

Domestic demand insufficient to promote local car production

Experts say at PRI webinar

STAR BUSINESS REPORT

The automobile industry in Bangladesh is yet to reach the stage where producing cars locally could be considered a viable business due to the current market size, according to experts.

"Development of the domestic car industry requires a sizable domestic market, which is currently absent," said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

Mansur was speaking at a webinar styled "Car Market in Bangladesh: Challenges and Prospects" organised by the PRI yesterday.

The programme was moderated by Zahid Hussain, a former lead economist of the World Bank.

The extremely low number of people that own cars in the country is a reflection of the high tax rates imposed on motor vehicles, extreme road congestions and poor traffic management, Mansur said.

Besides, most people here generally fall in the low-income bracket while the absence of adequate public and private parking spaces, poor road quality and high vehicle maintenance costs discourage people from buying cars, he added.

Salman Fazlur Rahman, private industry and investment adviser to the prime minister, said if the duty structure was reduced, the number of registered vehicles would increase.

"In turn, the government's revenue will ultimately increase," Rahman said.

The National Board of Revenue (NBR) earns about Tk 5,000 from sedan imports and this value could double immediately if the taxes are relaxed.

"The upcoming automobile policy will be useless if road and traffic management is not

RECOMMENDATIONS

- » Healthy competition should prevail between locally made vehicles and imported ones
- » Import duty structure should be revised to expand the automobile market
- » Focus should be given on manufacturing electric vehicles locally
- » Import of reconditioned cars should not be banned
- » Automobile industry should be export-oriented
- » Policy support needed to expand domestic market

BY THE NUMBERS

- » Bangladesh had **3.6** lakh private cars in 2019 – up from **2.2** lakh in 2010
- » Import of passenger cars rose to **21,959** in 2017 from **9,224** in 2012
- » Growth rate **138pc** in 5 years
- » On average **50** new cars hit streets every day
- » Govt now earns Tk **5,000cr** revenue a year from passenger vehicles
- » Only **3** passenger cars per **1,000** people
- » Customs duty ranges from **150pc** to **800pc**

incorporated," he added.

According to the prime minister's adviser, massive road development projects are currently taking place across the country.

With regard to the upcoming policy, he said it must focus on micro-level benefits for the automobile sector while the user's issues should also be addressed.

He also expressed disappointment over how the proposed policy's overall concept prioritises macro-level benefits.

"We should learn from the failure of Malaysia and Pakistan's automobile industries and improve on their mistakes," Rahman said.

He also suggested that local producers focus on manufacturing electric vehicles (EVs) instead of their traditional counterparts as the use of fossil fuels was being slowly phased out across the world.

Rahman went on to give assurance that the government would provide policy support for investors from both home and abroad for investments in EV manufacturing.

Mansur echoed the sentiment. He said the local automobile industry was better off first reaching a level of substantial expertise since there was a possibility that all the investments would amount to nothing, just like it did in



SK ENAMUL HAQ

Malaysia and Pakistan.

The local market is still highly dependent on the imports of reconditioned cars from Japan, with 80 per cent of all imported vehicles being used.

However, many international car companies also have direct distribution networks with domestic dealers as new car sales have been on the rise.

Only one public sector company (Progoti) has been assembling a limited number of old or discontinued models since the 1960s with very little success, Mansur said.

Automobile manufacturing does not have

a bright future in Bangladesh considering the current situation, as only 3 out of every 1,000 people in the country use cars, which is lower than that in Myanmar and Thailand, according to the PRI executive.

"Unless we can increase the domestic demand, no major car company will be interested in opening a large manufacturing plant here," he said.

Besides, reconditioned Japanese cars are still quite popular in many developed or high-income countries like New Zealand, Chile, and the UAE, Mansur added.

