

Aviation industry fails to take off as open sky policy still on paper

Govt keeps new foreign airlines at bay on Biman interest, goes strict on flight frequency

M ABDUR RAHIM

Bangladesh's aviation industry remains stagnant as the government puts all forms of red tape in allowing operation of new foreign airlines and maintains a strict policy in giving more flight frequency to operational ones.

In the last six years only two foreign airlines could overcome the bureaucratic tangles to start operations in Bangladesh. And four airlines wounded up operations as government did not agree to permit more flight frequency, which proves that government's open sky policy still remains only on paper.

If a foreign airline is to start operation, apart from government bottlenecks, it must get no objection clearance from national carrier Biman. And in most cases many interested foreign airlines cannot launch services as they fail to get Biman clearance, aviation sources say.

Most of the 14 foreign airlines operating in the country have long been trying to get more flight right but government ignores their demand thinking that it could result in financial loss to the national airline.

Failing to get more flight right, Uzbekistan Airlines last month pulled out of Bangladesh. The

airline sought to increase weekly flights to four from two. An official of the airline said two weekly flights are not economically viable as returnee passengers have to wait for one week if one flight is missed.

Silk Air, Oman Air and Aeroflot are some of the airlines that pulled out of Bangladesh in the last few years. Apart from Uzbekistan Airlines, Yemen Airlines is another carrier that launched services in Dhaka in the last six years.

Royal Brunei Airlines, Air Macau, Abu Dhabi-based Etihad Airways, Iran's Mahair Air and Sharja-based Air Arabia are interested to fly to Dhaka. But instead of welcoming the airlines and completing regulatory requirements, the government shows lukewarm interest.

Qatar Airways, which presently operates four weekly flights, wants daily flights from Dhaka while Emirates wants to add five to its current nine flights. Besides, Kuwait Airlines likes to operate seven flights up from the existing four, Malaysia Airlines wants daily flights instead of its four weekly flights and Iran Air is interested to fly twice up from once a week.

Gulf Air presently operating eight weekly flights, Saudi Arabian Airlines running nine flights, Thai Airways operating seven flights, Singapore Airlines having seven

flights, Dragon and British Airways and Pakistan International Airlines all operating three weekly flights are interested to operate more flights from Bangladesh.

Foreign airlines operate about 70 flights a week from Dhaka. Biman operates some 60 international flights a week. GMG Airlines operates three international flights from Chittagong and two from Dhaka. Thai private carrier Phuket Air also operates two flights from Chittagong.

Aviation observers say as the international air traffic from Bangladesh is growing around six to seven percent, the 130 odd weekly international flights are not enough. They say passengers often cannot book tickets at convenient time due to scarcity of seats.

"This is a seller-dominated market as there is little option for passengers. If aviation sector is to expand, there should be a buyer-dominated market. Travellers can get tickets at lower prices, if there are many airlines in same route," an aviation expert said.

He said as some five airlines have flights on Dhaka-Kuala Lumpur route, a two-way ticket for the four-hour flight costs \$230 while as only two airlines fly on Dhaka-Bangkok route, a two-way ticket for

the two-hour flight costs \$320.

Both Biman and the Civil Aviation Authority of Bangladesh (Caab) benefit financially from number of flights operated by foreign airlines. Biman gets about \$4,000 by providing ground handling services and Caab gets about \$3,000 for navigation, parking and other services from each flight.

A rough estimate shows that Biman earns about \$20 million and Caab \$15 million a year from providing the ground handling and navigation services for foreign airlines. Biman also earns royalty from some foreign airlines. If a national flag carrier of a country operates flights to Bangladesh but Biman does not flies to that country, Biman, as the national carrier, can demand royalty from that foreign airline.

Although the national carrier and government can benefit largely from operation of overseas airlines, the government maintains a strict policy on allowing more foreign airlines and giving the existing airlines more flight rights apparently because of Biman, which failed to make profit in 33 years of its inception.

Aviation experts term Biman a dormant airline, which could not open a new route in last 13 years. Biman's last international expansion was way back in 1992 when it

launched Dhaka-New York flights.

