

Modi's office proposes waiving carbon tax on coal

REUTERS, New Delhi

Prime Minister Narendra Modi's office has proposed waiving a tax on coal to help finance pollution-curbing equipment, according to documents, but the move would also make coal more competitive in price with solar and wind energy.

Modi's office has proposed waiving the carbon tax of 400 rupees (\$5.61) per tonne that was levied on the production and import of coal, according to the documents reviewed by Reuters.

The documents say the savings would improve the financial health of utilities and distribution companies, and help the power producers to install pollution-curbing equipment.

The prime minister's office and the power ministry did not respond to requests seeking comment on the proposals and when a decision was likely to be made.

Despite struggling with some of the world's worst air pollution levels, India has already pushed back a deadline to cut emission levels to up to 2022.

Over half of India's coal-fired plants are already set to miss a phased deadline starting Dec. 2019 to cut emissions of sulphur oxides, which have been proven to contribute to lung disease.

The proposal is a big win for India's coal industry, which has lobbied for government help, citing high debt levels and burgeoning payment dues from government-owned power distribution companies. Distribution companies owed power producers more than \$11 billion in dues as of October, according to government data.

Hardik Shah, deputy secretary at Modi's



A worker carries coal in a basket in an industrial area of Mumbai.

REUTERS/FILE

office, advocated waiving the carbon tax on coal in an October note to the top bureaucrat at India's power ministry, seen by Reuters.

"A possible solution is to waive the goods and services tax (GST) compensation cess on coal," Shah said in the note on the installation of equipment to cut emissions of sulphur oxides.

Shah argued for a waiver saying even if India ensured adequate financing to power plant operators to install the equipment, it would lead to higher electricity tariffs that would further

burden distribution companies which buy power from utilities.

The proposal comes at a time when India is set to open up coal mining to global mining companies for the first time. An implementation of the proposal would provide a fillip to state-run Coal India (COALNS), whose stock has lost a fifth of its value over the last 12 months.

Thermal power companies, in addition to emitting greenhouse gases, account for 80 percent of all industrial emissions of particulate matter, sulfur and nitrous oxides in India.

The average rate at which coal-fired power is sold to distribution companies stands at about 3.50 rupees per unit, according to a Reuters analysis of data provided to the power ministry by many Indian utilities in October.

That compares with an average cost of 2.50 rupees to 3.00 rupees for renewable energy projects. The current carbon tax on coal contributes to 0.25 rupees per unit, according to industry estimates.

If implemented, the move would reduce the price gap between coal-fired power and renewables, and potentially impact Modi's plan to increase adoption of green energy.

"Cutting taxes on coal would impact growth of renewable energy as well as the transition away from coal," said Nandikesh Sivalingam, Director at Center for Research on Energy and Clean Air (CREA).

The prime minister's office says installation of pollution cutting equipment would cost companies 0.30-0.35 rupees per unit and hence removal of the carbon tax would help companies meet emissions targets while ensuring electricity costs do not rise.

But it will be a one-time cost and going forward, coal-fired utilities would be able to compete better with renewable energy.

The proposal, if implemented, would cost India over 3 percent of its total indirect tax collection, which has been falling due to a broader economic slowdown.

An abolition of the cess could also subject the federal government to further criticism from state governments, since they received the realised revenue from the government to compensate for shortfalls due to the implementation of a new tax structure in 2017.

Singer launches New Year campaign

STAR BUSINESS DESK

Singer has recently launched a campaign offering discounts and the scope for exchanges marking the new year.

"Notun Bochor, Notun Din, Purno Bodle Notun Nin" provides up to Tk 15,000 in discounts on television exchanges while up to Tk 6,000 on washing machines.

Rice cookers or pans come free with purchase of select refrigerator models. Up to Tk 7,500 can be availed purchasing Singer-branded ones.

Besides, customers will also get up to Tk 3,500 in discounts on select HP and Dell laptops and up to Tk 1,300 on Singer microwave ovens.

The company has also offers zero interest six-month instalment and 12-month "easy instalment" till January 31 next year.

Depositors up in arms over 6pc interest

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They might head back to savings instruments, which carry 11.04-11.76 percent interest.

Because of their high interest-bearing nature, their sales hit a staggering Tk 49,939 crore last fiscal year.

To reduce the appetite for the savings tools, the government from this fiscal year has lowered the ceiling. And to ensure the ceiling is not breached, the government digitised the system.

This led to a spike in bank deposits, said a Bangladesh Bank official.

He fears that people will now invest their money in land and capital market and avoid banks entirely. A section of them will even try launder money abroad.

But pensioners like Kabir, who are not as investment-savvy and are shut out from those options, are at wits' end. "I really don't know what to do."

US-China Phase 1 trade deal to be signed Jan 15

AFP, Washington

A partial new US-China trade agreement will be signed in the middle of next month, US President Donald Trump said Tuesday, announcing that he will also then travel to China for continued talks.

"I will be signing our very large and comprehensive Phase One Trade Deal with China on January 15," Trump tweeted moments before Wall Street was due to open.

