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## Mergers ok, not monopoly

### Telecoms watchdog boss says

MD HASAN

The telecoms regulator will not stand in the way of mergers between the country's mobile phone operators, but will set strict conditions to ensure no single company controls the market.

Speaking to The Daily Star, Major General Manzurul Alam (ret), chairman of the Bangladesh Telecommunication Regulatory Authority (BTRC), said he understood the business logic of mergers among the country's six operators, but said this could not be achieved at the cost of proper competition.

In the same interview Alam made clear his expectations for the mobile industry, forecasting 50 million subscribers in Bangladesh by the end of 2009 with the industry's turnover to exceed Tk50,000 crore in three years.

He also hinted that the government might reduce the Tk800 tax on SIM (subscriber identification module) cards in the June budget.

On the downside the BTRC chief identified high bandwidth cost, the absence of an alternative submarine cable and the high tax structure as the main barriers for growth in the country's information and telecom sectors.

Mobile telephony has grown rapidly in Bangladesh with more than 33 million subscribers registered at the end of November 2007. However with six operators now battling for customers, profitability has dropped.

Senior officials at the two largest operators Grameenphone and AKTEL have publicly said the market is overcrowded suggesting the number of operators could be reduced to three.

Alam accepted that mergers and acquisitions were common among rivals in a competitive market. "Obviously we will welcome such business tactics in the telecom market, but we will not allow amalgamations that will create a giant that controls the market," he said.

"If any companies intend to merge, BTRC will fix-up a maximum market share limit, in line with that set in other countries, which should not be exceeded by the company," he said.

Alam said the success of the mobile market had profited the government, pointing to the surging taxes and government earnings from the sector. These could be tripled from last fiscal year's Tk500 crore to Tk1500 crore within the next three years.

"To make this happen, the government should consider a low tax structure so that the customer base can be raised," Alam said.

Alam, who is also chairman of South Asian Telecommunication Regulators Council, believes that 50 percent of Bangladesh's population could adopt mobile technology.

Such a level would see a 'financial revolution' for the government as the telecoms sector would be a major contributor to the national exchequer. Already the mobile operators are the largest single tax payers.

To ensure this happens three major hurdles need to be removed, according to Alam. The high bandwidth price for internet connections, the reliance on a single submarine cable and the limited power of the regulator.

Alam termed the BTTB's (Bangladesh Telegraph and Telephone Board) bandwidth price as 'abnormally high' and said it should come down to Tk10, 000 per mega bites (Mb) from the current Tk80,000.

Low cost bandwidth is one of the major preconditions for the information and telecom industry to flourish, he said, adding that charges in Bangladesh are well above those of other countries in South Asia. For example while one mega bites bandwidth costs Tk80,000 in Dhaka it is around Tk1725 in India or Pakistan.

The second submarine cable is a must for expanding call centres, IP (Internet Protocol) telephony and



PHOTO: AMRAN HOSSAIN

Maj Gen (ret) Manzurul Alam, chairman of Bangladesh Telecommunication Regulatory Authority (BTRC), expects that mobile phone subscription in the country will reach 50 million by the end of 2009.

software business.

"If we had an alternative submarine cable, Bangladesh would be a hub for the ICT outsourcing business," he said, adding that some Indian companies had already visited the BTRC office to inquire about shifting their call centre business to Bangladesh.

Asked about the recent drive against VoIP (voice over internet protocol), he said BTRC is not against VoIP technology, but operators should terminate calls

through a legal gateway.

"We are at the final stage to issue licenses for a VoIP gateway. After that I believe telecom operators can recover their losses that they paid for using illegal VoIP," he said.

The BTRC chairman said his organisation needs full autonomy in order to increase the skill levels among staff. When regulating multinational companies BTRC had to be able to employ experts with knowledge of the international telecom market, he said.

## Sonali Bank advised to cut lending rate

UNB, Dhaka

Sonali Bank, now a public limited company, has been asked to reduce lending rates.

The bank was also advised to improve efficiency in all financial aspects, including maintenance of capital adequacy and quick decisions making regarding loan proposals with a client friendly attitude.

Finance Adviser Mirza Azizul Islam and Bangladesh Bank Governor Salehuddin Ahmed made these advices at Sonali Bank's Annual Conference 2008.

"It takes one year to make decisions on loan applications in some cases. I hope, you (bankers) will change this," Aziz said, inaugurating the daylong conference at Sonargaon Hotel.

He asked the bankers to look into the weak points in the areas of loans and advances, export and financing, rising classified loans and overall growth in remittance inflow to ensure faster growth of the bank.

He, however, appreciated the increase in deposits, investment, import financing, and operating profit during the year 2007. Sonali Bank earned an operating profit of Tk601 crore last year against the set target of Tk452 crore.

## Natural calamities to hit GDP growth

Says ICC-B

STAR BUSINESS REPORT

The adverse impact of global warming, recurrent flood, cyclone Sidr and higher inflationary rate will push down Bangladesh's GDP to below 6 percent in 2008, which development partners forecast earlier, remarked the editorial in the Quarterly News Bulletin of the International Chamber of Commerce-Bangladesh (ICC-B).

The latest issue of the ICC-B journal said the natural and man-made calamities and incidents will invariably affect GDP growth in 2007 as well as in 2008.