However, a high-ranking official of civil aviation ministry dismissed that the government maintains a strict policy on allowing operations of new foreign airlines and giving more flight rights.

Airlines of two countries fly on the basis of air service agreement (ASA). If there is no ASA, airlines of the two nations cannot fly to each other. The ASA also stipulates how many times an airline can fly to a country, the official said.

A high-profile Biman official said Biman has no objection if the airlines want to increase flight frequency on point-to-point routes. But if the national carrier wants increased flight frequency to carry passengers to a third country, it may further affect Biman's traffic to European and other countries, he added.

Passengers from Bangladesh to the home countries of most of the foreign airlines constitute only 30 percent of the total passengers. The airlines are sending the rest 70 percent passengers from Bangladesh to European and other destinations with connecting flights, the official said.

Global Ins IPO subscription extended further until Feb 9

STAR BUSINESS REPORT

The initial public offering (IPO) subscription time of the Global Insurance Ltd (GIL) has been extended for the second time mainly because of consecutive hartals, company officials said.

Interested investors now can apply for shares of the company until February 9. GIL opened its IPO subscription on January 29 and its closing date was February 2.

The company extended its subscription schedule up to February 6 as investors could not apply for the IPO due to 60-hour hartal from January 29 to 31 that badly hit business, banking and other economic activities.

Considering the overall situation, the company extended the subscription period up to February 6

taking permission from the Securities and Exchange Commission.

But a daylong hartal was observed again on February 3 and another two-day strike begins from today called by the opposition in protest of the grenade attacks on January 27 in Habisganj.

"Some bankers to the issue that were supposed to receive money from the investors could not work on those days. As hartal will be observed on Saturday and Sunday again, we thought of giving the investors another opportunity to apply," said a GIL official. "We are expecting good response from the investors."

Global Insurance offered 900,000 shares of Tk 100 each (at par) totaling Tk 9 crore. As per Public Issue Rules 1998, the com-

pany kept 10 percent of the total shares amounting to Tk 90 lakh reserved for the non-resident Bangladeshis (NRBs) and the rest Tk 8.10 crore was offered to the public.

The company made it mandatory for the public that those who do not have beneficial owner account (BO account) will be ineligible to apply for shares.

Presently, 18 general and three life insurance companies are listed with the stock exchanges and are being traded at attractive prices. Another company Agrani Insurance Company Limited opened subscription for IPO on January 9 and closed on January 13. The IPO of Agrani were oversubscribed by more than seven times.

India expects \$15b in FDI in current fiscal

PALLAB BHATTACHARYA, New Delhi

Foreign Direct Investment (FDI) in India is expected to touch double digit for the first time by the end of current fiscal year.

India is to get 15 billion dollars in FDI, which is three times higher than last year's figure, according to Commerce and Industry Minister Kamal Nath.

Nath, who returned from World Economic Forum meeting in Davos recently, told reporters here on Thursday that as much as five billion dollars in FDI are expected to flow in from South Korea alone.

Even though it had been started to set the target of ten billion dollar in FDI some years ago, India got 5.6 billion dollars in 2003-04.

A sizeable chunk of the projected FDI is likely to come through infrastructure sector, Nath said adding, "infrastructure financing is a major area where long-term funds are being committed."

Pharmaceutical, biotechnology and information technology are some other sectors that have come on the radars of foreign investors, he added.

Nath, who led a 60-member Indian business delegation to Davos, said multinational chief executive officers and several foreign pharmaceutical companies evinced keen interest in investing in India particularly in research and development in the wake of new patent regime introduced in January this year.

He pointed out that drugs worth \$60 billion would be off the patent regime in the next three years offering huge opportunities against growing domestic demand and exports. "In fact, pharmaceutical can very well replicate the success story of Indian information technology."

According to the minister, Merc, a pharmaceutical company which had left India, has already indicated that it would set up its research division in India.

Nath's hope of attracting higher FDI comes in the backdrop of the Indian government's decision to lift the ceiling on FDI in the telecom sector from 49 to 74 percent. The government had earlier hiked FDI cap in civil aviation from 40 to 49 percent and proposed a FDI hike from 26 to 49 percent in insurance sector.

