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Cell phone users outnumber BTTB subscribers

ABU SAEED KHAN

Combined clientele of the country's private mobile phone companies -- CityCell, GrameenPhone, AKTEL and Sheba -- have outnumbered the customers of the state-run Bangladesh Telegraph and Telephone Board (BTTB) by 11 per cent.

Now there are more than 654,000 active mobile phone users against BTTB's 590,000 fixed-telephone subscribers. The mobile market posted 133 per cent annual growth in 2001. This figure corresponds to 82 per cent compound annual growth rate during the last five years competition in the world's one of the poorest economies.

GSM dominates the market with 88 per cent penetration, as CDMA and AMPS share the rest. Prepaid gained 56 per cent penetration since September 1999, introduced by GrameenPhone. After two years, AKTEL launched second prepaid service in October 2001.

GrameenPhone is leading with 73 per cent market share. CityCell and AKTEL are close with 12 per cent and 11 per cent respective penetration followed by Sheba securing 4 per cent of the market.

Despite paying the highest connection fee (Tk. 18,400) in South Asia, an applicant waits between five and ten years to hear the first dial tone in the BTTB's network. This is the best possible performance indicator of state-run telecom monopoly.

It has caused Bangladesh struggling with the humiliating lowest telephone per 100 people (below 0.50) in South Asia. The government has failed to achieve its target of one telephone per 100 people by year 2000, as stated in the National Telecom Policy of 1998.

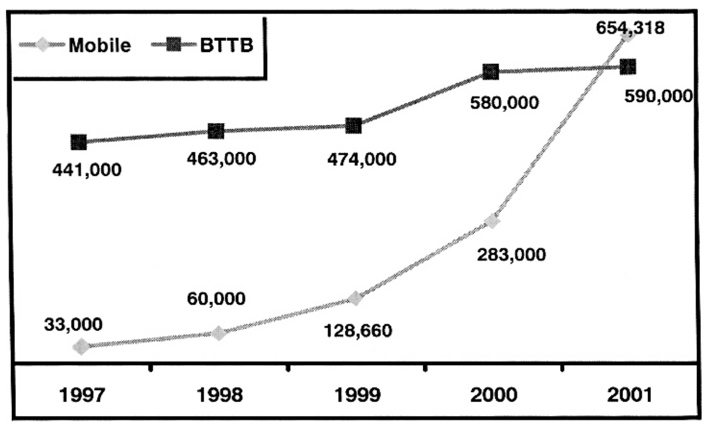
Against the backdrop of such a discouraging scenario, the five years old mobile competition modestly delivered what the 50 years old BTTB never succeeded.

But inconsistent interconnection regime has been dwarfing the country's mobile growth. More than 80 per cent of the mobile users are not allowed to access the BTTB's local, national and international networks.

Ministry of Posts and Telecommunications (MOPT), the de facto regulator, never addressed such an operational dilemma.

Only GrameenPhone could overcome such regulatory disorder by leasing 1600 km. long optical fibre network from Bangladesh Railway.

Ignoring the scarcity of BTTB's interconnection and defying the standard rules of mobile business, GrameenPhone launched "mobile-to-mobile" service in June 1998. Such customers can only talk to the mobiles but not fixed telephones.



Weakness of its "mobile-to-mobile" was transformed into the strength. Covering more than 30 per cent of the 56,000 square miles land mass and 40 per cent of the 130 million population, GrameenPhone broke the BTTB's long distance monopoly. Its captive customers were liberated by the Bangladesh Railway's nationwide optical fibre backbone.

AKTEL launched "mobile-to-mobile" service in 1998 followed by Sheba in 1999. CityCell also joined the bandwagon in 2000. Customers of these operators enjoy virtual nationwide access by virtue of accessing to GrameenPhone's network.

But the experts have been critical about such "Access divide" being widened by the government. The BTTB is even accused of violating the human rights, as the isolated mobile users cannot call the emergency services like fire, ambulance or police.

It was published in the Asia-Pacific Telecom Indicators 2000 of International Telecommunication Union. The industry has, however, been evolving through all the odds.

