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# Why is the public burdened with the costs of price hike?

*Fuel prices, bus fares should not have been raised during pandemic recovery*

THE hike in fuel prices, which led to a strike of public transport and goods-carrying vehicles since Friday morning, left the general public struggling to go about their daily lives and had a number of other knock-on effects. The resulting delays and disruptions in the supply chain caused the prices of certain daily essentials to soar, further adding to the public’s misery, and businesses were affected as well—according to a report in this daily, the resulting disruptions in the RMG supply chain could cost the country crucial export earnings.

The government’s sudden decision to hike fuel prices, without any prior consultation with or notice to the industries that would be most affected, was clearly a miscalculation. We find it difficult to comprehend this lack of foresight, coupled with the authorities’ lethargic reaction in dealing with the aftermath. Associations of goods-carrying vehicle owners, who have declared that they will continue the ongoing strike until the government goes back on its decision to raise fuel prices, said that the authorities did not bother to meet with them properly, and they did not attend yesterday’s meeting since it was solely on the topic of bus fares.

The result of yesterday’s meeting between the Bangladesh Road Transport Authority (BRTA) and transport leaders was as predicted—the government decided to raise bus fares, with intercity bus fare going up by 26.5 percent and inter-district bus fare by 27 percent. In response, the bus owners withdrew their strike. However, no one offered any explanations as to why the public are shouldering the costs of this ill-timed decision. At the time of writing this column, the meeting with launch owners was still in progress, but a certain amount of price hikes is expected for launch travel as well.

Now that we are right in the middle of pandemic recovery, why are industries being slapped with rising costs of fuel? At a time when the pandemic has pushed hundreds of thousands, if not millions, into poverty, why are ordinary citizens facing higher costs of transport? The authorities have referred to global price increases as an explanation. However, experts argue that the Bangladesh Petroleum Corporation (BPC) had previously earned profits when global prices fell and local prices stayed the same, and they can now use that to subsidise current prices. We urge the government to consider this alternative, and make a serious effort to not harm economic recovery and add to the public’s sufferings during this crucial period.

# Stop hiring contractors with shoddy work history

*Why did the authorities hire a firm with a questionable work record to build a road?*

WE are shocked at how, according to locals, a portion of the 384-metre roller-compacted concrete road in Kurgaon area of Ashulia in Savar developed cracks before the contractor could even finish the full project. As a result, they urged the authorities to shut it down, further alleging that the cracks had developed as the construction firm behind the project—ER Enterprise—used substandard materials to build the road.

The officials, however, permitted the construction firm to continue their work. According to a report by this daily on Sunday, the upazila nirbahari officer (UNO) of Savar said they had collected samples from the spot and sent them to the Bangladesh University of Engineering and Technology (Buet) for tests. If irregularities are found, actions will be taken against the construction firm, he said. An engineer from the Savar office of the Local Government Engineering Department (LGED) was quoted by this newspaper as saying that the construction firm did not ensure curing with jute and water within three to four hours after constructing the concrete road. That is what has led to the cracks.


Reportedly, the same construction firm previously constructed road slabs in the area that broke down in a similar fashion. This begs the question as to why the firm was given the contract to build the 384-metre road in Savar, despite their previous record of shoddy work. It is because of such poor-quality work that road conditions in Bangladesh are usually in such an awful state. According to a previous report published by this daily, a Roads and Highways Department survey discovered that over 3,000km of surveyed roads—16.26 percent—were in “poor, bad or very bad” condition. And around Tk 15,606.6 crore would be required to repair those in the current fiscal year.

At the end of the day, it is the taxpayers who have to bear the cost of rebuilding and repairing these poorly constructed roads. Meanwhile, the construction firms responsible for cutting corners and poorly building roads are almost never held to account—neither are the authorities that hire them. This needs to change urgently.

We call on the authorities to thoroughly investigate what went wrong in the construction project. If the contractor is in any way responsible for this mess, they must be held accountable and also blacklisted from any future government projects. Moreover, the authorities should investigate why the firm was hired in the first place, given their track record of poor construction work.

# The real victims of fuel price hikes are end consumers

MACRO MIRROR



FAHMIDA KHATUN

THE announcement of fuel price hike, made on November 3 by the Ministry of Power, Energy and Mineral Resources, could not have come at a worse time. Just when the economy is trying to gear back on track, and people have slowly begun to breathe some fresh air and return to their workplaces—desperately attempting to recover from the economic stress they have been facing because of Covid-19—they are now facing additional challenges. Worse, this is not a challenge from nature; it’s man-made. Already, non-food inflation has been rising for the last three months. Prices of essentials have also been on the rise recently. Raising diesel and kerosene prices by as much as 23 percent is now a double whammy on the helpless consumers, who are losers on all counts.