Foreign Institutional Investment in India has already touched nine billion dollar mark this year.

Commerce ministry officials said most foreign investors of late prefer India to China because of "over-exposure" fear to China. While 77 percent of foreign investors make money in India, 20 percent succeed to do the same in China, they said.

Nath said India has offered to host a meeting of "Group of 20" coalition of WTO members in March this year to firm up a strategy in the run up to the ministerial meeting in Hong Kong in December this year.

JAL to buy 30 Boeing 737s

REUTERS, Tokyo

Japan Airlines Corp. (JAL), Asia's biggest airline, said on Friday it would buy 30 737 small passenger jets from Boeing Co., with an option to buy an additional 10.

The company said the list price for the 30 jets was about 200 billion yen (\$1.92 billion).

JAL planned to sign the contract this spring, it said.

JAL said in December it would buy 30 new 7E7 mid-sized airliners from U.S.-based Boeing, with an option to purchase 20 more, making it among the first carriers along with rival All Nippon Airways Co. to choose the new planes, which are worth about \$120 million each. (\$1=104.46 Yen)

Vietnam suspends duck, quail breeding to fight bird flu spread

AFP, Hanoi

Vietnam said Friday it had suspended the breeding of ducks and quails to combat the deadly bird flu outbreak which has spread to 33 of the country's 64 cities and provinces.

The Prime Minister ordered the suspension effective immediately, Bui Quang Anh, head of the Ministry of Agriculture's Animal Health Department told AFP.

"The virus can exist longer in ducks and quails. On the other hand, ducks are raised on water which make it difficult for us to control", he said, adding that no decision had been made on how long the suspension would last.

Earlier this week, the United Nations Food and Agriculture Organisation (FAO) and the World Organisation for Animal Health (OIE) said that water fowl, particularly ducks, were reservoirs for the infection.

"The chances for spillover from ducks inhabiting the vast wetlands to poultry production units in villages or on commercial farms need to be significantly decreased," the agencies said in a common statement.

Nissan to re-enter Pakistan market

AFP, Tokyo

Japan's second biggest automaker Nissan said Friday it will return to the market in Pakistan after five years, saying the country had a fast-expanding appetite for cars.

Nissan Motor exported cars for assembly in Pakistan from late 1996 until 2000, when it pulled out due to political uncertainties and a market perceived to be lacklustre, a company official said.

However, by Nissan's figures, the market there has since boomed, with nearly 115,000 vehicles sold in Pakistan in 2004, up 51 percent from 2003 and more than triple compared with 2000.

"We are very excited to be part of the rapidly growing automobile market in Pakistan," Yasuaki Hashimoto, vice president of marketing and sales for overseas markets, said in a statement.

Nissan Motor said it will export from Japan four models for sale in Pakistan — the Sunny and Cefiro sedans and the Patrol and X-Trail sports-utility vehicles.

Nissan's initial sales target in Pakistan will be a modest 100 vehicles a month.

Pakistan has shown signs of coming out of a decade of economic doldrums with 6.4 percent growth last year. Prime Minister Shaukat Aziz has forecast growth will rise to 7.0 percent this year.

Khulna Newsprint to be privatised soon

STAFF CORRESPONDENT, Khulna

Closed Khulna Newsprint Mill is likely to be privatised soon. The recent visit by a US team to the mill makes it more obvious.

According to a source of Board of Investment (BoI) office in Khulna, two separate parties from the United States and China recently visited the first newsprint mill of the country to see for themselves its condition and for stocktaking its properties.

The US team visited the mill on Wednesday noon and expressed their satisfaction with its condition. A team from China also inspected the mill four days back.

The source said several parties from home and abroad have expressed keen interest to buy the mill and bargaining is going on regarding its price.

KNM was closed down in 2000 with liabilities of over Tk 50 crore. A part of the vast mill area is now being used by Rapid Action Battalion (Rab) as its temporary headquarters.

Oil prices edge higher

REUTERS, London

Oil prices edged higher on Friday, ending a three-day losing streak, as dealers weighed Opec's threat to cut production against healthy supplies of crude and gasoline in the United States, the world's biggest consumer.