The 61 per cent foreign investors have pumped in excess of US$ 250 million during last four years. GrameenPhone has been leading with investing US$ 130 million as yet. Further spending of US$ 467.25 million by 2003 will make GrameenPhone the single largest investor (US$ 592.25 million) in Bangladesh.

Implementation of these forecasts is, however, largely depending on the effectiveness of the country's first telecom regulator, to be functional from February 2002.

Govt moves to ensure timely deposit of VAT on utility bills

UNB, *Dhaka*

The government has directed the banks to separately collect duties and VAT imposed on utility bills and enter the amounts into duty/VAT registers.

On receipt of the duties and VAT, concerned bank branches shall mark utility bills with 'duty paid' seals, an official notification said as a meeting yesterday prescribed the changes in bill-receipt system to ensure timely deposit of revenues with government exchequer.

The changed system will come into effect from February 1 next.

Banks shall deposit the duty/VAT against specific code/head of accounts on weekly basis and send monthly statements to National Board of Revenue (NBR) and utility agencies.

NBR would inform the banks of specific codes for receiving duty/VAT on utility bills.

The revenue board and banks concerned will properly monitor whether the duty/VAT money is timely deposited on due head of government exchequer.

The changes were decided at a meeting of representatives of various ministries, banks and utility agencies with Finance Secretary Zakir Ahmed Khan in the chair.

Sonali Bank will inform its concerned branches in remote areas "to make sure that proceeds from duty/VAT on utility bills are duly deposited with government exchequer," the meeting also decided.

Marketing companies of Petrobangla would mention the duty/VAT in customer bills and banks will directly receive the amount against specific head of accounts.

As gas supplied by international oil companies is exempted from supplementary duty and VAT, NBR in consultation with Petrobangla will devise a system to return the excess duty/VAT to IOCs on monthly basis.

Rahima Food approves 5pc dividend

Rahima Food Corporation Ltd has approved 5 per cent Dividend for its shareholders for the year 2000-2001, says a press release.

The dividend approval came at the 11th annual general meeting of the company held recently on the factory premises in Narayanganj.

Company Chairman M A Rouf Chowdhury presided over the AGM, which was attended, among others, by a large number of shareholders.

Microsoft buys Korea Telecom shares

AFP, *Seoul*

South Korea's giant Korean Telecom Corp. (KT) has raised 1.82 billion dollars from abroad by selling government-held shares to foreign investors and Microsoft Crop at high premiums.

The sale of the 11.8 percent government stake in the country's largest fixed-line service provider included a 3.2 per cent stake sold to Microsoft in a strategic alliance, which cost Microsoft 500 million dollars.

In addition, KT raised 1.32 billion dollars by selling convertible bonds to foreign investors on Thursday through Merrill Lynch and UBS Warburg. Proceedings from both sales will come early January.

Microsoft obtained bonds of warrants (BWs) issued by KT, while the remaining 8.6 per cent stakes was sold to foreign institutional investors in the form of convertible bonds (CBs).

KT and the Ministry of Information and Communication stressed premiums of the deals were high, reflecting foreign investors' keen interest in KT.

The five-year CBs are convertible into KT's American Depository Receipts and carry a coupon of 0.25 per cent. The conversion price was 23.96 dollars, a premium of 22.9 per cent above Friday's New York ADR close of 19.5 dollars.

Bonds with warrants were sold to Microsoft at 26.97 dollars each, a 38.3 per cent premium, KT said.

Microsoft agreed not to sell back the securities for the next two years and to withold its rights to claim KT's new issues for one year.

The Microsoft/KT alliance will enable and accelerate the delivery of a rich variety of Web services to the South Korean market, the two companies said.

"This is a great opportunity for our customers to gain access to all their data, resources and favourite services at any time on any device," said Bill Gates, chairman and chief software architect of Microsoft.

PHOTO: STAR

Finance Minister M Saifur Rahman (second from right) gestures as he talks to former finance minister M Syeduzzaman (third from right) at a reception to mark the formal launching of a finance company, Industrial and Infrastructure Development Finance Company Ltd (IIDFC), in the city yesterday. Communications Minister Nazmul Huda (left) and IIDFC Chairman M Matiul Islam (second from left) are also seen.