Whenever there is a price hike of petroleum products in the country, the government presents a number of reasons to the people. Those are all well-known reasons. The fact that higher prices would ultimately be passed on to consumers is also a widely practised technique. Then why are such measures taken by the policymakers? One can revisit their arguments to see where the real problem lies.

*Due to its poor governance, the fuel marketing companies get involved in corruption and consumers' interest takes a backseat.*

The international prices of fuel are seeing an upward pressure in view of the rapid recovery attempts by the global economies. As economic activities have increased and are moving ahead with higher consumer demand, there is a shortage of supplies in the market. Thus, higher demand, shortages in supply, and an increase of commodity prices have accelerated the inflation in several developed and developing economies. The International Monetary Fund (IMF), in its report titled “World Economic Outlook: Recovery During a Pandemic” in October 2021, predicted that this trend may

continue till the middle of 2022.

If this is the logic behind raising fuel prices in Bangladesh, then why don’t we see lower prices of petroleum products when they go down in the international market? Fuel prices were low for the last seven or eight years. Economies like Bangladesh, which depend on petroleum imports, have benefitted hugely during this period. The Bangladesh Petroleum Corporation (BPC), which runs mostly in



Fuel prices were high in Bangladesh even when the prices were low in the international market.

FILE PHOTO: REUTERS

loss, made profits after perennial losses. However, electricity prices increased many times during that period. During the pandemic, BPC profits increased by a higher amount as prices were low. According to the Bangladesh Economic Review 2021 by the Ministry of Finance, in the 2020-21 fiscal year, the BPC earned Tk 5,839.39 crore in profits, which was Tk 5,066.54 crore in FY 2019-20.

Consumers don’t benefit from such low fuel prices. Fuel prices in Bangladesh are not determined by the demand and supply in the market—the government fixes them. In that case, consumers also deserve the benefit of lower prices in the international market. After all, the losses that the BPC suffers are not due to the customers’ fault. It is because of the mismanagement, system loss and weak supply chain in the BPC. Due to its poor governance, the fuel marketing companies get involved in corruption and consumers’ interest takes a backseat. Thus, the BPC not only needs to work to improve the fuel pricing mechanism, but also to strengthen the supply chain and procurement mechanism. Nowadays, many countries take part in futures market for commodity trading, including that of


country like Bangladesh afford that? The answer is, if one takes part in the futures market, everyone has to follow the rules of the game and accept both positive and negative outcomes. Initially, the country can start with purchasing a part of the total requirement through the futures market. Of course, such measures require an outlook change on the BPC’s part.

The other common reason given by the policymakers for price readjustment is the lower prices in our neighbouring countries, particularly in India, which creates opportunities for smugglers to take petroleum products out of the country to the Indian border. But what amount of the total fuel reserve in the country is smuggled out? Besides, this is not the fault of innocent consumers. This is, again, a governance issue.

The increased price of diesel is going to affect many sectors of our economy. Diesel makes for 70 percent of the total fuel that is consumed in Bangladesh. Sectors such as road and water transports, power generation and agricultural production are dependent on diesel. It took no time for the transport sector leaders to demand an increase in bus and water transport fares in reaction to the government’s decision

# COP26 and its relevance to Bangladesh’s apparel industry

RMG NOTES



MOSTAFIZ UDDIN

THE 26th UN Climate Change Conference (COP26) started last week in Glasgow, Scotland. Bangladesh, appropriately, is being represented at the global climate event by a delegation from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), led by President Faruque Hassan. The goals of COP26 are, after all, pertinent where the global apparel industry and its supply chains are concerned.

So what is COP26 all about? What are its actual aims, and why are events in the UK this week relevant to Bangladesh’s apparel industry?

COP26 sets four overriding goals, which are pertinent to us as apparel makers. The goals are: a) To secure global net zero emissions by mid-century and keep the global temperature rise under 1.5 degrees Celsius, in line with the Paris Agreement; b) To adapt and protect communities and natural habitats; c) To mobilise finance; and d) To work together to deliver (partnerships).

The first goal is highly relevant to garment supply chains. Every major fashion brand has set targets around carbon emission reductions, and these are aligned with the targets set out in the Paris Agreement. It is to be noted that many of our customers are in Glasgow this week.

To achieve greenhouse gas (GHG) reduction goals, the fashion industry needs to work closely in collaboration with its suppliers. This includes supporting supply chains in the shift towards the use of renewable energy as well as better, more efficient technologies. It also entails, at a broader level, phasing out “dirty” energy from the industry, including coal (which, thankfully, the RMG sector in Bangladesh is not heavily dependent on compared to some of its competitors).

