Star Business

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LEGAL TANGLES

Private land phones in Dhaka kept in wait

MONJUR MAHMUD

Legal tangles arising out of 'controversial conditions' in tender invitation by Bangladesh Telecommunication Regulatory Commission (BTRC) will deprive Dhaka residents of availing private fixed phones for an indefinite period.

The telecoms watchdog yesterday put off the bidding process of awarding four licenses to private companies for fixed-phone operation in the central (Dhaka) zone after the High Court (HC) on Sunday stayed the process for two months.

Telecoms experts and lawyers alleged the bid was designed to favour some specific companies, diminishing competition for the bid.

"BTRC's tender invitation was designed to favour some private companies that are operating in four other zones. It was discriminatory and a violation of telecoms act 2001," Barrister Shafiq Ahmed, one of the lawyers who represented the petitioner, told The Daily Star yesterday.

Khandakar Md Sabbir, an advocate, filed a writ petition challenging the criteria pertaining to the bidding.

According to sources, a total of 13 land-phone companies purchased bidding documents to get land-phone licenses for the central zone -- Dhaka Multi Exchange Area -- consisting of Dhaka city, Zinzira, Savar, Narayanganj, Gazipur and Tongi.

Yesterday was the last date for submission of the bidding. The telecom regulator was scheduled to open the tenders same day at 12.30pm. Some of representatives of these companies went to the BTRC office yesterday morning to drop their offers but found that the bidding process was deferred.

"The bidding process for fixed phone in the central zone is stayed until further notice due to some court proceedings," said a top BTRC official.

Police was deployed in front of the BTRC office in Gulshan to avoid any untoward incident. However, representatives of some telecoms operators left the BTRC premises following altercation with the security people.

The regulator invited offers on March 23. Out of 100, it allocated 16 marks for having fixed-phone licenses and 6 marks for commencement of operation in four zones, 24 marks for number of subscriber connections given, 3 marks for microwave backbone network and 4 marks each for base tower station and local exchanges and these number allocations favour some specific operators.

The telecom regulator has so far allocated 35 licenses to 19 private PSTN (public switched telephone network) operators in four zones -- northeast, southeast, northwest and southwest -- but could not grant licenses for Dhaka zone due to legal battle with WorldTel.

WorldTel, which obtained license in July 2001 to provide 3,00,000 land phones in Dhaka at an investment of about $300 million on a build-operate-own basis with four years of exclusive right, went to court after the telecom regulator cancelled its exclusive right terming it anti-competitive and a violation of the Bangladesh Telecommunications Act 2001.

The Appellate Division of the Supreme Court on August 23 last year dismissed WorldTel's petition for retaining its four-year co-exclusive right with BTTB to provide landlines in Dhaka, paving the way for private land-phone companies to operate.

At least two million fixed telephone lines were expected to be introduced by private sector in the next three to four years, according to an estimate of state-run research body Infrastructure Investment Facilitation Center (IIFC).

Currently, only 5.33 percent of the Dhaka population, estimated at 15 million, has a fixed phone and the pending demand with the state-run Bangladesh Telegraph and Telephone Board (BTTB) is estimated at several millions.

Singer declares 30pc dividend

Singer Bangladesh Ltd has approved a 10 percent final dividend in addition to payment of 20 percent interim dividend, making a total dividend payment of 30 percent for the year 2005.

The dividend was okayed at the 26th annual general meeting (AGM) of the company held yesterday in Dhaka, says a press release.

Mahbub Jamil, chairman and managing director of the company, presided over the AGM, which was attended, among others, by AM Hamim Rahmatullah, director and chief operating officer, Mosharraf Hossain, manufacturing director, Akhtar Imam, and CK Hyder, directors, Itrat Husain, controller and finance director, and Sajidur Rahman Khan, marketing director.

Emirates extends 2006 FIFA World Cup packages to May 21

Emirates, one of the world's fastest growing airlines and an official partner of 2006 FIFA World Cup, has extended the sale of its FIFA World Cup packages to May 21.

Passengers buying these packages to any of the airline's European destinations will receive complimentary match tickets to the game of their choice including the final -- subject to availability, says a press release.

These packages are available from Emirates Bangladesh office for US$ 2,198 for Economy class travel, US$ 5,051 for Business class travel and US$ 6,718 for First class travel.

The packages also include return air tickets to any of the airline's European destinations, airport and airline taxes and surcharges, two nights' hotel accommodation from a choice of one of the 12 cities where FIFA World Cup matches will be held, taxes and service fees and a complimentary match ticket to any of the games-- subject to availability.

POWER CRISIS

Manufacturers see bleak future

STAR BUSINESS REPORT

As industrial production is facing a major blow due to power crisis, manufacturers see a bleak future.

Rising fuel cost has pushed freight charge significantly up. Cost of production is going up and all these are hitting the consumers hard at the end of the day.