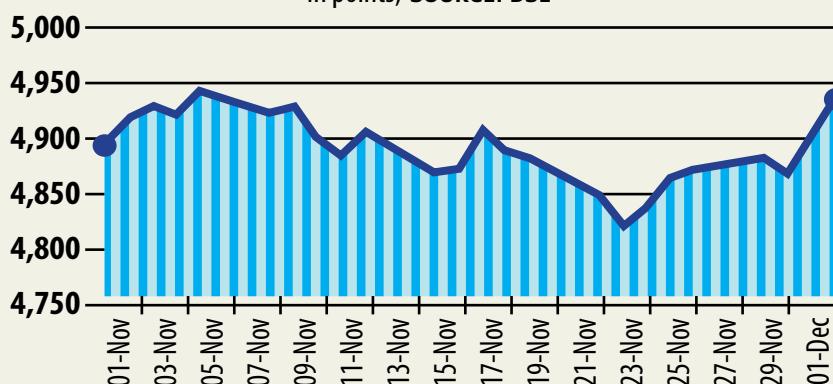
READ MORE ON B3

Submarine Cables' stock soars over plans on 3rd connection

DSE turnover goes up 26pc

MOVEMENT OF DSEX

In points; SOURCE: DSE



STAR BUSINESS REPORT

Stock prices of Bangladesh Submarine Cables swelled in the last two working days after news broke that Bangladesh was going to be connected with a third submarine communications cable.

The rise was 7.57 per cent, taking the price to Tk 141.50.

The submarine communications cable and its business are raising investors'

hopes on the state-run listed company and encouraged them to buy the stock, said stock investor Abul Hossain.

The company has been giving good dividends so the new submarine cable will add to its profits in the coming years.

The new connection will boost the company's revenue as the country is moving towards digitalisation, he added.

READ MORE ON B3

Govt to buy 50,000 tonnes of rice from Indian company

STAR BUSINESS REPORT

The government yesterday decided to buy 50,000 tonnes of parboiled rice from an Indian company at \$416 per tonne to replenish depleting public food stocks.

PK Agri Link Pvt will supply the grain from Birbhum, said Additional Secretary to the Cabinet Division Abu Saleh Mostafa Kamal after a meeting of the Cabinet Committee on Purchase.

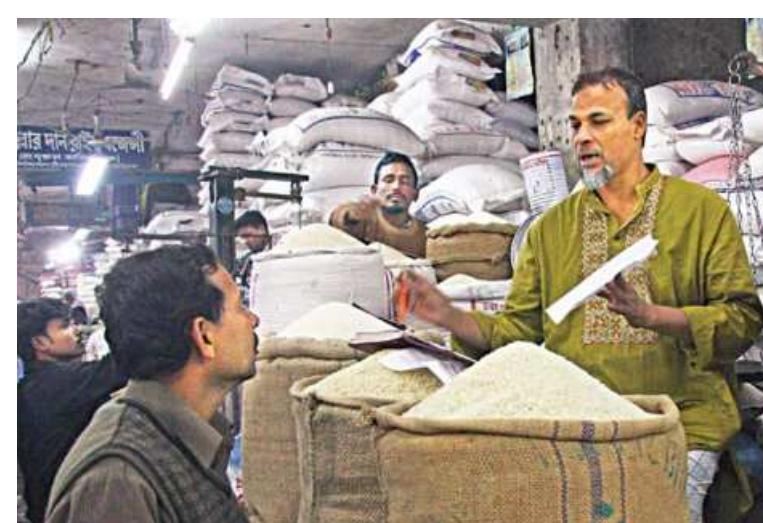
The West Bengal-based company was the lowest bidder and the purchase price per kilogramme stands at Tk 35.27.

The company needs to supply the rice within 40 days of awarding of the contract, said food ministry officials.

The highest bid was \$427.5 for each tonne.

The decision came two weeks after the Directorate of Food floated the tender in the international market on not being able to source expected amounts from domestic harvests this year for a lack of interest of farmers and millers.

Soaring prices resulting from the apprehension of reduced yields



The Directorate of Food has so far floated tenders to buy 100,000 tonnes of rice from abroad.

due to inclement weather, recurrent floods and pandemic-induced fears of food shortages were also blamed.

The Directorate of Food so far floated tenders to buy 100,000 tonnes of the staple from abroad.

It is likely to buy another 100,000 tonnes to increase stocks, said

Director General Sarwar Mahmud.

This is the first time in three years that the government turned to overseas markets to refill stocks and intervene in the market through various social safety net schemes to curb a spike in the prices of the staple food.

