



# Star BUSINESS

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## Bike assemblers face bumpy ride for duty hike

**SOHEL PARVEZ**

A spike in supplementary duty on completely knocked down units of motorcycles is set to hit the local assembly firms which have signed up for manufacturing the two-wheeler progressively by setting up factories, said assemblers.

The National Board of Revenue has sought to increase the SD to 45 percent from existing 20 percent for the next two fiscal years.

The development comes just one year after the revenue administration offered 20 percent duty rebate on import of motorcycles in CKD format for firms which want to sign up as progressive manufacturers.

As progressive manufacturers, the firms would have two years to build the infrastructure such that from third year onwards they can manufacture some of the components locally.

In response, Bangladesh Honda Private Ltd, Speedoz, Uttara Motor Corporation, Menoka Motors, TVS Auto Bangladesh, Aftab Automobiles, Rancon Motorbikes and Niloy Motors applied to the industries ministry for the privilege and started establishing facilities to manufacture the two-wheelers.

"This is a big blow for us," said Matiur Rahman, president of Bangladesh Motorcycle Assemblers and Manufacturers Association.

"We are frustrated to see the withdrawal of duty benefit to import CKD bikes several months after it was given."

He said most of the firms have already bought land after the NBR offered the duty rebate to facilitate progressive manufacturing.

"The construction of our factory is 80 percent complete and work is on way to set up the machinery," said Rahman, chairman and managing director of Uttara Group of

Companies, which is the local assembler and sole distributor of Bajaj Auto.

Following the privilege, imports of motorcycles have increased and assemblers have slashed the prices. "The market expanded after the price cut," he said.

It is not clear why the revenue administration has made the sudden change in policy, said Biplob Kumar Roy, chief executive of TVS Auto Bangladesh.

"We have been demanding a long-term policy from the government to facilitate the development of the motorcycle industry here. But changes in policies within a short time erode investor confidence."

The government's support is needed so that investors feel confident to invest in Bangladesh, Roy said, adding that TVS has also begun the preparations for manufacturing bikes gradually.

Last week, Japanese Ambassador Masato Watanabe at a meeting with Industries Minister Amir Hossain Amu raised the issue of SD hike on CKD bikes, according to a press release from the ministry.

He also met with Finance Minister AMA Muhith to talk on the issue, said officials.

Contacted, a senior official of the NBR said the scope of progressive manufacturing of motorcycles was extended based on some conditions.

"But assemblers later informed us that the conditions are too stringent to comply with. This time we have simplified the rules to make it easier for them -- they do not have objections."

The assemblers' demand for continuation of reduced SD benefit to import CKD bikes for one more year has been opposed by local manufacturers.

The NBR official said any change on the subject will be known on June 28 when the finance bill gets approved in parliament. The budget for fiscal 2017-18 will be passed on June 29.



**ANISUR RAHMAN**  
New currency notes being offered in exchange of old ones at Tk 20 for every Tk 1,000 outside Bangladesh Bank in the capital yesterday. Demand for crisp bills rises during Eid-ul-Fitr in Bangladesh where elders go by a long-held tradition of blessing children with cash fresh from the oven when the latter greet them during the festival. Bangladesh Bank released Tk 25,000 crore in new cash ahead of Eid but banks tend to run out of such notes quickly, prompting many to seek out the roadside vendors.

## Exporters count losses for airport inefficiency

### BGMEA claims all factories have paid workers for Eid

**STAR BUSINESS REPORT**

Bangladesh has been losing more than \$1 billion worth of apparel business every year due to inefficiency of the airport authority as their delayed release of samples irks Western retailers, said the BGMEA president yesterday.

Due to the fast pace of trend cycles nowadays, the retailers send garment samples to manufacturers in Bangladesh frequently through expensive air shipments and they expect quick execution of the work orders.

"But the manufacturers do not get the sam-

ples from the airport timely," said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association, at a press conference at its office in Dhaka.

