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FOUNDER EDITOR: LATE S. M. ALI

Energy policy becoming increasingly illogical

Does the govt not understand the severity of raising fuel prices?

ORDINARY people, particularly those belonging to the middle- and lower-income groups, have been dealt another heavy blow as bus and launch fares were increased, albeit predictably, following Saturday's record fuel price hike. We had warned repeatedly that raising fuel prices by such high amounts will have many negative consequences on the public. And increased bus and launch fares are just the beginning.

A day after exorbitantly raising prices of diesel, kerosene, petrol and octane, the government hiked bus fares by up to 22 percent. Although the new fares were supposed to come into effect on Sunday, bus operators started charging them immediately after the announcement. Moreover, many vehicles were kept off the road on Saturday following the price hike decision. This meant that commuters had to suffer the entire day due to a shortage of transport, while also getting overcharged for using the few vehicles that were available. All of these were foreseeable from past experiences. Yet, the fact that the government had no preparation to address commuters' suffering speaks volumes about its approach to the whole issue.

But what is more worrying is that the government is apparently set to further increase water, electricity, and gas prices, despite the latter being raised by 22.8 percent recently. Industrialists and exporters have already warned that these massive price hikes, coming in quick succession, are going to hugely impact businesses and exports, which would further hamper the economy.

And here, again, we must return to the matter of the fuel price hike. When international prices were low, consumers did not receive any benefit in the form of lower prices, while different government organisations in the energy sector made huge profits by charging them a higher price. Instead of offsetting the price rise by using their profits, they decided to invest the extra profit to build pipelines, etc. But investing in such projects is the responsibility of other government wings. Why and on what basis did they take such actions then? And what do they have to show for their investments?

It is unacceptable for the government to push the cost of its corruption, mismanagement and bad policies onto the people. But that is exactly what's been happening in the energy sector for years. Given the inflationary pressure people are presently facing, it is difficult to see the recent fuel price hike, and its aftereffects, not breaking the camel's back. Therefore, the government should seriously reconsider its recent move or raising other utility prices. Instead, it should lower fuel prices, since international prices have started to decline. This practice of increasing domestic prices when international prices are high, but never lowering them when those are low, has to go.

When did human life become so cheap?

Road authorities must answer for shocking number of crash victims

IT was only the other day that we got an alarming review from a passenger welfare association saying it had recorded the highest number of Eid-time road accident deaths in its history during the fortnight around the Eid-ul-Azha holidays this year. Between July 3 and July 17, at least 398 people were killed and almost twice that number injured in the country. Now, thanks to another organisation, we have the full record of the month, and it turns out that the increase has been pretty steady all along. As many as 739 people, including 109 children, were killed and 2,042 others injured in July. This is, by any measure, a shocking number.

Bangladesh is clearly moving backwards in terms of road safety. Not a day goes by that we have news of some kind of tragedies – a deadly crash here, a treacherous level crossing there, someone being robbed, raped or drugged inside a bus. Road crash, which doesn't spare even pedestrians, certainly takes the cake. Of the 739 victims who died in July, over 250 died in motorbike accidents, which accounted for most of the fatalities. Among other vehicles involved in crashes were three-wheelers, trucks, buses, pick-ups, covered vans, etc. No vehicle was spared, just as no district was left unscathed.

The Road Safety Foundation, which compiled the July data, cited 10 major reasons for continued road accidents and also made 10 recommendations, none of which should sound unfamiliar given how frequently, and futilely, those were repeated. The total chaos in the transport sector – due in no small part to the impunity enjoyed by the owners/workers associations and the lack of action by concerned state agencies – means that Bangladesh had not only failed to reach its goal of reducing accidents by 50 percent by 2020, but is likely to miss its 2030 target as well.