"Production has dropped by 50 percent of our capacity," said Sheikh Masudul Alam Masud, general secretary of Bangladesh Steel Mills Owners Association.

He said, "We usually pay electricity bills of Tk 2,500 to produce one ton of steel products. But production cost is going up to Tk 6,000-Tk 7,000 a ton due to disruption in the power supply."

Presently, there are more than 100 steel mills in the country but only three mills have high capacity generators, mentioned Masud, who is also general secretary of Bangladesh Re-rolling Steel Mills Owners Association.

Generators normally used to run steel mills are very expensive, which are priced at around Tk 10 crore an unit, he said noting it is not possible to make the industry viable taking loans from banks at 15 percent interest to buy generators at such high prices.

Electricity crisis is badly affecting small and medium enterprises (SMEs), as most of them have no alternative captive power. The SMEs generate 80 percent of the country's total industrial employment.

Cement producers said cement price has gone gradually up over the last few months and it is now selling at Tk 310 to Tk 320 a bag, which was Tk 250 just three months ago.

Freight charge has also gone up in the face of rising fuel cost and recent devaluation of taka against US dollar has pushed the import cost of raw materials substantially up.

Cement production has gone down substantially due to power disruption. Around 40 to 50 per cent of the total working hours cannot be used because of electricity failure, said Zahir Hossain, managing director of Mir Cement Limited.

On the other hand, real estate developers said prices of all construction materials have gone substantially up.

"We used to get rod within a day after making necessary payments. But the manufacturers are taking even 15 to 20 days to deliver the materials due to power outage," said Mahmudul Hassan, immediate past general secretary of Real Estate and Housing Association of Bangladesh (Rehab).

Rod price has risen by Tk 5,000 a ton just within a month. Rod price ranged between Tk 37,000 and Tk 38,000 and it is selling at Tk 42,000 to Tk 44,000 a ton now, he said.

Prices of aluminium rose between 20 and 30 percent within a short span of time and sanitary fittings prices have surged heavily between 70 to 80 percent, he mentioned.

Commenting on the overall situation, Mir Nasir Hossain, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said it has become very common that factories lose five to six hours everyday on an average.

Stressing the need for taking short, mid and long-term measures to overcome the present electricity crisis, he cautioned, "Industrial production might face a colossal setback if the present situation continues."

The loss of industrial production will be roughly 25 to 30 percent though there is no authentic estimate at the moment, Mir Nasir said.

UAE, India may sign MoU on labour issues

PTI, *Dubai*

Days after some foreign labourers including Indians went on the rampage at their workplace over poor conditions and unpaid wages, UAE Saturday assured India that it would ensure companies here honour all obligations under the employment contracts.

During a meeting in Abu Dhabi, UAE Labour Minister Ali Bin Abdullah al-Kaabi and visiting Minister for Overseas Indian Affairs Vayalar Ravi also agreed in principle that the two countries would sign an MoU on labour issues, details of which would be dealt with later.

PHOTO: GRAMEENPHONE

Jon Fredrik Baksaas, GrameenPhone's 62 percent Norwegian owner Telenor's president and CEO, inaugurates 'Djuice LifeStyle Fair' in Chittagong yesterday. Erik Aas, CEO of GrameenPhone Ltd, and other senior officials were also present.

Banks to remain closed on May 11

BSS, *Dhaka*

Bangladesh Bank (BB) and other scheduled banks will remain closed on May 11 on the occasion of Buddha Purnima, a BB press release said yesterday.

Economic slowdown, high inflation may affect Thai tax revenue

ANN/ THE NATION

Slowdown, inflation could hit tax revenue and delay budget disbursement; govt 'should prioritise plans'.

Economists have advised the government to exercise caution when spending because the economic slowdown and high inflation may affect tax revenue and delay budget disbursement in the next fiscal year.

The government should therefore focus on efficient spending to ensure that the money is utilised wisely, said Somchai Jitsuchon, research director of the Thailand Development Research Institute, an independent think-thank.

Some analysts speculate that the government will not be able to balance the 2007 budget with corporate earnings likely to decline.

The government plans to spend Bt1.476 trillion (US$3907 million) in the next fiscal year from October, up from Bt1.36 trillion (US$ 3600 million) the current fiscal year, a rise of 8.53 per cent.

However, caretaker finance minister Thanong Bidaya earlier admitted that the government was not in a position to disburse the budget for the next fiscal year on time because the House had yet to be convened to approve it.

Somchai said he thought the budget for the next fiscal year would be a balanced one because a number of very expensive public-works projects had been delayed.

He predicted that if economic growth was 4-5 per cent in 2007 and inflation 5-6 per cent, the government should have no problem.

