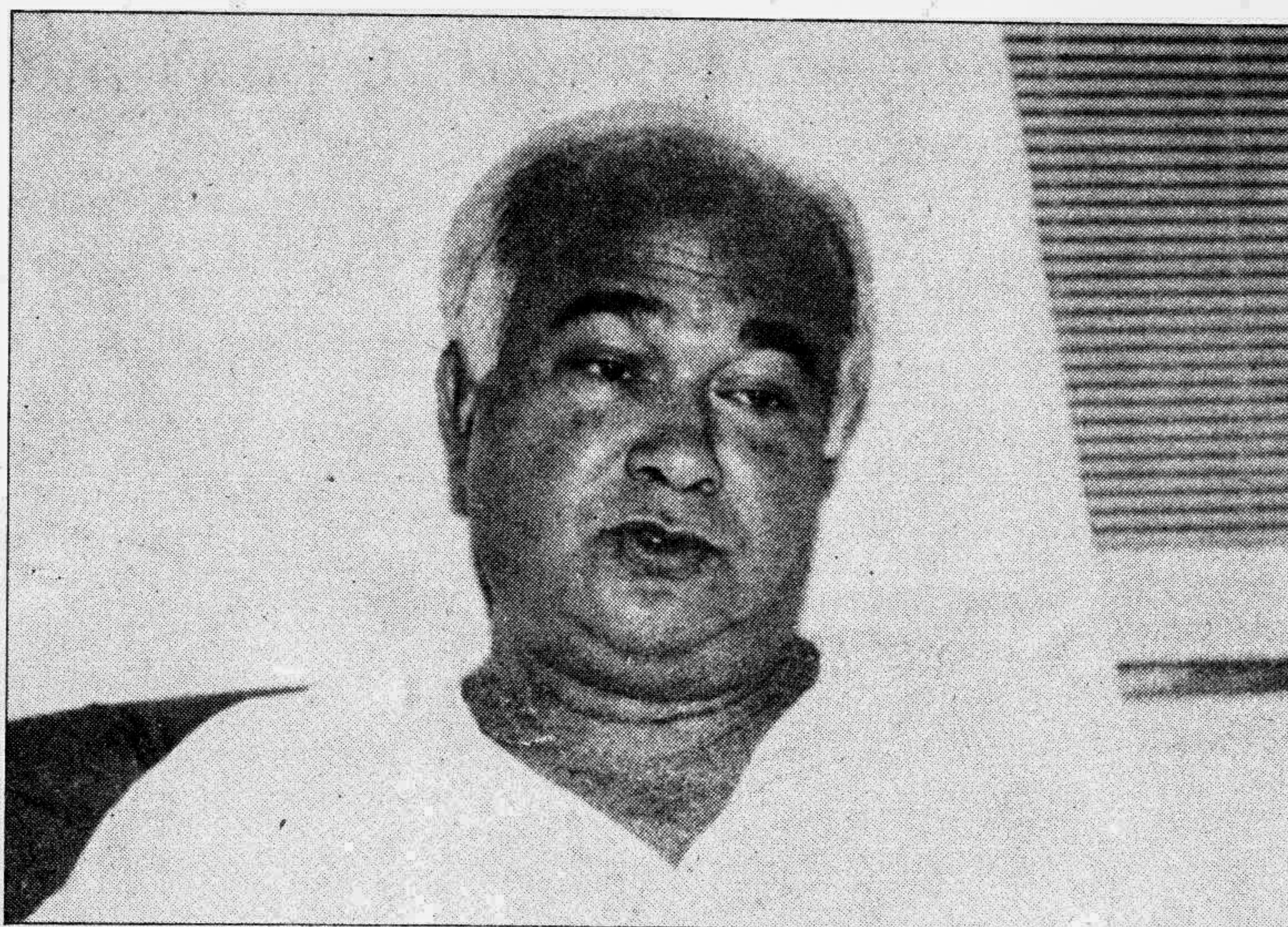


A good partner can propel Biman into high sky

Minister for Civil Aviation and Tourism Mosharraf Hossain talks to Toufique Imrose Khalidi



Things will change when we go for privatisation. We will have new aircraft. Our main drawback now is that we can't maintain our schedule because we have all old aircraft. And right now we are not in a position to purchase a new aircraft. Of course, if we go for leasing aircraft, there is doubt that we have the revenue to afford it. If we can privatise (part of it) and have a strategic partner, I am optimistic.