The gulf between the goals that the government set for road safety and the reality couldn't be wider. The responsibility to turn this situation around falls squarely on the ministry of road transport and bridges, and agencies that it commands, who must answer for their failure. The authorities must urgently implement the road safety act, which has been stuck in limbo since 2018. As experts suggested, there should also be a Road Safety Fund to be spent on awareness, research, etc. Drivers need to be better trained and compensated. Rules related to fitness of vehicles, driving and traffic should also be strictly enforced. Without undertaking these measures, the pile of bodies on our roads will continue to mount.

UNPRECEDENTED FUEL PRICE HIKE

How will the common people survive?



MACRO MIRROR

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FAHMIDA KHATUN

WHEN fuel prices are on the decline in the global market, the Bangladesh government has increased fuel prices effective from August 6. The country's policymakers have increased the prices of various types of fuel by 42-52 percent. Diesel and kerosene prices have been raised by Tk 34 – from Tk 80 to Tk 114 per litre. The price of octane has been raised from Tk 89 to Tk 135 per litre, while petrol's price has increased from Tk 86 to Tk 130.

This is the second time that the government has increased fuel prices in just about nine months. On November 3, 2021, the government increased the prices of diesel and kerosene by 23 percent.

Common people forced to bear BPC's loss

Mismanagement, system loss and a weak supply chain of the Bangladesh Petroleum Corporation (BPC) have become a perennial problem. The government argued that the BPC lost Tk 8,014.54 crore during February-July 2022 due to high import prices, and that at this rate, the company would become penniless soon. They also argued that due to the lower prices in Bangladesh, fuel was being smuggled out to India, but now Bangladesh's fuel prices had been fixed at par with that in India, which would fix the problem. But these are not new issues. Both are primarily governance-related problems, for which the government is responsible. The common people should not be penalised for these by having to bear the burden of high fuel prices – especially during these difficult times.

Before and during the Covid pandemic, BPC's profits increased by a higher amount as global fuel prices were low for about eight years. According to the Economic Review 2022 of the finance ministry, the BPC earned a net profit of Tk 48,122 crore between FY2014-15 and FY2021-22 (up to May 23, 2022). Fuel prices are administered by the government and not determined by the demand and supply in the market. So, consumers in Bangladesh do not benefit from low fuel prices in the international market. Only once in 2016, fuel prices were reduced by the government by a small amount.

Moreover, as always, fuel prices have been set from the top without any consultation with stakeholders such as transport owners, representatives from the agriculture sector, industrial sector, small traders, experts, and consumer rights associations. Also, the Bangladesh Energy Regulatory Commission (BERC) seems to have no role in price determination.

Fuel price hike seems planned for IMF loan

In view of its falling foreign exchange reserves, Bangladesh is looking for funds to maintain its foreign exchange reserves and meet its import needs. The finance ministry has been planning to get a loan of USD 4.5 billion from the International Monetary Fund (IMF). But IMF loans do not come without strings. The IMF wants countries to withdraw price control, formulate budgets in line with the fiscal frameworks, increase tax-GDP ratio, spend more on social sectors, carry out structural reforms in the banking sector, improve the fiscal system,



ILLUSTRATION: BIPOLO CHAKROBORTY

develop social protection, etc. One of the objectives of these conditionalities is to make sure that the borrowing countries can repay their loans.

While these conditionalities are meant to be good for a country, everything may not work out in the same manner as countries are in different phases of development and have different priorities. But it all depends on how a country negotiates the conditionalities, and how efficiently a country uses the loans. Bangladesh should have the ability to negotiate with the IMF with solid arguments for the betterment of its people and economy.

Fuel subsidy is an economically inefficient measure

Subsidy is an inefficient means to help people and businesses in a country, which encourages misuse of resources. Fuel subsidy has become unsustainable in Bangladesh. The budget for FY2022-23 indicated that the share of subsidy was almost two percent of the GDP. A major part of this is for fuel, while the rest is for the agriculture sector.

