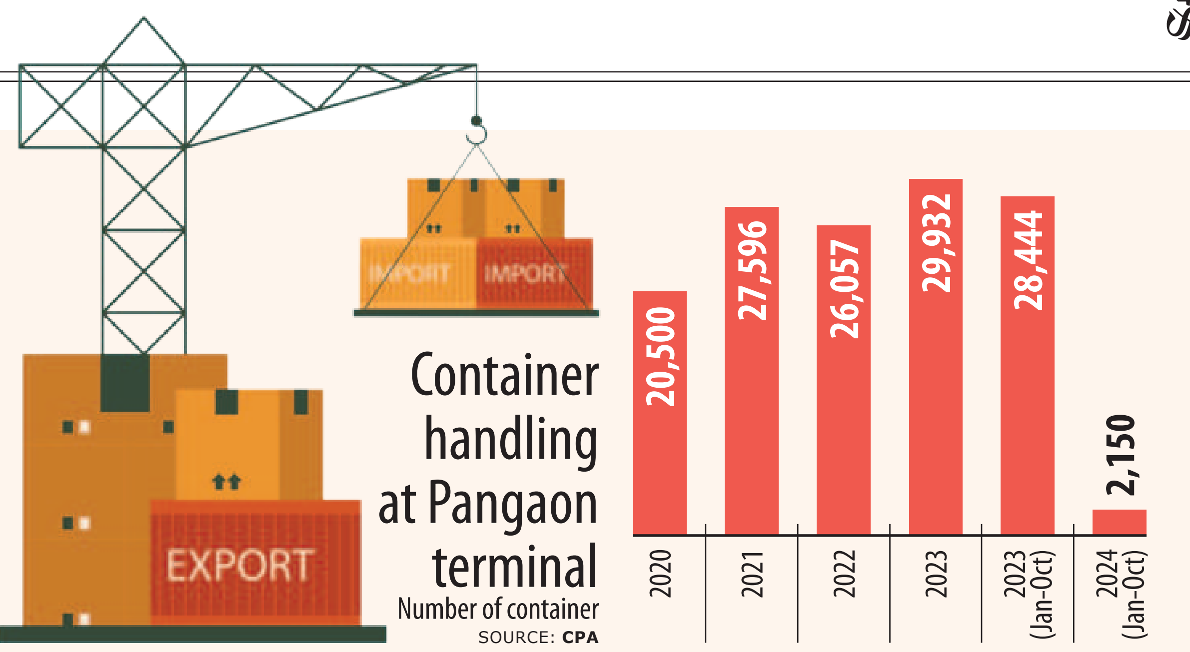
Businesses lose interest in Pangaon ICT for high costs



DWAIPAYAN BARUA, *Ctg*

Businesses are losing interest in transporting containerised cargo to and from Chattogram port via Pangaon Inland Container Terminal (ICT) on the Buriganga river in the capital's Keraniganj thanks to its high inland water transport costs, lengthy customs clearance and other obstacles.

The terminal was constructed in 2013 jointly by the Chittagong Port Authority (CPA) and the Bangladesh Inland Water Transport Authority to take some cargo movement pressures off the Dhaka-Chattogram highway and railroad corridors.

The Tk 154 crore terminal also promised swift transport of import and export boxes at low costs.

But, in reality, high freight rates and lengthy clearance times have left most of Pangaon's capacity unused over the past 11 years, according to official data.

During the January-October period of this year, container transport between Chattogram port and the terminal plunged by 92 percent to a mere 2,150 TEUs (twenty-foot equivalent units) from 28,444 TEUs during the same period last year, according to the Chittagong Port Authority (CPA).

Following the capsizing of a Pangaon-bound vessel en route from Chattogram port near Bhasan Char in July of last year, container transport on this river route dropped drastically.

Only 16 vessels plied the route in the January-October period, compared to 142 during the same period last year.

Md Omar Faruk, secretary of the CPA, said most shipping lines or main line operators (MLOs) do not include Pangaon as a destination for cargo delivery in their inland routing network.