US crude oil futures rose 29 cents to \$46.74 a barrel by 4:30 a.m. EST, halting a slide that had shaved \$1.75 off the price of oil since Monday. London Brent crude was up 34 cents at \$44.19 a barrel.

U.S. oil inventory data on Wednesday showed still robust crude oil supplies and higher gasoline stocks, easing concerns about meeting demand in the late spring when motor fuel consumption picks up.

Forecasts for warmer than usual February and March weather in the key Northeast consuming region has shifted the market's focus from a possible winter squeeze to the second quarter lull, when global demand ebbs ahead of the summer driving season.

With gasoline stocks already 4 percent above year-ago levels and imports running strong, the United States appears poised to avert a springtime gasoline price spike for the first time in two years, analysts say.



PHOTO: AFP

Bank of Korea's officials move bundles of new money at the central bank's basement in Seoul on Thursday. South Korea's central bank released an additional 4.6 trillion won (4.47 billion dollars) during the Lunar New Year's holidays to meet the public's need.

BFFEA goes into polls today

Voters to elect president from Ctg region

STAFF CORRESPONDENT, Ctg

The biennial election to 15-member executive body of Bangladesh Frozen Foods Exporters Association will be held at its Chittagong office at Agrabad today.

The election is being considered very significant on the forthcoming visit of United States Food and Drugs Association (USFDA) to Bangladesh, BFFEA sources said.

This year seven posts including the president of the executive committee are to be elected from Chittagong region while the rest eight including the secretary general are to be chosen from Khulna region.

However, six persons excluding the president have already been elected uncontested in Chittagong region.

In Khulna region, vice-president and joint-secretary have been elected uncontested and the election to the other six posts will be held now.

Golam Mostafa of Coastal Seafoods and Amin Ullah of Minhar Fisheries are vying for the president post from Chittagong.

Nazir Ahmad of Sirajul Islam Chowdhury Trawlers Limited, Maqsur Rahman of Mahee Fish Processing Limited, Md Golam Kibria of Aqua Foods Limited, Golam Kibria Sarker of Frozen

Foods, Abul Monsoor Rubel of Kuliarchar Group, Mostafa Arif Chowdhury of Amir Fish Firms and Industries Ltd and Anwarul Haq of Sepid Seeze are in the Golam Mostafa group and racing for other posts.

Contenders are emphasising on achieving the annual revenue target set by "Vision 2008".

BFFEA in a concept paper titled "Vision 2004-2008", which was submitted to the prime minister on March last year, set a target for raising the annual revenue from this sector to Tk 10,000 crore through increasing production and export by the year 2008.

Economic boom must benefit all Indians, warn economists

AFP, New Delhi

Leading economists Friday warned that India's dream economic march forwards may not be sustainable unless the benefits of globalisation reach all sectors of its billion-plus population.

"India is going to grow by 6.5 percent or maybe more this year (but) our own assessment of social indicators leaves room for a lot of introspection and rethinking of strategies," India's chief planner Montek Singh Ahluwalia told the Delhi Sustainable Development Summit 2005 here.

"We spend 0.9 percent of our GDP (gross domestic product) on health ... much lower, probably half that of other countries," said

Ahluwalia, who heads India's Planning Commission.

"This contradiction between the very upbeat picture of India as a growing market economy and other dimensions relating to social indicators is absolutely an important one to resolve."

The three-day conference which ends Saturday has been organised by leading non-governmental organisation, the Tata Energy Research Institute.

It has brought together dozens of environmentalists, economists and politicians from across the developed and developing world.

Ahluwalia said the government was aware of the problems and has taken many steps to address them.

"We are going to have a National Rural Health Mission," he said, adding that a two percent levy on all taxes to raise funds for education, especially rural primary education, has generated around one billion dollars.

India's new Congress government came to power after last May's parliamentary elections riding on the back of an anti-establishment wave against their Hindu nationalist predecessors whose "Shining India" campaign badly boomeranged.

The ousted Bharatiya Janata Party (BJP) government projected an India of flashy shopping malls, mobile phones and luxury goods while the Congress brought out the contrast between the haves and have-nots.