DS: But we hear that DC-10 spares are not much available and also that these are very costly.

MH: DC-10 parts are available, maybe some parts are costlier, but we have no option now. If we cannot afford newer aircraft at the moment.

DS: Money is the main problem for Biman?

MH: Yes, it is. Whatever we are earning now is being used to pay back our old debts.

DS: As the minister in charge now, did you take any initiative to investigate those incidents of corruption? The instances of corruption that cost Biman huge sums and is still affecting the national carrier?

MH: Actually, how can you find out (corruption)? How can you prove it? You can find out, but how can you prove, because they have manipulated everything. You see if the number one is corrupt, then you can change everything to your advantage. How can two aircraft (airbus) be bought for US\$ 150 million? The ATPs were bought in the same manner. How much revenue is Biman earning? And we are having to pay back such a huge amount with interest.

DS: Shouldn't these corrupt persons be tried? Shouldn't you take an initiative?

MH: How can you say that when the evaluation committee is there? Of course, inquiries are going on. The Anti-Corruption Bureau is investigating the purchase of Airbus. Ershad has been charged regarding the purchase of ATP. But Biman is paying through its nose. What is the fault of the Biman employees? How much they are getting... they are working so hard. And you know the employees of are supporting privatisation. No group



The fact is every one has the right to do business. I became a minister, but I have got my business. I have not closed my business and I am not running my family with a Tk 12,000 salary. My business has been inherited from my forefathers. I cannot close it.

all the things. The papers have to be all right.

DS: How many Biman routes are profitable?

MH: The Gulf routes are profitable. This means the Middle East destinations, Muscat, Dubai, Abu Dhabi, Qatar, Jeddah, Riyadh. All of these are profitable. Hong Kong is profitable, so is Singapore. Bangkok is profitable. We have already achieved break-even with Narita, Japan by rerouting. Previously, before I had joined, it would go via Singapore. Now we go via Bangkok. This has given good results. Instead of a DC-10, we use Airbus. This has given us the break-even. We are not making a loss. We have one slot in Narita. We are pressurising them to give us another slot. If we can go twice a week, we can make a profit.

DS: But Dhaka-Tokyo route is not profitable as yet.

MH: No it's break-even.

DS: Dhaka-Tokyo?

MH: Yes, we don't incur losses.

DS: So the only major loss-making route is New York.

MH: Yes.

DS: How much?

MH: It is about 37 crores taka now, annually.

DS: That's big money.

MH: Yes. We are trying to resolve this by this new policy on fuel price and rerouting the flight to New York via Amsterdam and Manchester. We will not make profit, but we will reduce the losses.

DS: And you are losing so much money when you have huge unpaid debts?

MH: We are not defaulters. We are paying back to the government and we are paying back what the previous government took for the procurement of DC-10 and for Airbus.

DS: Biman employees are still getting bonus as part of profit. How do they get this bonus?

MH: I don't think it's part of profit. They get bonus, that's all.

And we have reduced expenses. A DC-10 has to go for a D-check after five years. Previously they used to pay six million dollars for this heavy maintenance to Alitalia, Swissair and others. After I took over, we had the first D-check recently. This was done in Singapore and we paid only 3.8 million dollars. We saved two million dollars.

DS: I heard the plane started having problem immediately after the D-check.

MH: No, that had nothing to do with the D-checked portion.

DS: Was it a partial check done in Singapore?

MH: No, full D-check.

DS: But that plane started having problems within one week.

MH: No, this is not correct. This was not a part of the D-check.

DS: With this small fleet, how do you handle the VVIP flights?

MH: Yes, we have some problems when we handle VVIP flights. We urgently need a small aircraft for these VVIP flights.

DS: So why aren't you going for mid-haul aircraft instead of DC-10?

MH: We need long haul aircraft because we go to London and New York. Mid-haul aircraft is all right for other routes. The Airbus 310-300 is mid-haul. We are planning to increase frequency in the Middle-East on London-Dubai, Dubai-Sylhet routes with the Airbus. Emirates is also flying like this. You are correct. We need at least two aircraft for long-haul and for others mid-haul aircraft are good enough for us.

DS: Let's go to other areas. There have been allegations of irregularities in the purchase of F-28 and others, and the charter of aircraft for the Hajj flight.