IMF only partly responsible for Argentina crisis: Analysts

AFP, *Paris*

The International Monetary Fund, which has been providing economic advice to Argentina since the early 1990s, is only partly to blame for the current crisis gripping the country, analysts have said.

In recession for the past 43 months and close to declaring a huge debt default, Argentina was rocked this week by violent social unrest that left 27 people dead and prompted the resignation of President Fernando de la Rua.

Many economists fault successive Argentine governments for having failed to rein in public spending while systemically borrowing money.

"If there is a crisis today it is first of all because of the Argentine debt," said Vincent Lahuec, a specialist at the French bank Credit Agricole.

IT'S BUSINESS...

Dr Farashuddin's speech and our banking sector

MAMUN RASHID

This writer had the opportunity to make a farewell call on Dr. Farashuddin during the third week of November, to read his last minute feelings about his success and incomplete tasks as a governor of the central bank when he was talking to newspapers a day before his retirement at the reception accorded by the Bangladesh Institute of Bank Management.

The outgoing governor of Bangladesh Bank had his mission right from the beginning. The mentionable ones were (a) improvement of our economic indicators i.e. per capita income, foreign exchange reserve, export and import, (b) creating congenial investment scenario through formulation of befitting guidelines, (c) fighting default culture in the banking sector, and (d) bringing in practical approach for human resource development and management.

In a country like ours it is very easy to pass the failures on to the shoulder of the political regime and in the case for a governor-- to the ministry of finance. Governor Farashuddin had never been hesitant to swallow everything with a pinch of salt to see its execution. This was evident while he took the following steps: (1) making a list of high potential officers in the central bank and ensuring their due recognition, (2) making it loud and clear that the bank directors with taka 200-million stake altogether cannot be the owner of a bank, rather true owner is its depositors, (3) declaring incentives for investment in agro-manufacturing and IT sectors, (4) declaring crusade against illegal way of remittance i.e. hundi, (5) launching all-out actions against the default culture in our banking sector, and above all (6) formulating guidelines for facilitating transactions in the changed and open market scenario, while there were no guidelines as such. His actions clearly brought in a number of positive changes in our banking sector.

Not only he succeeded to a great extend in implementing these steps, some of his actions have created social awareness regarding bank loan defaulters and hundi business. In the banking sector, it has been well recognised that without developing the human resources here, we cannot plan for our future growth.

With his departure, we do not expect the processes he had initiated to end. In fact, all these actions should be followed up intensely and in the same spirit, steps should be taken to liberalise foreign exchange regime. In addition, steps should be taken to modernise asset and liability management in the commercial banks and creating depth in the money market.

In his speech at BIBM, Dr. Farashuddin rightly mentioned that the thick cloud in the sky of our financial sector will not only need morning sunshine to be cleared, but also intense light to go through and the scorching heat of the noon to create the path for forward march. It needs concerted efforts from the political regime, media, bankers and policy formulators. Good part is that the new governor-- who is equally (if not better, according to Dr. Farashuddin) known for his merit and leadership-- is fully aware of 'where the shoe pinches' and declared his full hearted comradeship with Dr. Farashuddin.

It might sound like writing an essay for our banking entrance, economics or finance exams, but the reality is that we need a transparent and a forward looking financial sector for our overall development.

Battered S'pore sees signs of recovery

AFP, *Singapore*

Singapore's recession-scarred economy is showing signs of a turnaround with latest trade figures showing the decline in the key non-oil domestic exports was slowing.

The 21.1 per cent year-on-year decline in November to 7.99 billion Singapore dollars (4.36 billion US) was at the lower and of economists' projections, and an improvement on the 21.6 per cent contraction in October.

Crucially for the island's export-dependent economy, the November fall in electronics narrowed to 24 per cent or 4.99 billion dollars, down sharply from the 30.4 per cent decline posted the previous month.

Electronics exports, which account for a major portion of Singapore's non-oil domestic exports, have been squeezed severely by the weak demand for electronics goods globally and the slowdown in the world's major economies, notably the United States.