Foods stocks in public storages dipped 42 per cent year-on-year to 8 lakh tonnes as of November 30, according to the food ministry.

On the other hand, prices of rice soared.

Yesterday, traders sold coarse rice, consumed mainly by low-income people, in the range of Tk 41 to Tk 51 per kg in Dhaka, which was 26 per cent higher than its value on the same day a year ago, showed data from the Trading Corporation of Bangladesh.

Mahmud said it would decide on making purchases from international markets based on the situation of the local market.

"We are monitoring. We may not need to import if prices fall in the internal market," he said.

The food office decided to buy 200,000 tonnes of paddy from growers and 600,000 tonnes of rice from millers from the current season of Aman rice crop.

Since the beginning of procurement last month, the Directorate of Food could buy 90 tonnes of rice and 10 tonnes of paddy from the ongoing harvest of the second biggest crop.

State-owned mining company in Dinajpur coming back to life

Maddhapara Granite Mining Company now producing 5,000 tonnes of rock per day

KONGKON KARMAKER, Dinajpur

The state-owned rock producer Maddhapara Granite Mining Company (MGMCL) is slowly coming back to life as it now produces 5,000 tonnes of rock per day.

The mining company of Petrobangla located in Parbatipur of Dinajpur produced just 261 tonnes in the first 24 hours of August 13, the day it reopened following a 140-day hiatus due to the pandemic.

Germania Trest Consortium (GTC), the contracting company for production, maintenance and development at the mine, produced 3.5 lakh tonnes of hard rock as of Monday since August 13, said ABM Kamaruzzaman, managing director of MGMCL.

"However, the Covid-19 outbreak could not stop the sales of rock from the mine as the company sold around 9 lakh tonnes of rock worth Tk 225 crore since April."

"We were also able to hand over Tk 3 crore in tax to the national exchequer and all the credit goes to the officials and miners of GTC," he said.

Some mega projects in the country are using the rock produced by MGMCL, said Kamaruzzaman.

"The Rooppur Nuclear Power Plant,

Hazrat Shahjalal International Airport, Bangladesh Railway, Bangladesh Water Development Board and many private organisations use our rocks as building material," he added.

MGMCL also delivers stone for building the rail link on Padma bridge and Bangabandhu bridge and many state-run organisations also expressed their willingness to use MGMCL's rocks in their development projects, he said.

"The country needs around 70 lakh tonnes of rock annually and we have the capacity to supply over 10 lakh tonnes a year if production goes smoothly."

The 800 local and 70 Russian miners GTC handles remained unpaid from March 24 to August 12 this year as no rock was produced during that period. The jobless miners eventually started agitating at the mine gate.

Later, production resumed with all the miners except 20 who tested positive for Covid-19 when MGMCL and GTC jointly tested all officials, staffers and miners of both companies.

In 2019, the mine booked profits for the first time since the beginning of its official production in 2007 under the contract of Nammam, a North Korean company.

On February 20 in 2014, GTC



Maddhapara Granite Mining Company Ltd is seen at Parbatipur in Dinajpur. The state-owned rock producer sold around 9 lakh tonnes of rock worth Tk 225 crore since April this year.

started production at the mine after MGMCL signed a six-year contract with the company in 2013.

As per the contract, the company

had to produce 92,000 tonnes of rock in the next six years. However,

the company extracted only 37,000 tonnes, falling a long way behind the target.

which affected the production and sales from the mine.

The frequent change of managing directors was one of the major reasons for the falling business of the mine, according to a report of a seven-member committee that Petrobangla formed to find out the reasons behind the crisis.

Things started to improve in November last year when ABM Kamaruzzaman, a geologist and former general manager of Barapukuria Coal Mining Company in Parbatipur upazila, joined MGMCL as managing director.

Meanwhile, the six-year contract which ends on July 13 next year, the company is supposed to produce 11.10 lakh tonnes of hard rock and develop two stopes.

Jabed Siddiqui, general manager of GTC, said ensuring continued production amid the pandemic was the biggest challenge for them.

"Luckily, no miner got infected with Covid-19 since the resumption of work on August 13," he added.