Development Bank as well as multinationals GE and Daelim of South Korea.

Summit's Singaporean company, in a joint venture with GE and Daelim, is bidding for a 330MW power plant project in Sri Lanka at $300 million with financing from international lenders.

Summit Alliance Port Ltd now has a dockyard in Chittagong, which facilitates exports and imports, and has opened a port in Narayanganj. It also has plans to expand its port infrastructure beyond the country.

"We have submitted bids to set up a port in Kolkata and Sri Lanka each in a joint venture with local companies in the host countries. The goal is to help Bangladesh companies move cargo smoothly."

Summit has also laid 35,000 km of optical fibre cables across the country, covering 64 districts and 80 percent of the upazila headquarters.

Khan said they are interested in foraying into the transmission and distribution of electricity in Bangladesh. "Transmission and distribution should be privatised."

"We are blessed that we have received the opportunity to provide electricity to every home in Bangladesh. Hopefully, we will be able to provide internet connectivity to every home as well."

Khan has called for reasonable taxation policies.

The difficulty in Bangladesh is the 37 percent corporate tax, 20 percent dividend tax and 30 percent personal income tax, he said.

"It is unreasonable to expect that people will invest their money, earn money and then pay about 70 percent in taxes."

Khan demanded a level playing field for foreign and local investors. Exemptions granted to foreign investors provide them with discriminatory advantages, he added.

"The tax rate should be reasonable for everybody, from citizens of Bangladesh to foreign investors. Foreign investors should be welcomed into the country, so should my own brothers and sisters."

"By having such high tax rates, the government forces people to maintain two-three books."

Nowadays, Khan frequently visits Singapore and is in touch with investors in the country.

"I would like to feel that our office in Singapore is an extension of Bangladesh Investment Development Authority," he said, laughingly.

"We portray how good Bangladesh is, how good Bangladeshi companies are and how good Bangladesh is as an investment destination. Investors should come and invest in the country."

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Gold slips as dollar rises

REUTERS, London

Gold edged lower on Wednesday as the dollar gained, but tensions over North Korea and upcoming French and UK elections underpinned investor demand in the safe-haven asset.

Spot gold slipped 0.57 percent at $1,281.91 per ounce as of 1129 GMT, but was still near its highest level since November touched on Monday of $1,295.42.

US gold futures were 0.8 percent lower at $1,283.90.

US Vice President Mike Pence said Washington would work with its allies and China to put economic and diplomatic pressure on North Korea but added America would defeat any attack with an "overwhelming response."