The monthly non-oil domestic export data are more closely watched than the overall trade performance because of the high concentration of electronics which accounts for half of the output of the all important manufacturing sector.

Economists said it was likely the non-oil domestic exports figures, widely seen as a gauge of the island's economic health, would improve from here onwards after the record plunge of 30.7 per cent recorded in September.

"The 21.1 per cent year on year contraction in the November non-oil domestic exports shows that external demand is still in a slump but there is some room for cautious optimism, said Kaan Quan Hon, an economist at government-linked DBS Bank.

"Chances are that NODX (non-oil domestic exports) will continue to improve, with the contraction moderating further in the first-half of 2002, on the back of the bottoming in the electronic cycle and a low base this year."

But some economists warned against over-optimism, saying the island still faced an uphill battle in overcoming its worst recession since statehood in 1965 because of its high dependency on external demand especially from the United States.

"Any improvement that happens from here is not really likely to be significant until we get into the second half of next year," said Andrew Fung, Rabobank's head of Asia-Pacific treasury research.

"It's a little too early to say it will be a full rebound but I would not expect there to be significant growth in the coming next several months. Virtually everything depends on the US when it comes to Singapore exports," he said.

According to Fung, the November NODX figures suggest the island's gross domestic product (GDP) in the fourth quarter will be better than market projections.

"I think what they do point to is the GDP numbers for Q4 will be slightly improved from the third quarter," said Fung, who now sees the island's fourth quarter GDP contraction in the range of 3.0 to 4.0 per cent instead of minus 5.0 per cent.

Pamela Wong, an economist at Standard and Poor's MMS, agreed it was too early to pop the champagne to celebrate a revival of the once most buoyant economy in Southeast Asia.

"The speed of decline has been moderating but when it will pick up remains a big question," she said.

Third quarter GDP in the three months to September dived a record 5.6 per cent, giving Singapore its worst ever year-on-year quarterly contraction.

It forced the government to revise its 2001 growth forecast to minus 3.0 per cent from a 0.5-1.5 per cent expansion. The economy grew 9.9 per cent last year.

For 2002, the government's GDP projection is between minus 2.0 per cent contraction and plus 2.0 per cent growth.

Wong predicted the economy would shrink 2.9 per cent this year with zero growth projected for 2002.

A survey of economists by the Monetary Authority of Singapore, the de facto central bank, found the economy was likely to contract 2.7 per cent this year and post a 1.7 per cent expansion next year.

Mohammed A Hamid (left), Managing Director of MHH International Dhaka, shakes hands with Gerd Luberding of Bela-pharm after signing an agreement in Germany recently. Under the deal, MHH Int'l has become the sole distributor of the German company's veterinary pharmaceutical products in Bangladesh.

ROK sees rising labour unrest in 2002

REUTERS, *Seoul*

The South Korean government expects labour unrest to rise in 2002 as the nation tries to revitalise its economy and prepares for elections, the Labour Ministry said yesterday.

Yonhap news agency, citing the ministry, said on Sunday next year's jobless rate was expected to average 3.5 per cent if the economy grew between four and five per cent.

"Clashes between labourers and management are set to rise as weekly working days will be reduced to five and labourers are expected to demand payment increases ahead of presidential and local elections," the Labour Ministry said in a statement.

"To ensure economic recovery (which will help the jobless rate fall), the government needs to advance fiscal spending," the ministry said.

South Korea's unemployment rate was a seasonally adjusted 3.5 per cent in November, unchanged from the previous month.

A Reuters poll of 10 economists forecast South Korea's gross domestic product would grow 4.2 per cent in 2002 against 2.6 per cent growth expected this year.

Falling oil prices and government stimulus measures during the election year are widely expected to boost Asia's third largest economy.

But exports, which account for 52 per cent of the nation's economy, have remained weak, tumbling for the past nine months, because of weak demand for chips and electronic goods.

Yonhap said the unemployment rate could reach 3.8 per cent through early next year due to seasonal factors, including graduates entering the job market.

Weekly Currency Roundup

Continuing yen slide drags Asian units down

AFP, *Hong Kong*

The yen's continuing slide against the greenback over the past week hit other Asian currencies, with the Australian and New Zealand dollars ending down and the Taiwan currency dragged to a six-month low.

