TAMING CORONAVIRUS RAMPAGE

Logistics industry rattled

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The logistics and freight forwarding business in Bangladesh has been devastated by the global coronavirus pandemic, which has led to a nosedive in transportation of goods by land, air and sea.

Of the 3.5 lakh-odd trucks and covered vans engaged in the transportation of goods between Dhaka, its adjacent districts and Chittagong port, nearly 70 per cent carry textile and garment items, while the rest transport products for other sectors.

And since most of the garment factories are now closed, their business has hit rock-bottom, industry insiders said.

During the shutdown, transportation of other goods like vegetables and construction materials is very scarce, said Syed Md Bakhtiar, executive president of Bangladesh Truck and Covered Van Owners Association.

The average price of a truck or van is Tk 20 lakh and it fetches them Tk 2.5 lakh per month.

"Although we have no income now, we have to pay salaries of the drivers and other staff," he said, adding that they also have to pay bank loans as most of the vehicles were bought on credit.

The 30.5 lakh people directly and indirectly employed in the sector are sitting idle now, Bakhtiar added.

Freight forwarding business has also come to a halt due to the new situation, said Kabir Ahmed, president of the Bangladesh Freight Forwarders Association (BAFFA).

For instance, on a usual day, some 600 tonnes of cargoes are imported via Hazrat Shahjalal International Airport but the quantity has dropped to only 250 tonnes a day now.

About 800 tonnes of goods were exported through the airport on a normal day, but the volume has now fallen to 50 tonnes.
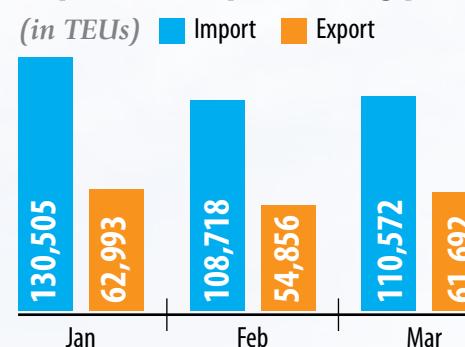
Of the export consignments sent through the airport, 70 per cent are textile and garment items.

The cargo village at the airport is also taking the strain due to slow delivery of goods amid the ongoing countrywide movement control order: though about 250 tonnes goods pile up in the cargo village every day, only 50 tonnes are delivered.

So far more than 2,000 tonnes of goods have been stockpiled in the cargo village that has a capacity of 800 tonnes.

Subsequently, valuable goods are left under the open sky and unattended, leading to deterioration in their quality, Ahmed said.

The BAFFA is planning to seek faster delivery of goods from the cargo village from the customs commissioner, he said, adding that they have informed the commerce ministry last week that the freight forwarders have incurred losses of Tk 1,500 crore over the last one and a half months.

Moazzem Hossain, commissioner of Dhaka customs house, said they are working seven days a week to deliver the imported goods from the cargo village at the airport.

Many importers are not taking delivery of their goods on time, which has led to congestion at the cargo village, he added.

M Mafidur Rahman, chairman of the Civil Aviation Authority of Bangladesh, also said they are providing round-the-clock services for faster delivery of the imported goods from the Dhaka airport.

But the backlog doesn't seem to be clearing up fast enough.

SHIPPING INDUSTRY IN A ROUGH PATCH

The container shipping industry that was first dealt a blow in January by an import crunch amid the coronavirus outbreak in China is facing new shocks now.

Though import volume slightly increased since February with Chinese factories gradually resuming production, the sector is bogged down by a dearth of export consignments and container congestion at Chattogram port.

Import of containerised cargo through the port fell 16.70 per cent to 108,718 TEUs (twenty feet equivalent units) in February from the previous month, according to data from shipping agents.

A total of 134 container vessels arrived at the port in February, against 154 in January.

Since most of the raw materials for the garment sector are brought from China, the supply was heavily disrupted in January and February when Chinese factories suspended production, said Shahed Sarwar, deputy managing director of Chowdhury Group, local agent of feeder operating firms Feedertech and Foremost Maritime.