He said the negative factor affecting the economy was the crude-oil price and if this rose to US$80 a barrel in Dubai the impact would be severe and economic growth less than 4 per cent. However, Somchai added that there was little chance that growth would be below 4 per cent as exports were still expanding and he did not think crude oil would hit $80.

Oil is fluctuating around $70 because of speculation and investor panic rather than actual supply and demand in international markets, he said, and this psychological factor would not sustain the surge.

He suggested the government use the market price to bring about energy saving with high electricity charges during peak hours.

Teerana Bhongmakapat, economics lecturer at Chulalong-korn University, took a more negative view, predicting that economic growth might well drop below 4 per cent next year, down from 4-4.5 per cent this year, which would have a severe impact on the private sector, thus making a dent in tax revenue and threatening a budget deficit.

In defence of foreign investment

MAMUN RASHID

In recent times, we have been reading a lot about foreign investments in Bangladesh. Few economists, who possibly command better influence on the media and known to a section of the society for their `populist' approach, have expressed their mixed feeling about the foreign investments and its so called ' ill effects'. While it is perfectly healthy to have a debate about any key economic policies and very much in line with the democratic values upheld by our constitution, a narrow view ignoring the wider horizon can be misleading as well as harmful to our greater national cause. As foreign investment is of vital importance to our economy, I somehow feel compelled to express my views to place the bigger picture in perspective.

Let us start with the very basic question, why do we need foreign investment? Any body with some common sense would reply in affirmative. We need foreign investment, because we do not have adequate domestic savings for investments, which will create incremental economic activities, bolster the growth rate of the economy and will provide structural support to our balance of payment. While this is the fundamental rationale for welcoming foreign investment, the actual implication of foreign investment goes far beyond that. Foreign investments not only transfer capital, but also more importantly can transfer technology, capacity, entrepreneurship and good governance. In Bangladesh, local private sector is relatively new and do not have adequate management capacity to compete globally. Foreign investments bring in management capacity in the form organizational structure and culture, which helps in developing our human resources. This enables the over all market along with the local entrepreneurs to get exposed to superior management practices. With the introduction of superior management expertise, local entrepreneurs get compelled to upgrade themselves to compete globally. They get themselves exposed to modern technology, which changes the way they do business to meet the competition. Not only the private sector, also our regulators and policy makers benefit by the transfer of technology and management expertise. Foreign investors bring in globally accepted practices to adhere to well constructed law. Regulators and policy makers can learn about international policy and practices and implement them in the local market to bring in increased efficiency and transparency. Foreign investments would also bring in better governance in the form of proper financial statement disclosures and tax payment. The superior governance practices of the foreign investors would persuade the local entrepreneurs to upgrade their practices and prepare themselves to compete globally. One of the arguments often voiced is that local industries and entrepreneurs require protection at least for some initial period to compete with global companies. While we should be eager to help local industries and entrepreneurs and extend policy support for their development, we must remain shy of offering anything that encourages `protection of the inefficient'. All policy level drive should be aimed at pushing everyone to become efficient at any cost. Bringing in foreign investments can be a key instrument in that initiative. A great example of that can be our neighbor, India who since its liberation pursued closed economic policies, which made most of its industries incompetent and inefficient. Since early 1990's, they have started to liberalize the economy and made its private sector exposed to global competition. Most of the companies who were reigning in the closed economic period collapsed or squeezed as a result of increased competition. Only those companies who have been able to become nimbler and efficient could survive this changed environment. One and half decade later, we observe a completely changed Indian private sector who themselves are becoming truly global companies. With huge foreign investments- both direct and portfolio, India now boasts of its ever-increasing fx reserve of USD 150 billion.

One of the arguments that have been raised against foreign investment is that, foreign companies take away large dividend in foreign currencies, which reduces our foreign exchange reserve. The accusation is mainly against those companies who do not earn foreign exchange, like the mobile phone operators. First of all, the statement that these foreign companies are taking away huge foreign exchange is quite exaggerated. Nothing as yet has been reported that they have repatriated any foreign currency illegally. Secondly, when anybody invests in any project, it is only natural that the investor would want some dividend. If we cannot accept this basic idea, we should be moving away from market based economic philosophy. If we are really committed to market based economy, we should be focusing more on how much incremental economic activity the investment is bringing in, how many employments are being generated, whether the company is adequately complying all the laws of the land. In our experience, we have seen most foreign companies pay their taxes and adhere various govt's regulations to the letter and spirit. However, the same possibly cannot be told about many local companies. Now, if we try to penalize those investors who are efficient and honest corporate citizens and protect those who are not, we shall be sending a very wrong message across the market, which will have long-term detrimental effect. Even, if the existing laws are limiting to make them operate desirably, laws may be appropriately changed and that responsibility lies with the policy planners or regulators, not with the foreign investors. We have Board of Investment (BOI) under nobody less than prime ministers' office to co-ordinate FDI in Bangladesh and to the best of our knowledge, none of the foreign investors' seat in that board. Each one of our prime ministers as well as important ministers have been marketing FDI from other markets for last fifteen/twenty years, if not more.