The US dollar was also seen as a safe haven in the region amid Argentina's economic turmoil as the country's new government appeared poised to declare the biggest debt default in history.

JAPANESE YEN: The yen continued its slide to hit 129 to the dollar for the first time in 38 months as Japanese government officials appeared to tolerate its weakness, while foreign investors lost hope for Japan's delayed economic reform.

The Japanese unit stood at 129.37-40 to the greenback late Friday, down sharply from 127.41-44 a week earlier.

Finance Minister Shojuro Shiokawa denied Friday that the government was intent on driving down the currency as a weaker yen would benefit Japanese exporters.

"The yen's current weakness is not unnatural," he told reporters after the currency touched 129 to the dollar for the first time since October 7, 1998. "I hesitate to say it, but I wish the rate will be neither relatively high nor low."

Commerzbank foreign exchange manager Ryohei Muramatsu said foreign investors were disappointed with the pace of Japan's structural reform and they were getting out of Japanese equities and currency.

"There is a strong possibility the dollar will break the 130-yen level, and I don't know how far it will go after that," he said.

The yen has lost about seven per cent against the dollar in the past two months.

Bank of Japan governor Masaru Hayami said Friday the fall of the yen was "a bit too rapid" but reflected market concerns about the health of the Japanese financial system.

AUSTRALIAN DOLLAR: The Australian dollar caved in to further selling pressure to finish the week sharply down from the previous week's close of 51.75 US cents.

The currency hit a low of 50.45 cents on Friday, its lowest level since November 1, but managed to bounce back to close at 50.72 cents and is not expected to drop much lower in the immediate term.

The Aussie had made several attempts to hold above 52 US cents and the past week failed to produce signs of recovery.

"It has dropped through some key levels over the past 24 to 48 hours," National Australia Bank head of market research Peter Jolly said Friday.

However, he said it was mainly a squaring up of the market and a rationalising of global investors' positions.

Ructions in Argentina, which is on the brink of defaulting on its debt commitments and has sustained riots and a presidential resignation, were just adding a topping to investor bearishness ahead of Christmas, he said.

More significant was the fact that most investors had been holding long positions in the Australian dollar and had already priced a reasonable growth story into the currency.

"We can see it solidly supported above 50 cents at the moment and it pushed into the area where we'd prefer to be buyers than sellers," Jolly said.

He said the market would pull back for Christmas before coming out to set up positions in the new year.

NEW ZEALAND DOLLAR: The New Zealand dollar closed Friday worth 41.14 US cents, against 41.75 cents a week earlier.

A declining yen and a late afternoon selloff in favour of the Australian currency kept the New Zealand dollar under pressure throughout trading Friday.

Dealers expected the kiwi to test the downside below 41 cents.

One dealer said Christmas lethargy was not a reason for the kiwi's unmotivated state.

SINGAPORE DOLLAR: In late Singapore trade Friday, the US dollar traded at 1.8389 Singapore dollars, up from 1.8336 the previous week.

HONG KONG DOLLAR: The Hong Kong dollar closed Friday at 7.7963-7973 against the greenback compared with the previous week's 7.7996-7999.

INDONESIAN RUPIAH: The rupiah closed the week's trading on Friday at 10,180 against the dollar, compared to last week's close of 10,159.

PHILIPPINE PESO: The Philippine unit closed higher at 51.18 pesos to the dollar on Friday, up from 52.03 pesos to the dollar on December 14.

SOUTH KOREAN WON: South Korea's currency slumped to 1,308.90 won against the dollar on Friday from 1,285.90 won a week earlier, reflecting the sharp decline of the Japanese yen.

Dealers said the won would further slip to 1,315 won per dollar should the yen slide to 130 yen against the greenback.

TAIWAN DOLLAR: The Taiwan dollar fell 1.2 per cent to a six-month low over the week to close at 34.916 against the greenback Friday amid a weaker yen and foreign capital outflow, dealers said.

THAI BAHT: The Thai unit closed Friday at 43.93-96 baht to one dollar compared with the previous week's 43.83-85 baht.