A senior official at a foreign shipping line said the MLOs are less interested in using Pangaon as a destination due to higher vessel freight and other tariffs.

In October 2022, the shipping ministry set a fixed vessel freight chart for the route.

According to the chart, vessel freight costs $324 to transport a 20-foot equivalent unit of container in both directions between Chattogram port and Pangaon ICT.

The terminal was constructed in 2013 to take some cargo movement pressures off the Dhaka-Chattogram highway and railroad corridors

The MLO official said that when other charges and tariffs like loading charges, river dues, barge hooks, harbour crane charges and lift-on or lift-off charges at the port and ICT are included, the total transport cost for a 20-foot import container stands at $519.

For an export container, he said the cost is as high as $402.

According to the MLO official, transporting the same import container from Chittagong port to Kamalapur ICD in Dhaka by rail costs just $245, while it is $219 for an export container.

According to Clearing and Forwarding (C&F) agents, a prime mover charges up to Tk 35,000 (around $292) for carrying a 20-foot container on the Dhaka-Chattogram highway from the port to industrial units in Dhaka, Narayanganj, Gazipur and Ashulia.

CPA Secretary Md Omar Faruk said they recently sent a letter to the shipping secretary to withdraw the fixed vessel freight chart imposed in 2022.

Nasir Uddin Chowdhury, chairman of the standing committee on port and shipping of the Bangladesh Garment Manufacturers and Exporters Association, said apart from higher transport costs, vessels do not ply on this route regularly.

He stressed the need for a fixed schedule for vessels.

However, running vessels regularly requires enough cargo boxes onto the departing ship, according to vessel operators. They said they cannot operate vessels regularly on the route due to a shortage of enough containers.

Captain Shah Alam of Karim Shipping Lines, which operates two vessels on the route upon receiving adequate containers, said each of their vessels can carry 180 containers. But those carry way less than their capacity, causing each trip to incur a loss.

Wishing anonymity, a clearing and forwarding (C&F) agent of Pangaon alleged that there were plenty of instances that it took more than 50 days to release a container last year since customs officials randomly sent cargo samples for laboratory tests.

Admitting such delays in the past, Showkat Ali Saadi, customs commissioner of Pangaon ICT who joined recently, said they are addressing the issue as cargo samples are not being sent for random laboratory tests.

With some policy revisions, he assured businesses of an improved situation soon.

Decoding transfer pricing

MAMUN RASHID

When two related entities enter a cross-border transaction, the price at which they undertake the transaction is the "transfer price." Due to the special relationship between related entities, the transfer price may be different than the price that would have been agreed upon by unrelated parties. The price between unrelated parties in an uncontrolled condition is known as the "arm's length price" (ALP).

Globalisation and the rapid growth of international trade has made inter-company pricing an everyday necessity. However, the growth of national treasury deficits and frequent use of the phrase "transfer pricing" (TP) in the same sentence as "tax shelters" and "tax evasion" in newspapers around the world have left multinationals in lot of controversy.

Tax authorities have made the regulation and enforcement of the arm's length standard a top priority. A key incentive for challenging tax-payers on their transfer prices is that the authorities see TP as a soft target, with the potential to collect significant tax revenue.

Since there is no absolute rule of thumb for determining the ALP, there exists huge disagreement as to whether the correct amount of tax has been paid.

Most of the world's major nations have implemented transfer pricing regulation, and those who have not are contemplating to do so.

The dispute of TP has been so enormous that OECD, with the help of G20 countries, developed the principle of Base Erosion and Profit Shifting (BEPS) with specific action points on TP issues.

Bangladesh is also a part of the over 80 countries who have joined the BEPS framework and are committed to the implementation of the minimum standards of the BEPS package.

Bangladesh's TP regulations are relatively new, inserted in the Finance Act, 2012 with effect from July 1, 2014.

TP principles will have enormous significance for both inbound and outbound multinationals operating in Bangladesh.

Multinationals will now have to comply with TP provisions, formulate proper TP policies, and defend aggressive positions taken up by the country's tax authorities.