MH: About the DC-10 we are going to procure, let me tell you that the price we got in the first tender was 25 million dollars for a three-year dry lease including maintenance, which was beyond our means. That was about nine months ago. Under the previous regime, a DC-10, manufactured in 1978, was taken on a three-year dry lease for 20.7 million dollars with maintenance. Now the one we are procuring, the agreement which has been made with GIA International, is manufactured in 1982. And the price is 14.06 million dollars. We are saving six million dollars. In a business deal, if you can't make a profit in purchase, you can't make a profit in sale. I am following that rule. Now if anybody's interests are hurt by this, I couldn't care less. I am not going to pay a higher price. That is why they are fabricating these stories. If we just purchase like the previous government and put Biman in a crisis, that won't be right.

Then the Hajj flight. Before I took over, there were a lot of problems with the Hajj flights. Not a single Hajj has completed this year. Last year there was a DC-10 aircraft, manufactured in 1978. But it had some problems. This time when we floated a tender, three aircraft were close in price. The aircraft we selected was a bit higher in price, but technically they were No. 1. So we decided to take it. But the story that came out was about some minister's son being involved. The fact is every one has the right to do business. I became a minister, but I have got my business. I have not closed my business and I am not running my family with a Tk 12,000 salary. My business has been inherited from my forefathers. I cannot close it. Anyway, we didn't bother about who the local agent was. We made an agreement with Air Charter World (ACW) of US, and when they failed, we saw we had very little time. We couldn't find an aircraft. Then we took the DC-10 which goes to New York, the losing route. We closed that route and used the aircraft for the Hajj flights. Biman management and myself, with much trouble and with Allah's blessings, we directly contacted the Gulf Air, British Airways (suppliers of ACW) and we managed to take two Boeing 777 aircraft. And you will be happy to know that we have carried 2,000 pilgrims more than last year. We have decided not to accept any offer from any agent. We floated a tender to procure the aircraft from direct operators and the owners. We have learnt from experience.

Now about the F-28. It had the lowest price and flying hours. The papers are there and you can see. We believe in transparency. The lowest price was selected. If I selected a different

Look at British Airways. They make profit on London route, but we don't. I just can't accept this. But I admit this hundred times regarding the New York route.

one, the story would be that the aircraft with the lowest flying hours was not selected.

DS: Another major complaint against Biman is that cargo handling is not very safe and secure.

MH: I agree. Our cargo sector needs a revision. By December we will open a new cargo village. Then our cargo handling will improve. We also published for cargo freighter handling, but nobody could materialise these things. Only one airline came forward, but they have failed. Now a good 747 is coming. And British Airways also have proposed co-sharing in future with Biman to run cargo freight on a regular basis. On principle I have agreed. We had a similar deal with a Korean Airlines. Now it has been stopped.

As a minister, I want to run Biman totally commercially. I don't want Biman to increase the burden on the government exchequer. I haven't so far. I bought the two aircraft without a farthing from the government. Moreover, I paid the government its dues and other dues created in procuring other aircraft.

DS: The airport remains a problem.

MH: It is, but we have improved a lot.

DS: There is an organised gang, mafia of sort.

MH: Yes. We are trying. We had a high-level meeting. We are installing a CC TV. The previous CC TV previously was only for Civil Aviation. This one will be for all operations. We will have a networking because not one agency is involved here. There are Civil Aviation, Biman, Customs and other agencies. I am trying hard to streamline this. We are making an arrival lounge and it will be complete soon, giving us more space. We are also expanding the departure lounge upstairs. Actually Zia International Airport has become very congested. We are using only 35 per cent of the capacity of our runway. Since our country has limited resources, I don't understand why the past government left no room for expansion of Zia International Airport by constructing the Uttara Model Town. So we are thinking of including Baonia to make more terminals. Then we can use 75 per cent of the capacity. There is a provision to having another runway.

DS: The problem is our terminal is too small.

MH: Yes. We have four aircraft, but no parking space. We could have had this if Uttara Model Town hadn't been there. It has squeezed the airport. So I am going to ask the Prime Minister if we can take Baonia to the west. It is still just a small village and has hardly any settlement. We can take it for the future so no one else can come and make a model town there. We must work for our future generation. Whichever government comes to power, we don't think of the future. We don't think long term. Look at the Gulshan Lake. Who made it smaller? The government. This country will be here. The people will be here. We have formed a government now. We have come to power after 22 years. If we are trying, we will work well, we will work well. This country will be here. Zia International Airport will be there. I say, you must work for the future generation. Look at New York, Washington or any other place. They have planned 200 years ago, 300 years ago.