Fuel prices should have been adjusted gradually

The people of the country are already struggling to make their ends meet due to ongoing inflationary pressure; by raising fuel prices by such a large margin, the government is pushing them into an even worse situation. They are now struggling to survive with reckless price hikes of all commodities – imported and locally produced. The soaring prices of daily essentials such as vegetables, rice, flour, and edible oil are unbearable for low and fixed-income households. Protein sources such as fish, chicken, beef and mutton are beyond their means. Officially, the inflation rate reached 7.56 percent in July 2022 in Bangladesh, which is the highest in the last nine years. But the prices of several essential items have increased by even 50 percent during the last one year, as per the price records of the Trading Corporation of Bangladesh (TCB).

Several people have been forced to use up their savings in the face of high prices. Ironically, they are losing out on their savings, too. The Bangladesh Bank has imposed a cap on lending and deposit rates at nine percent and six percent, respectively. So, savers are ultimately losing out, since the deposit rate is lower than the inflation rate. The increased fuel prices will not

One may recall that bus and launch fares were increased by about 27 percent and 35 percent, respectively, after the fuel price hike in November last year. This time is no different. Already, bus fares have increased across the country; others will follow suit. Besides, we also have to consider market manipulations, which are common in Bangladesh, as is creating

The increased fuel prices will not

only affect the low- and middle-income families, but will also affect many sectors of the economy, which will have multiplier effects. For example, high irrigation costs will eventually lead to higher prices of agricultural commodities. Many farmers may be discouraged to produce more, which is bound to increase reliance on food imports. Consumers will have to bear higher transportation costs of agricultural goods. The industrial

panic and artificial crisis by hoarding, which raises prices unreasonably.

Low, middle-income families need govt support

Ironically, the ultimate victim of any crisis are always the common people.

On an immediate basis, the government must provide support to poor and limited-income households across the country. The budget allocation for social safety net in FY2022-23 is even lower than the previous year. The allocation, which is already insufficient, also includes the pension of government employees. The government must create fiscal space by increasing domestic revenue generation and strictly following austerity measures. This is an opportune moment to stop wastage and curtail corruption. For better targeting of the population for support, institutional mechanisms should be strengthened. The number and quantity of items should be increased under the open market sales (OMS). Ration cards should be made available for a larger number of people. Small businesses should be provided stimulus to run their businesses.

In the medium term, the power and energy sector in Bangladesh should correct its policies and invest in primary fuel in the country. Experts have been recommending new gas exploration initiatives and efficient management of the sector to meet the demand and maintain a reasonable price. The authorities have opted for importing the expensive liquefied natural gas (LNG) from the international market, despite a better probability of success in gas exploration at home. Foreign investment in the sector has been largely resisted by interest groups. The capacity charge payments to quick rental power plants are causing huge financial losses for the government. Unless the government brings discipline through producing primary energy and bringing energy efficiency, the crisis in the sector will continue.

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sector will have to bear the rising cost of production and would become less competitive globally. This could impact export income, which in turn may impact the trade balance. Thus, sectors such as road and water transport, power generation, industry, agriculture, and businesses which are dependent on fuel will be affected. The impact of high fuel prices will be felt in many ways, including increased fares in all types of transport, house and office rents, and education and health expenses. In the end, it will affect the welfare of a large population with limited income.

And the rate of such increase is often higher than the fuel price hike.

LETTERS TO THE EDITOR

Send us your letters to letters@thedailystar.net

Does the govt care about ordinary people?

The government's decision to increase fuel prices is a slap in the faces of ordinary people. In the past few years, we witnessed pandemic-induced poverty and how Covid-19 created an entire population of new poor in Bangladesh. Families had to cut crucial household spending and use up savings to survive. Food, gas, electricity, rent, bus fare, schools, medicine – every single thing that is essential for us to live,

simply but with dignity, has gone up in price. Yet, instead of handling this crisis and trying to diffuse the pressure that is slowly choking us, the government has demonstrated its apathy for ordinary people and only made things worse. It's not enough to invest in so many projects if they are not going to try to make the people's lives better.

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