Vessels hardly get 40 per cent of the expected import cargoes while some vessels had to remain idle.

"We had to drop one of the vessels from our fleet," he added.

Since the last week of March the volume of export consignments has been witnessing a drastic fall as most of the local garment factories remain closed, Sarwar said.

A vessel named Delaware Trader that left the port on April 4 got only 590 TEUs of export containers, while the vessel used to ship 2,200 TEUs to 2,300 TEUs on usual days.

Md Ajmir Hossain Chowdhury, assistant general manager of the ship's local agent Marco Shipping Company (BD), said feeder operators are counting huge losses for carrying such a poor number of export containers.

Slow delivery of imported goods from Chattogram port has created acute container congestion resulting in long queues of vessels. A total of 36 container vessels were waiting at the outer anchorage yesterday.

Vessels are now forced to wait for seven to eight days at the outer anchorage and thus the operators are counting a huge amount of losses since they have to bear an additional charge of $10,000 to $16,000 for each day of idle stay, said Ahsanul Hoque Chowdhury, chairman of Bangladesh Shipping Agents Association.

Import and export via Ctg port
(in TEUs)   ■ Import   ■ Export

	Import	Export
Jan	130,505	62,993
Feb	108,718	54,856
Mar	110,572	61,692

RAJIB RAIHAN

NBR steps in to decongest Ctg port

STAR BUSINESS REPORT

Six more types of imported goods can now be stored at private inland container depots before they are delivered to importers, said the National Board of Revenue yesterday as part of its efforts to resolve the acute container congestion at Chattogram port.

Seeds, fibres, pharmaceutical raw materials, yarn, tyre cord, insecticides, fungicide and herbicide can now be can be stored at the 19 ICDs until June 30.

The NBR also allowed the import containers bound for Kamalapur ICD from Chattogram port to be sent to the river terminal of Summit Alliance Port in Munshiganj until June 30.

The development comes after the Chattogram Port Authority proposed the moves on April 14 to shift about 20,000 twenty-foot equivalent units of import containers from the yards.

Government support is the crying need of the ICT sector now

RASHAD KABIR

This year started with quite disturbing news for the whole world.

The coronavirus pandemic that started from China did not remain confined to that country, but rapidly spread outside, starting from Europe and Iran and now to the US and Canada, which is one of the main target markets for the ICT companies of Bangladesh, especially the companies who are doing outsourcing.

At the time of writing, the total number of confirmed cases of COVID-19, spanning 210 countries and territories, stood at 2,249,717 and the fatalities 154,271.

Borders have been closed in most of the countries and those who have symptoms of COVID-19 have been asked to quarantine themselves.

But above all, the most adverse effect that is awaiting us in the coming days is the worldwide economic failure and people of the middle and lower-middle income countries like ours will be the ones who will suffer the most.

After the rebirth of the ICT industry of Bangladesh in 2009, the industry is now also passing the toughest time like the other sectors.

An industry where 95 per cent of the people are young and below the age of 35 is going to be hampered seriously due to current pandemic.

If we segment the work dimension of our ICT industry, we can find three sectors where our ICT companies are currently contributing.

Of the 800 active companies, 175 are now working in the international market, according to the Bangladesh Association of Software and Information Services (BASIS), meaning 24 per cent of the total industry is dependent upon the foreign market.

The other 600-plus companies are now working in the local market, catering to both the private and the public sector.

Among those who are working in the local market, 41.3 per cent companies are dependent purely on the private sector market, while 56.7 per cent are working in both the public and private sector market.

Recently, BASIS surveyed its members regarding the effect of coronavirus on their business and the result we have got is very much alarming.

It has been reported that most of the companies won't be able to run their operations for more than two or three months if the situation continues like this.

Another problem that the IT companies face more often is not getting proper loan support from banks. As the whole industry is doing intellectual work, the banks are yet to address this intellectual property as an asset.