DS: Thank you very much for your time.

THE Minister for Civil Aviation, Biman and Tourism, Mosharraf Hossain, knows his agenda but admits he cannot perform because of multifarious problems. The solution, he thinks, lies in privatisation. In a candid interview with The Daily Star last month, Hossain talked at length about his plans to turn Biman into a profitable corporate entity. Excerpts:

The Daily Star (DS): After one and a half years as Minister of Civil Aviation and Biman, how do you draw the picture? Where do you stand today? How is Biman doing?

Mosharraf Hossain (MH): Biman is improving. Since 1971, Biman has come a long way. Immediately after independence, Biman had no aircraft. We had inherited a huge number of employees from Pakistan International Airlines, but no aircraft. So, starting from scratch in 1971, we now go to 25 international destinations. We now have four wide-bodied aircraft, two Airbus. We fly to these 25 destinations with these six aircraft.

You will recall that when I joined the ministry, we had only one F-28 and two ATPs for domestic flights. Our domestic operation was in a poor shape. We had a lot of problems in flying our passengers who had come from abroad and needed to travel on domestic routes.

Our present government has been encouraging private airlines. Air Parabat had been operating, but couldn't continue for long. However, GMG came along and we encouraged them wholeheartedly. We took steps so that they could immediately start their domestic flights. We have managed to overcome obstacles in the way to such domestic service.

You will recall the crash in Sylhet. We got US\$ 5 million in insurance. We then procured two F-28 aircraft for US\$ 5.2 million. Biman had two Fokker Friendship aircraft, which we had been using since independence. After these were refurbished, they were sold at a throw-away price during the eighties. But about 400 such aircraft are still operating on domestic routes around the world.

Anyway, those were sold and an ATP was bought. ATP is a sophisticated aircraft used in European countries, in cold countries. Very few ATP aircraft are used now, restricted mainly to European countries. In fact, ATPs are no longer produced. At that time it had been purchased at a high price. Newspapers had written a lot about this. It was bought for US\$ 35 million. We are having to pay for this. We have paid most so far, with about US\$ 2.5 million left now.

DS: So Biman's profit is being wiped out by corruption many years ago?

MH: Yes. That's right. The same happened in case of purchases of DC-10. Three aircraft were acquired from Singapore only for US\$ 66 million. Though these were old, but these had been D-checked. I think this was during Ershad's regime. Suddenly he took a decision to purchase a new aircraft from the States. One DC-10 aircraft was purchased for US\$ 67 million. They didn't see the financial position of Biman and, thus, put Biman in an awkward position.

The last government bought Airbus aircraft. A lot was written about this in the newspapers. Everyone knows that the price of the Airbus was for each aircraft US\$ 45 to 50 million, but it was purchased for US\$ 150 million. Biman was not in such a financial position that we could purchase such aircraft. As a result, Biman had to pay Tk. 267 crore for equity. The government paid back Tk 107 crore, and still owes Biman Tk 160 crore.

After the purchase of the Airbus, Biman suddenly found itself in the red last year. Because it is having to bear the interest on the amount spent on the Airbus. This is a huge loss for Biman. However, we hope to be bringing it to profit again.

DS: Is Biman making operating profits?

MH: Not at the moment, but we'll make profit in the future.

DS: When?

MH: Maybe this year. By this year we hope to be able to overcome the situation.

DS: Biman is running on several non-profitable routes. For example, Dhaka-New York, Dhaka-Tokyo etc...

MH: Yes, we are concerned about this.

DS: This is a huge drain on Biman's resources. Do you agree?

MH: I fully agree with you. I wanted to create some opinion about these things. You see, I am from the private sector. The moment I took over at this ministry, I wanted to run it in a commercial manner so that Biman is not a burden on the government. I had a discussion with Honourable Prime Minister and she advised me to go for privatisation. The moment I took over, I started working for privatisation of Biman, like what the airlines in Sri Lanka and in other countries did.

DS: What kind of privatisation are you looking at?