"The ceremony will take place at the White House. High level representatives of China will be present."

Trump said he would then travel to Beijing

to continue negotiations "at a later date."

Word of the deal, and the de-escalation of the trade conflict, has driven a Wall Street rally this month but US stocks were lower at the open early Tuesday.

The two sides earlier this month announced a "Phase One" deal in their nearly two-year trade confrontation, with Washington canceling and reducing some tariffs in exchange for Chinese pledges to increase purchases of US exports and adopt trade reforms. The text of the agreement has not yet been made public pending legal and translation reviews, US officials say, and details remain scant.

Banks bracing for big hit on profits

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"The decision will immensely benefit the economy," said Mashrur Arefin, managing director of City Bank, adding that the authority concerned will have to extend some support to the banking sector.

When his attention was drawn to the government promise to allocate Tk 202,000 crore of its funds to all banks based on their paid-up capital, he said: "I need to see some formal confirmation of that before I change my deposit rates. I need to know how much I may get and when."

The 6 percent interest rate will ward off savers from the banking sector given the existing inflation rate, which will create a severe liquidity crisis for lenders, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

"Default loans in banks have been on the rise for months. The trend is not suitable for banks to bring down the lending rate."

As of September, default loans in the banking sector stood at Tk 116,288.31 crore, up 23.82 percent from nine months earlier, according to data from the central bank.

Banks face a huge burden of provisioning because of the large volume of the default loans, which erode their capacity to give out loans, Rahman said.

"Default loans will have to be brought

down drastically to implement the single digit lending rate," Rahman said, adding that corporate governance in the banking sector needs to be strengthened in tandem.

The central bank will have to beef up its monitoring on the banking sector with a view to strengthening the financial health of lenders. And the government must give full autonomy to the central bank to do so.

If the banks try to implement the single-digit interest rate without improving their health, profitability will decline alarmingly, Rahman added.

Khondkar Ibrahim Khaled, a former deputy governor of the central bank, echoed the same. The forthcoming central bank notice on the matter will go against its own policy, he said.

The central bank earlier took the decision to not intervene in banks' decision when they set the interest rate. But now it is dictating the rate, which will not be good for banks, Khaled added.

Time will tell whether the decision will help banks, said Ali Reza Iftekhara, the newly elected chairman of the Association of Bankers, Bangladesh, a forum of bank MDs.

"We are waiting for the central bank's notice on this. Then we will get an idea of the actual situation," said Iftekhara, who is also the MD of Eastern Bank.



Rupali Chowdhury, managing director of Berger Paints Bangladesh, and Yuichiro Nagakawa, managing director of Chugoku Marine Paints (S) PTE, a Japanese marine coatings supplier, pose while signing an agreement in Dhaka recently for jointly producing and marketing marine and related industrial paints in Bangladesh.

BERGER PAINTS

Borrowers jump for joy at 9pc interest

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The decision is not only a huge blessing for individuals like Ripon but also for hundreds of thousands of entrepreneurs who have long been demanding single-digit interest rate to further their businesses.

The double-digit interest rate is often cited by experts and businesses as the main reason for the declining trend of private sector credit growth in the last 21 months.

Business leaders, however, welcomed the out-of-the-box move of the government cautiously as sponsors of banks had previously gone back on their word to bring down the interest rate to less than 10 percent by August last year despite bagging a number of facilities for this end.

The benefits include a reduction of cash reserve ratio -- which is the percentage of total deposits banks must maintain in the form of cash reserve with the central bank -- and repo rate -- which is the rate at which the central bank lends money to banks.

"This is a good decision, but we are observing it cautiously," said Sheikh Fazle Fahim, chairman of the Federation of Bangladesh Chambers of Commerce and Industry. He, however, said such decisions should not be implemented by issuing a notice.

"We should ensure an ecosystem, ranging from banks and businesses to savers and common people, for bringing down the lending rate."

A complete business model is important for materialising the issue, Fahim said, adding that the interest rate on credit card also should be brought down.

But Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, expressed her dissatisfaction with the new move.

"The rate should be implemented from today, the first day of the new calendar year," she said.

As per the decision, it will take three months more to implement the single-digit lending rate, which will be too late given the existing feeble

situation in the industrial sector.

But the BGMEA, the Bangladesh Knitwear Manufacturers and Exporters Association and the Bangladesh Textile Mills Association, the three trade bodies in the apparel sector, want them from January 1, as previously stated.

The three jointly wrote to the finance minister yesterday urging the implementation of the single-digit interest rate for lending without further delay. Entrepreneurs would be hugely benefitted from single-digit interest rates, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

"But it is difficult to lower the lending rate right now. Besides, banks will have to cut down on their default loans significantly to be able to give out fresh loans."

"The government should give all-out effort to decrease the inflation in order to attract savers to banks. Or else, liquidity crisis will hit lenders if depositors shy away from banks," Rahman added.