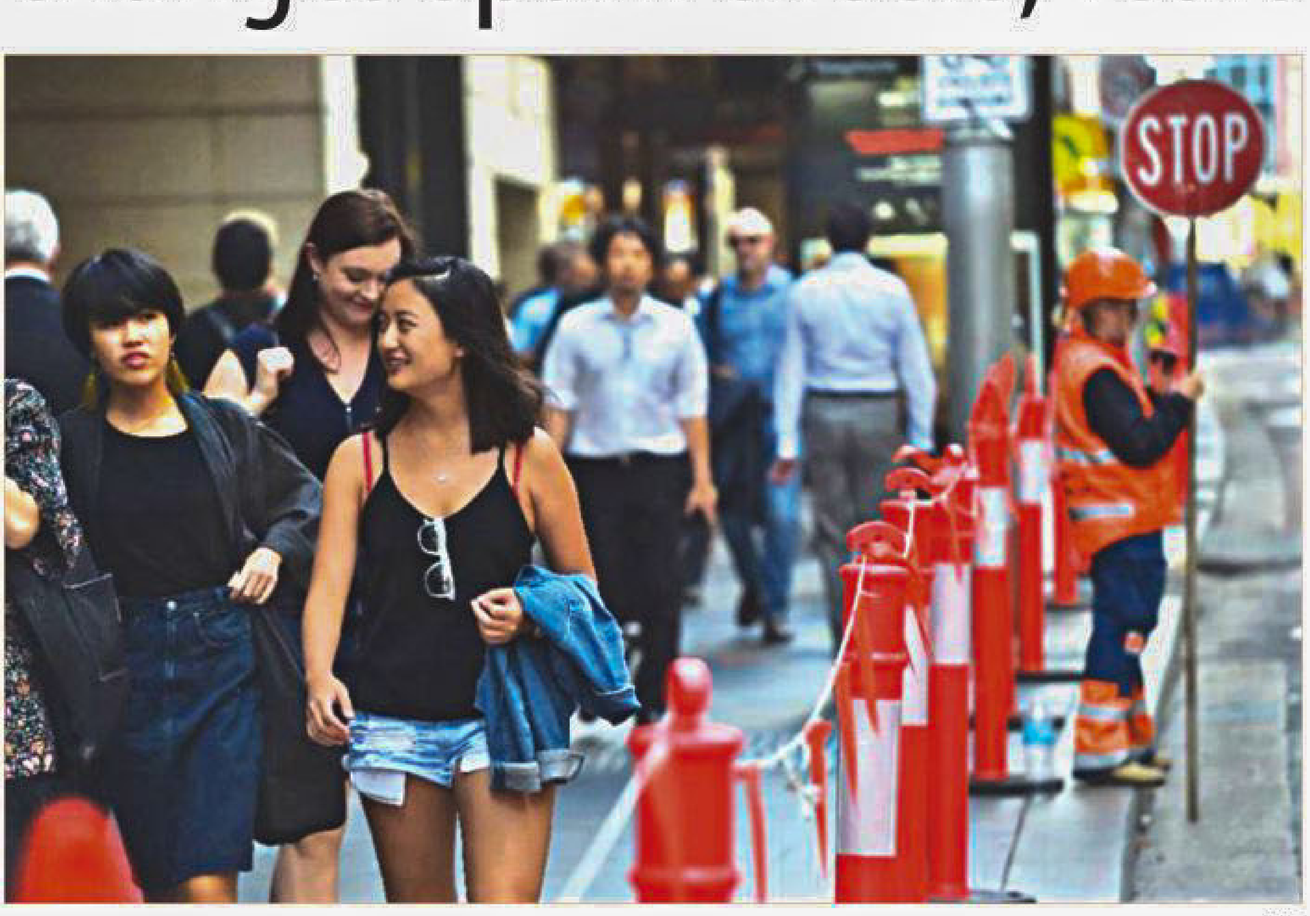
"Today's move is just a bit of a pause because we are still seeing pretty decent investor interest in gold," said ETF Securities analyst Martin Arnold.

"Investors are still using gold for insurance and defensive positioning because there are concerns over equity valuations and politics," he said.

In France, investors remained nervous ahead of the first round of the presidential election on Sunday. A closely-watched poll showed the first round of voting was too close to call, although centrist Emmanuel Macron remained favourite to win overall.

British Prime Minister Theresa May's call for a snap general election added to a list of uncertainties for investors already on edge over geopolitical tensions.

'Australia first' foreign visa changes spark cheers, fears



AFP

Pedestrians are seen in Sydney's central business district.

AFP, Sydney

AUSTRALIA'S controversial decision to scrap a visa programme for temporary foreign workers got a mixed response Wednesday, with critics slamming it as spin over substance and pandering to anti-immigration rhetoric.

The "457 visa" allows businesses facing skills shortages to employ labour from overseas, but has been slammed by unions amid claims that bosses were abusing it and local workers were missing out.

"The 457 visa is abolished. It will be replaced by a new system that will be manifestly, rigorously, resolutely conducted in the national interest to put Australians and Australian jobs first," Prime Minister Malcolm Turnbull said Tuesday.

"That's our commitment. Australian jobs, Australian values."

Independent anti-immigration politician Pauline Hanson took credit for the announcement, which drew comparisons to moves by US President Donald Trump to tighten skilled-worker visa rules on Tuesday.

The Australian Chamber of Commerce and Industry welcomed the changes.

"Public confidence in the skilled migration system is vital, and this announcement will help to achieve that confidence," said acting chief Jenny Lambert.

But the Labor opposition, which has long called for reforms to the 457 visa scheme to protect local workers, said the changes did not go far enough.

"If you're asking me what do I think about renaming one category of visa into two different categories of visas, well that's just shifting deckchairs isn't it, on the proverbial sinking ship," its leader Bill Shorten said Wednesday.

The Australian Council of Trade Unions echoed the call for independent research into labour shortages and described the changes as "more spin than substance".

Greens Senator Sarah Hanson-Young said on Twitter the reforms were "more like a name change, and re-tune for the racist dog whistle".