The net-zero goal is also relevant for our RMG sector. As the saying goes: “You can’t do business on a dead planet.” COP26 and its focus on the mitigation

of human-induced GHG emissions has major implications for climate vulnerable economies, such as Bangladesh. Our industry leaders have more reason than most to keep a close eye on the developments in Glasgow, and hope that the world leaders in attendance will deliver on their climate promises.

The second goal, which is to adapt and protect communities and natural habitats, includes protecting and restoring ecosystems, and building resilient infrastructure and agricultural systems to avoid the loss of homes, livelihoods, and even lives.

part by moving towards the use of best available technologies in areas such as wastewater treatment. This will enable us to limit the flow of potentially harmful chemicals into our rivers and waterways. We can also shift towards less wasteful production methods, which create excessive textile waste for the environment. Investment in new technologies and shifts towards recycling are the key moves here.

This brings us to the third COP26 goal, which is mobilising finance. To deliver on our first two goals, the leaders of COP26 have called on developed countries



The BGMEA delegation, with State Minister for Foreign Affairs Shahrir Alam, in the Bangladesh pavilion at COP26 in Glasgow, Scotland.

SOURCE: BGMEA

to mobilise at least USD 100 billion in climate finance per year. They also suggest that the international financial institutions play their part in helping to channel trillions of dollars in private and public sector finance required to secure global net zero emissions.

This is why it is so important that the key movers and shakers of Bangladesh’s economy are in Glasgow. They have to make the case for Bangladesh as a

to raise the diesel price. They said they wanted to make up for the increased fuel price, referring to the loss they incurred during the pandemic. But pandemic or no pandemic, passing the extra cost onto the passengers is an age-old tactic. The irrigation cost is expected to rise, also leading to higher prices of crops and produce, though the farmers may not necessarily be the beneficiaries of higher commodity prices. Consumers will also have to suffer due to the higher costs of goods transportation, since the prices of essentials are expected to rise. Though kerosene is used by a smaller number of people nowadays, the high price of kerosene will impact poor consumers as well.

This is a time when the government should provide some breathing space to the people of the country, instead of increasing prices, so that people can recover better. It could cut taxes on fuel prices for some time, so that the burden on people is lighter, and people could have some time to recover from the pandemic-induced stress. The burden of fuel price hikes will not only fall on general consumers, but also businesses, especially the small businesses who were hit the hardest during the pandemic.

The government collects various types of taxes, including value-added tax (VAT), duty, and trade tax, on fuel prices. Such taxes now account for about 30 percent of the fuel price. A part of this could be sacrificed during this difficult period. Such measures are not unheard of: India slashed taxes on petrol and diesel in an attempt to reduce their prices and give some respite to their people. In view of very high electricity and gas prices this year, 20 countries in the European Union took emergency measures that included cuts in energy tax or providing subsidies to poor households.

Transparent pricing mechanism is essential to address unpleasant situations created every time when upward price adjustments are made by the government. Instead of an arbitrary decision from the top, consultation with relevant stakeholders such as transport owners, representatives from the agriculture sector, small traders, and consumer rights associations can help avert the sufferings of the common people.

Unfortunately, whenever there is an announcement by the government on fuel price hike, the knock-on effect is felt much too early. It is even sooner than when the announced measure is implemented. This time is no exception. Prices of a host of goods and services are already seeing an upward trend. This could delay the economic recovery of the country.

Dr Fahmida Khatun is executive director at the Centre for Policy Dialogue (CPD).

*It has become apparent that the climate is already changing, and ecosystems are being disrupted to an alarming degree.*

green investment hub. Supply chains are critical where emissions are concerned, but suppliers do not have the finance to do this on their own. They need support from their buyers, governments and the global investment community to implement new technologies and different ways of working.

I would like to see COP26 as a catalyst for Bangladesh’s garment sector to further its cause as a worthy hub for grant and other funding from the likes of the World Bank, the International Finance Corporation (IFC) and other global financial institutions which, working in collaboration with multinational retailers, can help bring about genuine change in our industry.

The final goal is partnership. “Work together to deliver” is the message of COP26, the argument being that we can only rise to the challenges of the climate crisis by working collaboratively. But are we all ready to embrace this new, collaborative way of working in garment supply chains?

So far, I have seen some examples of this, but to be honest, the old adversarial approach to buyer-supplier relations is still evident across swathes of the industry. If we genuinely want COP26 to be the agent of change it surely needs to be, collaboration and partnership between apparel buyers and suppliers are a key to success. Only this can ensure a fashion industry we can all be proud of, and from which we can all continue to prosper.

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