The samples from the airport are supposed to be received within 24 hours but it takes more than 10 days, he said.

And there have been incidents of theft too from the cargo village of the airport as important goods and documents are left unattended by the airport authority.

"These kinds of irresponsible behaviour have

irked the international retailers," Rahman said.

They are either shifting work orders to other countries or delaying in placing orders or paying less to manufacturers.

"These inefficiencies have been costing us business."

The civil aviation and airport authorities have been trying to improve security and efficiency in handling of goods at the airport since last year as some countries like the UK, Germany and Australia imposed a ban on direct cargo shipments from Dhaka.

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## Mobile handset prices spiral ahead of Eid

**MUHAMMAD ZAHIDUL ISLAM**

Mobile handset sellers and distributors have bumped up the prices ahead of Eid using the excuse that the customs duty on the handsets has doubled even though importers have not increased the prices at their end.

The government has raised the customs duty on handset import to 10 percent from June 1. After clothes and accessories, gadgets are what sells the most ahead of Eid.

Only one vendor, Nokia, has officially increased the price of one of its handset models following the duty hike.

It raised the price of its revamped 3310 model, which was launched in Bangladesh at the end of May, to Tk 4,500 from Tk 4,250. But over at Bashundhara City, a major hub for mobile phones, the model is selling for more than Tk 6,000.

Symphony, the top selling mobile handset brand, has not increased its prices, said Ashrafal Haque, marketing director of its parent company, Edison Group.

"But we have learned that some retailers increased the prices ahead of Eid," he added.

Fair Group, importer of Samsung handsets, also said it has not increased the price of any of the models even though it has paid extra duties, said its Chairman Alam Al Mahub Manik.

In 2016, the industry brought in about 3.10 crore mobile handsets to the country through the legal channel, up 11 percent year-on-year, according to the Bangladesh Mobile Phone Importers Association. Illegal handset imports most likely surpassed the number.

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## Apparel makers aim \$1b from Japan despite dip

**REFAYET ULLAH MIRDHA**

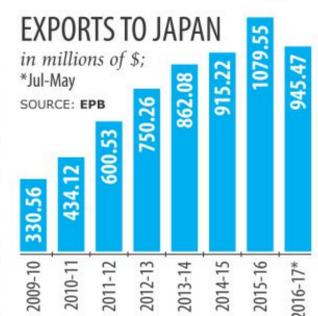
Shipments to Japan declined 3.7 percent to \$945.47 million in the first 11 months of 2016-17 because of a fall in prices of goods and security concerns following the Holey Artisan attack in Dhaka last year, according to exporters.

Though the earnings fell 16.09 percent short of the Export Promotion Bureau's periodic target of \$1.12 billion, exporters hope to cross the \$1 billion mark by the end of the fiscal year, an achievement already made in the EU, the US and Canadian markets.

Japan is Bangladesh's single largest export destination among Asian nations and its market offers promising returns for quality apparel and leather and jute and associated goods.

Exports to Japan have been soaring over the last few years maintaining nearly 20 percent growth every year.

Currently, Bangladesh's annual export earnings from other Asian



countries such as China and India hovers around \$700 million each.

Exports to Asian markets, especially to that of Japan, started rising as financial recessions of 2008 and 2009 affected the Western world badly.

Moreover, the Bangladesh government offers stimulus packages for exploring new destinations like Japan, China and India. Markets across the world, other than the traditional ones of the EU, the US

and Canada, are considered as new destinations.

Another catalyst has been the relaxation of the Rules of Origin by the Japanese government on knitwear and woven garments from least developed countries.

This allowed Bangladesh to enjoy a zero-duty trade privilege and a competitive edge against countries like China, India and Pakistan in meeting Japan's annual demand for garments worth over \$40 billion.

"Garment export from Bangladesh to Japan is rising every year. We are receiving a good response from the Japanese retailers," said Mohammad Hatem, former vice-president of Bangladesh Knitwear Manufacturers and Exporters Association.