The TP guidelines provides that "the amount of any income, or expenditure, arising from an international transaction shall be determined having regard to the ALP."

Also, multinationals operating in Bangladesh are required to file a Statement of International Transactions when they enter cross-border international transactions.

Furthermore, if the transaction exceeds Tk 3 crore, they are required to file an accountant's report if asked by revenue authorities and also maintain and produce TP documentation.

TP regulations should be seen in the light that it has been brought for more transparency, accountability, and best practices.

The National Board of Revenue (NBR) is taking another look at the TP norms and has decided to be more functional in this front. This is a welcome move as it will send the correct signal to foreign investors.

Any arbitrary step with just the intent to collect additional revenue may tarnish Bangladesh's image as an attractive investment destination.

Given that TP is a new subject in the country, our tax department may consider investing time and energy in the skills development/competency building of its officers.

This will go a long way to ensure the readiness of tax officers to face complexities involved in transfer pricing audits, and ensuring a welcome environment for existing multinationals as well as new ones.

The writer is chairman of Financial Excellence Ltd

UK economy slows, hits govt's growth plans

AFP, *London*

Britain's economy grew less than expected in the third quarter, official data showed Friday, dealing a blow to the Labour government that has set its sights on growth expansion.

Gross domestic product (GDP) expanded 0.1 percent in the July-September period, a slowdown compared to 0.5 percent growth in the second quarter, the Office for National Statistics said.

The data covers the period of the Labour government's first few months in office and lead up to its highly-anticipated maiden budget at the end of October.

The latest GDP figure lagged behind economist forecasts of 0.2 percent growth, with analysts partly attributing the slowdown to uncertainty ahead of the budget that included business tax rises and plans for higher state borrowing.

"Improving economic growth is at the heart of everything I am seeking to achieve, which is why I am not satisfied with these numbers," finance minister Rachel Reeves said in reaction to Friday's data.

PHOTO: REUTERS/FILE

"At my budget, I took the difficult choices to fix the foundations and stabilise our public finances," she added.

Reeves spoke after addressing business leaders in a keynote speech late Thursday in which she outlined plans to drive forward Britain's economy by creating mega pension funds and cutting red tape that would enable greater risk-taking in the financial sector.

She claimed measures to tighten regulation following the 2008 global financial crisis had "gone too far".

Reeves also used her speech Thursday to stress the need for "free and open" trade with the United States under president-elect Donald Trump -- and with the European Union.

However, she insisted Britain would not reverse Brexit by re-entering the EU single market or customs union.

Speaking alongside Reeves, Bank of England governor Andrew Bailey said Britain should "welcome opportunities to rebuild (EU) relations while respecting the decision of the British people" to exit the bloc in a 2016 referendum.

Bailey echoed analysis elsewhere by stating Brexit had impacted Britain economically.

"The changing trading relationship with the EU has weighed on the level of potential supply," he said.

"The impact on trade seems to be more in goods than services."

The EU on Friday forecast that the eurozone economy is expected to grow 1.3 percent next year from 0.8 in 2024.

Friday's UK data also showed that the country's economy shrank slightly in September.

Analysts attributed part of the third-quarter slowdown to worries about the impacts of the budget.

Govt working to reopen shuttered sugar mills

Industries adviser says

OUR CORRESPONDENT, *Dinajpur*

The interim government is working to restart sugar production at six state-run mills that were shut down during the previous regime, according to Industries Adviser Adilur Rahman Khan.

He made these remarks yesterday while visiting the Setabganj Sugar Mill in Bochaganj upazila of Dinajpur, where he met with officials and workers of the mill alongside local sugarcane growers.

He assured them that steps were being taken to resume production at the mill as soon as possible, with the government already forming a committee to expedite the process.

Citing operational challenges, the Awami League government had shuttered the six mills in December 2020. Five of them -- Kushtia Sugar Mill, Syampur Sugar Mill in Rangpur, Setabganj Sugar Mill in Dinajpur, Panchagarh Sugar Mill and Rangpur Sugar Mill -- are located in northern regions.