The four-year visa would be replaced by a two-tier system -- valid for either two years or for four years -- of skilled temporary work permits, and would include tighter requirements for language and work experience.

Some 200 jobs would be cut from the list of eligible professions.

There were 95,758 holders of the 457 visas in Australia as of the end of September, according to immigration data, less than one percent of the workforce.

Some 24.6 percent were from India, followed by Britain at 19.5 percent and China at 5.8 percent. The top occupations were cook, software developer programmer and resident medical officer.

Tech executives, whose companies were expected to be hard hit, said the changes would hit growth and increase costs.

Media reported that a foreign worker tax on companies to fund skills-training for local staff could also be introduced in the annual budget in May.

Farm loan write-offs win votes in India, but may hurt economy

REUTERS, Mumbai/New Delhi

INDIA risks straining public finances and undermining already ailing state banks, economists said, after a $5.6 billion loan write-off for farmers in Uttar Pradesh and moves to do something similar in at least four other states.

One of the first acts of the new government in India's most populous state following last month's election triumph of Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) was to keep a promise to provide debt relief to 21.5 million farmers.

Taking their cue from Uttar Pradesh, more state governments could waive loans to farmers, senior officials there said, to fulfil election pledges or woo rural voters before further polls in the run-up to a general election in 2019 when Modi is expected to run for a second term.

"This will spread like a contagious disease to most parts of the country and you will very soon see at least 3-4 states announcing similar farm loan waivers," said Ashok Gulati, a farm economist who advised India's last government.

Economists caution that the move could encourage indebted farmers not to repay loans, deepening malaise at public sector banks already saddled with most of India's $150 billion in stressed loans.

Uttar Pradesh will cover the cost of the waivers by issuing bonds. This would in turn constrain India's sovereign credit because such bonds are backstopped by the federal government, the economists said.

India's total public sector debt, as a share of gross domestic product, stands at around 66 percent - high compared to other emerging economies.

Economists at Merrill Lynch estimate that states will end up writing off debts equivalent to 2 percent of GDP - the bulk of all outstanding loans to farmers.

REUTERS/FILE

Workers remove stalks from red chillies at a farm on the outskirts of Ahmedabad, India.

Ratings agencies would like to see India's debt-to-GDP ratio fall below 60 percent over the next three years to justify an upgrade in its sovereign rating. Yet debt waivers would, even if staggered, force up borrowing, analysts said.

"The loan waivers would likely worsen the fiscal deficits and leverage levels of the state governments, unless other resources are mobilised or expenditure is controlled," said Aditi Nayar of ICRA, an affiliate of Moody's Investors Service.

"There is a significant risk that productive capital spending may end up being reduced to fund a portion of the loan waivers."

A government-appointed panel has suggested capping the states' debt at 20 percent of India's GDP, while Reserve Bank of India Governor Urjit Patel has said the Uttar Pradesh loan waiver "undermines honest credit culture".

The western state of Maharashtra and Punjab in the north are expected to announce similar loan waivers soon, senior officials in both states told Reuters.

In Maharashtra, ruled by the BJP, farmers are clamouring for a bailout after two years of drought and falling commodity prices. In Punjab, known as India's grain bowl, the opposition Congress party won last month's election partly on the promise of a farm loan waiver.

In southern Tamil Nadu, reeling from dry weather, a court asked the state government to write off loans to all farmers.

Farmers from Tamil Nadu recently protested in New Delhi, showing the skulls of neighbours who had committed suicide to press their demand for drought relief and loan write-offs.

Some of India's 263 million farmers have decided not to repay their debts, expecting loan waivers to mean they don't have to.

"I am not going to repay the loan because defaulters benefited from the previous waiver and I didn't get any government help even as I repaid the loan on time," said Gorakh Patil, a farmer from Jalgaon in western India.

Patil was referring to an $11 billion national farm loan waiver in 2008 that helped the Congress party-led coalition of the day win re-election the following year. But non-performing assets jumped.

Gross non-performing loans in agriculture and its allied sectors surged to 588 billion rupees ($9.12 billion) at the end of the December quarter, from 97.4 billion rupees in the 2007/08 fiscal year, RBI data show.

"There's no benefit from such waivers," said a director at one state bank who requested anonymity due to the sensitivity of the matter. "If you give any benefit across the board, it definitely has an adverse effect on credit discipline."