

A good partner can propel Biman into high sky

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 Airbuses. 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 a lot 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 bring 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 choice 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.

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