During the July-May period, Bangladesh exported garment goods worth \$696.32 million to Japan, according to data from the EPB. Of this, \$374.38 million came from woven items and \$321.94 million from knitwear.

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## BTRC looking for officials to run satellite company

**STAR BUSINESS REPORT**

Bangladesh Telecommunication Regulatory Commission (BTRC) has issued a recruitment advert for 18 senior executives to run businesses generated from Bangladesh's first commercial and broadcast satellite Bangabandhu-1 through a company, which is yet to be formed.

BTRC had sent a proposal to the telecom division over one year ago to form Bangabandhu Satellite Communication Bangladesh Company Limited for relevant business management.

"We are waiting for the government's steps," said BTRC Chairman Shahjahan Mahmood.

Bangabandhu-1 is scheduled to be launched from Florida by the end of this year or early next year and then run commercially by June.

State Minister for Post and Telecommunications Tarana Halim earlier said over 85 percent of the construction was complete.

The process for the recruitment, the first of its kind, gained momentum after Prime Minister's ICT Affairs Adviser Sajeeb Wazed Joy went tough on the management issue during a recent meeting with the telecommunication division, said a senior official.

Project officials said the company's formation was almost at the final stage.

The 18 posts are for two satellite engineers, one mission engineer, two network engineers, four satellite controllers, five monitoring and control operators, two computer engineers and two ground station maintainers.

They will be provided relevant training abroad, said the official.

The government plans to launch at least two more satellites under this company and so more manpower would need to be hired to market products both at home and abroad.

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## Foreign currency reserves hit \$33b

**STAR BUSINESS REPORT**

Foreign currency reserves have shot past the \$33 billion mark for the first time in history but it might not bring much cheer for the government as the growth has slowed.

On June 21, the reserves stood at \$33.02 billion. A year back it was \$29.87 billion, according to Bangladesh Bank data.

Reserves are expected to rise -- albeit at a more moderate pace than previously estimated -- underpinned by export earnings, foreign direct investment and external borrowing, said International Monetary Fund this month.

IMF says reserves capable of meeting 3.1 (floating exchange rate) to 9.6 (fixed exchange rate) months of imports are adequate for low-income countries.

"Therefore, with the de facto fixed exchange rate, a reserve coverage close to top end of the range would seem appropriate," it said in its latest report on Bangladesh.

The present amount is enough to foot nine months' import bill at the current growth of foreign purchase, says the IMF.

However, given Bangladesh's slow export growth and decline in remittance inflows, the safe reserve limit should be equal to 9.6 months' import bill, it added.

It was previously assumed that reserves would register an average growth of 8 percent over the medium to long term. Now the expectation is 5 percent.

Possible shocks to the current account include a further, more-than-projected slowdown in remittances and lower exter-

nal demand for goods.

In the first 11 months of 2016-17, \$11.5 billion was received as remittance, down 14.18 percent year-on-year on the back of low oil prices and deepening conflict in Gulf countries -- the largest source of overseas income.

Remittance inflows continue to decline even though the number of Bangladeshi workers abroad has increased steadily in recent years.

"Prospects for remittances are subject to considerable uncertainty, as the recent decline has been particularly pronounced," the IMF said.

Meanwhile exports stood at \$31.79 billion, up by 3.67 percent from the same period a year ago.

About export prospects, the IMF said

global growth is more subdued now than in the past. The US, Germany and the UK represent Bangladesh's three main export destinations. Thus, a slowdown in the European Union may hurt exports.

General uncertainties over rising protectionist measures will continue to shadow the outlook for Bangladeshi exports, the IMF added.

In the first ten months of the fiscal year, the average monthly import bill was \$3.62 billion.

"Benchmarking adequate level of reserves is central to designing policies that preserve the country's resilience to external shocks, particularly given Bangladesh's limited access to capital markets," the IMF said.

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