MH: To choose a strategic partner. For example, Emirates became strategic partner with a 40 per cent stake in Air Lanka, and nine per cent went to Air Lanka's workers and employees. Recently I read in a journal that Lufthansa was losing hugely when it was 100 per cent government owned but now they are 100 per cent privatised and are making handsome profit. In the same way, several other major airlines opted for privatisation.

We have decided on the privatisation process of Biman, which the Cabinet has approved in principle. The World Bank meanwhile came forward with funds of US\$ 2 million to pay for consultants. We have already shortlisted about four international companies for restructuring and consultancy.

DS: Which companies?

MH: I think two from the UK and two from the US. They are all world renowned companies.

DS: Do you think, given the current status of Biman, the way it's draining money, you can find a good partner?

MH: Of course. I am confident about this because Biman has certain advantages. Very few airlines have got these advantages. We have got some captive markets. In the Middle East, New York and throughout the world, we have a lot of people working outside and their first stop is Biman.

DS: That's fine, but the profit generated from these captive markets is swallowed by your bloated bureaucracy. You have huge manpower and corruption and the unruly trade unions.

MH: I don't agree with the view that Biman is overburdened with too many employees. Biman employs about 5,400 people. This is the total of all sorts of employees in operation, transportation, ground handling, catering etc.

Things will change when we go to privatisation. We will have new aircraft. Our main drawback now is that we can't maintain our schedule because we have all old aircraft. And right now we are not in a position to purchase a new aircraft. Of course, if we go for leasing aircraft, there is doubt that we have the revenue to afford it. If we can privatise (part of it) and have a strategic partner, I am optimistic... because of our captive markets. And if we can keep our schedule and if we have new aircraft, I think we'll get back much of the market now accessed by foreign airlines like British Airways, Emirates or Gulf.

I have toured the Gulf extensively to promote Biman. All our passengers there have the same thing to say: if the schedule is maintained, they will definitely fly Biman. We have seen this on flights from Dubai, Muscat going directly to Chittagong, when we cover almost 80 to 90 per cent.

DS: So old planes are a major problem. Then, why did you buy two extremely old planes. For example, you bought two F-28 aircraft, one of which is 19 years old and the other probably 20 years. Even you had to bend Civil Aviation rules to procure those two planes. How do you defend that?

MH: Even though there are Civil Aviation rules with a 15-year limit on aircraft, but we were already flying planes which are more than 15 years old.

DS: But why did you buy two more of the extremely old?

MH: F-28 is no longer being manufactured now, but these are very durable among the old aircraft. About the two F-28s we bought, our evaluation committee observed that these two flew much less than normal. There were aircraft manufactured in 1982, but these were built in 1978 and 1979. But it was seen that the 1982 aircraft flew many more hours than the two we bought. On both technical and financial counts, the evaluation committee chose these two aircraft. If a plane was manufactured in 1980, but had higher hours of flying than a plane manufactured in 1980, everyone would choose the one manufactured in 1980.

DS: You said that these planes aren't manufactured anymore, so you'll have problems with spares.

MH: There are still more than 300 F-28 aircraft operating all over the world including in the United States. Just like Toyota cars, its parts are very much available. They are manufacturing parts. These are very reliable aircraft. The passengers feel more confident and comfortable when they fly F-28.

Actually, this is our transition period. To meet the domestic requirements and run the regional flights, we have taken these two F-28s. We will not keep two types of aircraft. We will sell off the two ATPs that we have. We will cover the regional routes as well as the domestic routes, but we will encourage the private airlines side by side.

You are very much correct about the F-28 that we can't go on continuing with these. We might fly these three or four years more. By then, these will definitely have to be replaced by small jet planes. These have been taken for the interim period. The same will happen to the four DC-10s we have. How many more years will we be flying these? We will have to replace them.

DS: You are purchasing another DC-10.

MH: That's for three or four years. Three years, actually.

DS: Is it a new one?

MH: No, no, it's old. That's on dry lease.

DS: Why are you going for DC-10? McDonnell-Douglas has stopped producing DC-10s.

MH: I know, but we have got a crew problem. I know DC-10 is not being produced, but all over the world DC-10 is still operating. Even DHL is taking these DC-10s and converting them into cargo planes. All our engineering and maintenance facilities are suited to DC-10. Our cockpit crew are all trained to handle DC-10. We have 52 pilots trained to fly this aircraft. So if we take DC-10 on dry lease, we can have these planes at a very low cost.