Another accusation that has been raised against the foreign investor is that most foreign companies' apparent unwillingness to get listed in stock exchanges of Bangladesh. This is an important issue and we all agree that to vitalize our capital market we must ensure maximum participation of foreign investors in our bourses. However, we must not resolve the issue with arbitrary imposition, but try to understand that whether the companies actually can gain economic benefit by joining the capital market. A lot of profitable companies- both local and foreign finds capital market not very attractive despite some tax advantages. In the stock market, general expectation from a good company is 25% dividend, whereas the same good company can borrow from the banks at much below 15% to finance its operation. This apparent disincentive works as a strong barrier for companies-both local and foreign to become enthusiastic about capital market. We have seen many local companies with annual turnover of more than USD 50 million and who enjoy long tax benefits not opting for capital market. To bring the foreign companies in the capital market, we must reexamine the overall situation and formulate policies with adequate economic rationale.

In order to protect greater national economic interest, it is always important to have a continuous dialogue on various key policies. We should definitely discuss at length about various aspects of foreign investments and how can we use it more effectively in our economic development. But we should never lose focus on the bigger importance of foreign investments in our economy and why we need them. Other wise, we shall only safe guard the inefficient, corrupt and narrow interest in the name of protecting greater national cause. This will not only destroy the creativity and honesty of our entrepreneurs, but will undermine our stature in front of international financial community as a nation fighting for better identity and future.

The writer is a banker. However, the views expressed in this article not necessarily represent his organisational position.

China plans major port project

AP, *Shanghai*

China plans a major new port project on its southeastern coast near Taiwan, a step toward what it hopes will be "free trade" with the self-ruled island Beijing claims as its own, state media reported Monday.

The port complex near the city of Xiamen will be one of two new ocean shipping centers, with another planned for the southern coast of Guangdong province, west of Hong Kong, the state-run newspaper China Daily reported, citing the Ministry of Communications.

The plan to build up ports in and near Xiamen is part of a "Western Shore Economic Zone" planned for the Taiwan Strait, the report said.

China needs to upgrade its transport networks to match its economic growth, it cited Communications Minister Li Shenglin as saying.

Li said the Xiamen port was in preparation for "mainland-Taiwan free trade relations," the newspaper reported.

Mainland China and Taiwan have been governed separately since the two sides split amid civil war in 1949, but China still claims the democratic island as part of its territory, and has threatened to invade if Taiwan makes its de facto independence permanent.

Beijing has offered new trade concessions, hoping to shift Taiwan sentiment in favor of uniting with the communist mainland. But Taiwan's leaders have balked at such overtures and continue to enforce restrictions on direct shipping and travel between the island and the Chinese mainland.

Zhangzhou, a city near Xiamen, will be a major center for imports of crude oil and natural gas, the report said. The nearby cities of Fuzhou, Quanzhou and Putian would also be included, it said.

China's three biggest ports, near Shanghai, Tianjin and Shenzhen, have become among the world's largest as trade has soared while the economy expands at an annual rate of about 10 percent.

The other new port project would link the cities of Zhanjiang and Fangcheng in Guangdong with Haikou, on Hainan island.

PHOTO: SINGER

Mahbub Jamil, chairman and managing director of Singer Bangladesh Ltd, presides over the 26th annual general meeting (AGM) of the company held yesterday in Dhaka. Other senior officials were also present at the AGM.

Pakistan may achieve 7pc growth this fiscal year

AFP, *Islamabad*

With the economic activities gaining momentum, the country is poised to achieve close to 7 per cent economic growth rate, enhancing pace of development and creating a positive impact in the lifestyle of the people.

The pace of development work on mega projects is advancing satisfactorily and these are likely to be completed within the stipulated period, stepping up the pace of progress in the country.

According to official sources, the development work on infrastructure projects including provision of clean water, construction of roads, ports and airports is also on track which would bring about a significant change in the lives of people.

Raising of Mangla dam, one of the mega projects costing Rs 62 billion will be completed by September 2007. An amount of Rs 17 billion has already been spent on the project envisaging a raise of 30 feet in the level of the dam.

While Karachi Water Supply project costing Rs 6.8 billion will become operational in May 2006.

According to the sources, work on construction of 85,000 water courses is also progressing satisfactorily. This project has been designed to avoid wastage of water and instead enhancing its availability for irrigation of crops for development of agriculture sector. The project will cost Rs 66 billion.

Another mega project of road construction linking Gwadar port with major roads of the country is also much on the track, with Rs 18 billion out of total allocation of Rs 24 billion have so far been consumed on the project.

The project also envisages construction of infrastructure including airport, railway station for uplift of the area.