As a result, the ICT companies are now facing a serious cash crisis as they are not getting loans like the garment and other industries.

In March alone, it has been reported that the companies who are working in the local market have lost 52 per cent of the work orders and those in the international market have lost 35 per cent.

In the last three months, already the companies have lost 74 per cent of their international buyers because most of the companies are working in the EU and the US, the two regions badly affected by coronavirus.

No doubt the situation will be much more adverse in the coming days.

In short, it can be said that the companies working in the international market won't have any work order for at least the next six months until the situation improves.

The scenario of the local private market is not comfortable either. Companies are predicting that the work orders will shrink by as much as 61 per cent in the next three to six months.

Some 69 per cent of the ICT companies surveyed said they can run for a maximum one to two months under this adverse condition, while 24 per cent said they can survive for a maximum of three to four months. Only 7 per cent companies can run for more than four months.

The clients are now cancelling their current work orders and there is no chance of acquisition of new clients now.

The companies are also afraid that they may not get the rest of the payment of the projects they have already invested in.

The operational costs like paying employee salaries, office rent, office expenses and other overhead costs will become a burden.

This will create a big challenge on employee retention and the sustainability of the ICT industry will be a challenge.

Besides working capital shortage, a serious dearth of cash flow, 30-50 per cent revenue loss, uncertainty in clients' bill payment, the additional cost of arrangement for a home office (house rent, internet and cost management) and so on will hamper financial sustainability, which may lead to bankruptcy for many companies.

Communication with the client is getting impossible for the companies who are working in the local market, as everything is shutting down or being locked down.

Under this adverse condition, the companies have no option other than to cut their overhead and operational cost.

It has been found out that companies are planning to cut down 51 per cent of their current resources on an average in the next three to six months.

It means that the country is going to see half of its highly talented and skilled resources getting unemployed, which will be a serious hit towards the implementation of Digital Bangladesh.

For the survival of the most promising industry of the country, which has a direct blessing from the Honourable Prime Minister, the government support is the crying need now.

BASIS, which is the apex trade body of all the ICT associations of Bangladesh, is now working hard to make the government understand the seriousness of the issue and the struggle under which the companies is going through.

It has already requested the government for financial support to pay the salary of the employees, a portion of the operational costs (house rent, electricity bill, office rent etc.) for at least six months, which will help survival amidst this situation.

Besides, it is high time that all foreign software is banned for at least three years, which will help the local companies to sustain and grow in this tough situation.

The value-added tax on the local software should also be exempted for at least up to 2024.

If they can't survive due to the storm of coronavirus, who will build Digital Bangladesh?

The government has also declared a loan facility for the export-oriented industries at 2 per cent interest. The companies will not get this loan directly; rather, it will go directly to the employees' bank accounts.

There is another loan facility for local companies at an interest rate of 4 per cent under the small- and medium-sized enterprise category.

Already some banks have assured BASIS that they will give loans to its members of up to Tk 1 crore without collateral.

This will be a short-time solution for many companies, but if the crisis continues for more than three months, then it will be not enough. The companies will need more support at that time to sustain.

Besides, the government has a plan to implement more than 2,600 e-Governance service in the next few years.

The procurement of these services should also be made faster.

Rather than giving one project to one company, joint venture companies should be given preferences so that many more companies can get work from the government, which will increase the capacity of many companies as well.

In a nutshell, it can be summarised that the main mandate of the present government by which they came into power back in 2008 is to digitalise Bangladesh by 2021 and a developed country by 2041.

It's the IT and IT-enabled service (ITES) companies that will be the main partner of the government in materialising the vision of Digital Bangladesh.

No doubt that all the sectors have been affected due to the storm of coronavirus and asking for support from the government.

But the government should give special emphasis on the IT and ITES companies. If they can't survive due to the storm of coronavirus, who will build Digital Bangladesh?

If the government can back up the software companies for the next six to 12 months, I can guarantee you they will give at least 10 times the return over the next decade.

The author is a director of BASIS and managing director of Dream71 Bangladesh, a software company