Britain says will raise minimum wage by more than 6 percent in 2020

REUTERS, London

Britain's national minimum wage will rise by more than 6 percent next year, taking it to 8.74 pounds an hour, the government announced on Tuesday.

The move puts Britain on track to meet its target for the minimum wage to reach 60 percent of median earnings by 2020, it added.

"Hard work should always pay, but for too long, people haven't seen the

pay rises they deserve," Prime Minister Boris Johnson said in a statement.

Britain's unemployment rate has fallen to its lowest since the 1970s and employment recently hit a record high, despite the minimum wage rising by more than a quarter since 2015 to now stand at 8.21 pounds an hour for those aged 25 and over.

The rise to 8.74 pounds is due to take place on April 1.

Minimum pay rates for younger

workers will also increase by between 4.6 percent and 6.5 percent, depending on their age, the government said.

The British Chambers of Commerce (BCC) said: "Raising wage floors by more than double the rate of inflation will pile further pressure on cash flow and eat into training and investment budgets. For this policy to be sustainable, government must offset these costs by reducing others - and impose a moratorium on any further upfront costs for business."

Britain's minimum wage was introduced under Labour Prime Minister Tony Blair in 1999, and rose relatively modestly following the annual advice of a committee of academics, trade unionists and business representatives.

In 2015, faced with complaints about stagnant living standards, Conservative finance minister George Osborne said he wanted to raise the minimum wage for over-25s to 60 percent of median earnings by 2020 - implying bigger annual increases.

The Resolution Foundation, an anti-poverty think-tank, said in May that Britain should slow the rate at which it increases its minimum wage to avoid the risk of low-paid workers being priced out of a job during the next recession.

New Year cheer for flower farmers

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"We really had an exceptionally good market -- we got profitable prices for our flowers," said Sajeda Begum after selling gerbera at 50 percent higher rates than the regular market price of Tk 6-7 each piece.

The mid-aged women boarded the ship for flower cultivation with many other farmers in their locality two decades back -- a decision that has served them well more often than not.

Her family began cultivating flowers on half an acre of land and soon expanded to more than one acre -- encouraged by increasing demand for flowers thanks to rising income and cultural sophistication.

"There was a time when we gave away flowers for lack of demand. Those days are long gone now," said Md Abdur Rahim, president of the Bangladesh Flower Society (BFS).

No occasion is complete without a flower in sight nowadays, he said, adding that the demand is growing at 10-12 percent annually.

Flower cultivation first began in Bangladesh in the 80s in Panisara. From there, it spilled over to other districts.

Today, flowers are grown on 2,200-2300 hectares in Bangladesh, according to the Department of Agricultural Extension (DAE).

Farmers mainly cultivate 9 types of flowers, including marigold, gladiolus, tuberose, rose, gerbera and

chrysanthemum, according to Rahim.

The actual data on market size is not available and guesstimates of stakeholders vary between Tk 200 crore and Tk 1,500 crore annually.

Occasions like the first day of both the English and Bangla calendar year, Valentine's Day and national days such as the International Mother Language Day on February 21 account for most of the yearly sales, Rahim added.

"Youths are the major drivers of the flower market," said Ashrafuzzaman Khan, owner of Flower Source BD, a flower shop in Dhanmondi, adding that the market has been growing since 2005. Flower Source BD's sales on New Year's Day go up to Tk 7-8 lakh, which is 17 times more than his daily sales on normal business days. The trade has also created thousands of jobs throughout the country, according to Khan. There will be more than 500 shops in Dhaka alone. "You will find flower stores even in upazila towns."

"The market prospect is huge and what is needed is large investment to produce flowers in greenhouse so that we can get quality flowers," said Khan, who sells imported flowers mainly from China. Only those varieties of flowers that are not grown here are imported, according to BFS President Rahim. Otherwise, locally-grown flowers meet most of the domestic requirement.

The locally-grown flowers though have not been able to make any

breakthrough in the global market.

In the absence of facilities for sorting, grading, cooling and cool chain transport, the quality of flower simply deteriorates, hampering the prospect for exports. "We will be unable to export unless we ensure the supply of quality flower in the domestic market," he said, adding that a flower processing centre is being established in Panisara to address the shortcomings.

In addition, the Department of Agricultural Marketing (DAM) is also taking on a Tk 50 crore-project to strengthen the marketing system of flowers. Under the project, which is being funded from the public exchequer, a wholesale market for flowers with facilities such as air conditioning, sorting, grading and bunching would be established at Gabtoli in Dhaka city, said Dewan Ashraf Hossain, the scheme's project director.

Besides, four assembling centres would be set up in four flower growing hubs under the project initially, he said. Despite the progress, the popularity of plastic flowers have become a source of concern for growers.

"Various event management firms are using plastic flowers for decoration. This is hurting us seriously," Rahim said.

DAM official Hossain echoed the same and said they will write to the higher ups urging them to use real flowers in government programmes instead of the plastic ones.



A general view of the factory floor at Camira Fabrics in Huddersfield, Britain.

REUTERS/FILE