ROK market to be firm on hopes of recovery

AFP, Seoul

South Korean shares are expected to trade firmer next week thanks to better internal and external conditions with sentiment boosted by hopes of an economic recovery, dealers said Friday.

They said the composite index may eventually test a short-term level of 980 points this month.

For the week to February 4, the composite index gained 11.96 points or 1.3 percent to 933.55, on average daily volume of 420 million shares worth 2.28 trillion won (2.22 billion dollars), compared to 473.2 million shares worth 2.52 trillion won a week earlier.

"Overseas factors will have an increasing influence over the course of the bourse in coming weeks, especially the issue of the appreciation of the Chinese yuan," Daewoo Securities Kim Sung-Joo said.

"When the market is strong, IT shares will be good picks. When corrections come, shipbuilding and finance sectors would be favored."

Analysts said healthy economic data sparked hopes for an economic recovery, despite uncertainty ahead of the Group of Seven industrialised nations meeting in London this weekend.

Asia Pacific is engine of growth for DHL: CEO

AFP, Singapore

The Asia-Pacific has emerged as the engine of growth for German express and logistics giant DHL, led by fast growing China and India, a senior company executive said Friday.

Klaus Zumwinkel, chairman and chief executive of DHL's parent firm, Deutsche Post World Net, said the region's share of its global revenues was expected to rise to nearly 20 percent by 2010 from 11 percent in 2003.

DHL is set to ride on projected robust growth in world trade as tariff and non-tariff barriers are removed and governments and companies increasingly outsource segments of their businesses such as logistics, Zumwinkel said.

"Asia for our company is the engine of growth ... here is where the topline growth comes from," he said at a press briefing during a visit to Singapore.

He said Asia currently had the fastest growth rates for the company compared with the European and US markets.

ICB Securities opens branch in Barisal

Investors to get online trading facilities

OUR CORRESPONDENT, Barisal

ICB Securities Trading Company Limited (ISTCL), a subsidiary of Investment Corporation Of Bangladesh (ICB), has recently opened its branch in Barisal with online trading facilities.

ICB Chairman Hasinur Rahman inaugurated the branch as chief guest. Among others, Ziaul Huq Khondkar, managing director of ICB, Jahangir Mia, general manager of ICB and chairman of ISTCL, and Nurul Alam, chief executive officer of ISTCL, were present at the opening ceremony.

It is the third branch of ISTCL. The speakers hoped that the new Barisal branch would meet the long desire of on-line trading of the investors of this region and give impetus for the investors in active portfolio management, which would enhance the trading volume of the bourse.

ISTCL, the top most brokerage house in both Dhaka and Chittagong stock exchanges, has started online trading on behalf of both institutional and individual investors and has primarily linked its Barisal branch with Chittagong Stock Exchange Ltd.

Deficit, debt impending Indian growth: IMF

AFP, Washington

The IMF warned Thursday that India's huge fiscal deficits and public debt were impeding the country's rapid economic growth, which it forecast to be around 6.5 percent in the year to March.

The predicted growth rate for the world's second most populous nation was at the lower end of the government Central Statistical Organisation's (CSO) latest forecast of 6.5 to 7.0 percent.

The Indian economy expanded at 8.5 percent in the last fiscal year to March 2004, the best in over a decade, thanks to bumper agricultural growth.

The Washington-based International Monetary Fund (IMF) said in an annual review of the Indian economy Thursday that its large fiscal deficits and public debt "remain a key constraint on sustained rapid growth."

Reforms taken to strengthen state finances had so far not led to a decisive turnaround, the IMF said, emphasizing "more needs to be done."

It also expressed serious concerns with an Indian proposal to use foreign exchange reserves to finance infrastructure spending.

Using reserves in this manner has the potential to "compromise perceptions of central bank independence and increase inflation," the IMF said.

The Fund also called for easing of regulations, and liberalizing what it termed restrictive labor laws.

Agricultural reform, for example, was critical to India's economic growth and poverty reduction, the IMF said.

Swift reduction of tariffs coupled with lowering of administrative barriers to trade "will help unleash a potentially powerful engine of growth," it said.