Khan's visit marked the first time that a high-ranking government official has gone to Setabganj Sugar Mill since its closure.

The industries adviser expressed concerns over unchecked land grabbing at the mill's premises and directed its Managing Director Md Abul Basar to reclaim the space that had been illegally occupied.

The adviser said steps were being taken to resume production at Setabganj Sugar Mill in Dinajpur as soon as possible

"Influential locals have grabbed significant portions of the land. So, immediate recovery action is necessary," he said.

Highlighting the government's efforts to provide financial assistance to sugarcane farmers, he said Tk 100 crore has been disbursed among all mills so far so they can clear any arrears owed to sugarcane suppliers.

"Another Tk 120 crore will be paid shortly," he added.

Officials, workers and sugarcane suppliers of Setabganj Sugar Mill voiced grievances stemming from the closure, urging Khan to take immediate steps to reopen it.

The adviser's visit included a meeting attended by Dipika Bhadra, chairman of the Bangladesh Sugar and Food Corporation, Zakia Sultana, senior secretary of the industries ministry, Md Rafiqul Islam, deputy commissioner of Dinajpur, and representatives of political and social organisations.

Earlier on Friday, Khan visited the North Bengal Sugar Mill in Natore and inaugurated the sugarcane crushing season for fiscal 2024-25 as chief guest.

His tour underscores the government's commitment to revitalising the sugar industry, which has been struggling due to financial and operational inefficiencies for a long time.

EU sees eurozone growth ticking up in 2025 but risks loom

AFP, *Brussels*

The European Commission on Friday predicted economic growth to pick up slightly and inflation to keep falling in the eurozone next year, while warning of growing risks linked to geopolitical tensions.

Forecasts by the commission showed eurozone growth accelerating slightly to 1.3 percent in 2025, up from 0.8 percent this year, while inflation in the 20-country single currency area was seen easing to 2.1 percent, down from 2.4 percent.

"With the EU economy steadily recovering, growth should pick up more speed next year," commission vice-president Valdis Dombrovskis said.

"Still, given today's high geopolitical uncertainty and many risks, we cannot afford to be complacent. We need to deal with longstanding structural challenges".

The growth figure was virtually unchanged from the last forecast the EU executive body published in June, when it envisaged economic activity would increase by 1.4 percent in 2025.

On Friday, it said domestic demand was projected to drive future growth, expected to reach 1.6 percent in the eurozone in 2026. "As the purchasing power of wages gradually recovers and interest rates decline, consumption is set to expand further," it said.

"Investment is expected to rebound on the back of strong corporate balance sheets, recovering profits, and improving credit conditions."

Inflation has dropped significantly over the past two years after reaching 8.4 percent in 2022, following Russia's invasion of Ukraine, and 5.4 percent in 2023.

The expected further slowdown would bring it very close to the European Central Bank's (ECB) two-percent target in 2025.

Eurozone unemployment was projected to stand at 6.5 percent in 2024, then edge further down to 6.3 percent in 2025 and 2026, the commission said.

But it also warned its outlook was subjected to growing "uncertainty and downside risks" linked to an ever-tenser geopolitical context, with Russia's war in Ukraine and conflicts in the Middle East continuing to imperil stability and energy security.

While not cited directly, Donald Trump's imminent return to the White House following his US presidential election victory this month also loomed large on the EU's economic prospects.

"A further increase in protectionist measures by trading partners could upend global trade, weighing on the EU's highly open economy," the commission said.

Trump repeatedly professed his love for tariffs on the campaign trail, threatening to target the European Union in particular. That could trigger a damaging trade war between the United States and Europe, with economists warning that even 10-percent tariffs could hit European economic output.

"The commission will engage with the new administration with a great spirit of cooperation, but also with the idea that we have to defend our strength as an economy which is open to trade," said Paolo Gentiloni, the EU's commissioner for economy.

PHOTO: AFP/FILE

Department store "Les Galeries Lafayettes" is seen in Berlin. Eurozone inflation has dropped significantly over the past two years after reaching 8.4 percent in 2022.