"World Bank, ADB and IMF have already lowered their forecast of the country's GDP growth for the fiscal 2008 to below 6 percent from its earlier projection of 6.5 - 7 percent as against 6.5 GDP in FY 2007," the editorial mentioned.

It said besides, the inadequate supply situation, global commodity price pressure as well as other factors pushed the inflation rate in Bangladesh to 11.21 per cent in November, highest in the last two decades.

Pointing to the bad impact of Sidr on the domestic economy, the ICC-B said in many affected areas, normal business activities were seriously disrupted, causing great economic hardship and loss that, according to economists, might also cause further inflation and reduce GDP growth.

The Bangladesh chapter of the world's business organisation estimated that two successive floods in 2007 caused losses of around \$1 billion and the cyclone Sidr over \$3 billion.

## Biman moves to strengthen fleet

Airbus officials due in Dhaka early Feb

SOHEL PARVEZ

A team of Airbus officials is expected in Bangladesh early February to make a fresh offer to supply aircraft to Biman Bangladesh Airlines, with the national carrier attempting to strengthen its ageing fleet, the company's chief executive said yesterday.

"We expect Airbus to come by early February with their new proposal. We are hopeful that our efficiency will increase by adding new aircraft to our fleet," MA Momen, chief executive of Biman Bangladesh Airlines, told The Daily Star.

Airbus, a subsidiary of the European Aeronautic Defence and Space Company (EADS) is set to come to Bangladesh after the US aircraft maker Boeing Company offered to supply Biman eight aircraft in two phases up to 2017.

Experts believe the cost of eight suitable aircraft would range between US\$800 million and \$1.5 billion, depending on the aircraft selected.

"We need to compare the proposals before taking any decision," the Biman chief said.

Biman moved to collect fresh proposals on purchasing aircraft after it became a public limited company in July last year. While the company remains 100 per cent state owned, the PLC entity allows Biman's board of directors to make its own decisions, including the procurement of new aircraft.

The rising cost of jet fuel has hit hard the Biman's current fleet of 12 planes, including one leased Boeing 747. This is because the ageing planes have poor levels of fuel economy and high maintenance costs in comparison with



PHOTO: INTERNET

A file photo of an Airbus aircraft. Boeing and Airbus are battling to replace Biman's aging fleet and win orders worth up to \$1.5 billion.

newer aircraft.

At present eight planes are in operation while one remains idle and three under maintenance.

The aircraft of the carrier are grounded frequently due to technical faults resulting from the fleet made up of mostly of 17-19-year-old aircraft and two relatively new planes.

Insiders said on many occasions, during the BNP regime both the Boeing and Airbus made offers to renew Biman's fleet.

In November last year, Boeing offered a fresh proposal to Biman for eight new aircraft, setting a deadline to sign a memorandum of understanding by January 15, 2008.

"We have requested that Boeing extend the deadline till March this year," a Biman's spokesperson said.

Imran Asif, an aviation industry consultant, suggested "that the national carrier needs to compare the offers of both the aircraft makers based not only on acquisition costs but also the operating cost and residual value of the planes."

"If Biman takes the decision on the basis of the acquisition cost

offered by the companies, it might be a wrong one," he said.

Bangladesh's aviation industry, which, according to national encyclopedia Bangladesh, will grow about 7.5 percent a year till 2010, witnessed an increased entry of both domestic and international carriers. Six carriers, including domestic operator United Airways, entered Bangladesh's market last year.

Another local carrier Best Air launched its operation on January 14 this year.

Private GMG Airlines, which will launch flights to Dubai from February 1, is to lease a new Boeing 747-300 aircraft, the company said.

With the induction of the jet propelled 540-seat aircraft, GMG's planes will include three Dash8, two McDonnell Douglas and two Boeing 747-300s.

The airline that has local and foreign operations will further increase its international flights especially in the Middle East.

GMG started operations in 1998 and plans to fly to Muscat, Doha, Kuwait City and Karachi by 2008.

## Investment planned to ease regional transport

STAR BUSINESS REPORT

Japan and ADB are helping prepare an investment project that will ease transportation across Bangladesh, Bhutan, India and Nepal to promote economic cooperation and integration among the four members of the South Asia Subregional Economic Cooperation (Sasec).

The Japan Special Fund is giving a grant of \$1 million to draw up the design for the Sasec Transport Logistics and Trade Facilitation Project to promote the flow of goods, services and people in the sub-region. Asian Development Bank (ADB) will manage the grant.

The project consists of three components - building of a corridor from Kakarvitta in Nepal via Panitanki-Fulbari in India to Bangladesh, a railway linking Akhaura in Bangladesh to Agartala in India, and a modernized cross-border regime at key cross-border points.

"The project will improve cross-border transportation infrastructure and introduce modern cross-border management to facilitate trade and the movement of people across SASEC countries," said

Dong-Soo Pyo, Principal Financial Analysis Specialist of ADB's Southeast Asia Department.

The project was the result of the fifth Sasec transport working group meeting in 2006 and the fourth Sasec country advisors' meeting in 2007, where Sasec members agreed to develop a regional transport and trade facilitation project to improve intra-regional transport.

The existing intra-regional transportation infrastructure of South Asian needs upgrading in many areas. Falling into disarray, this transportation infrastructure is causing inconvenience to travelers and raised the cost of travel and trade.

The Sasec Initiative was launched in 2001 with ADB assistance to support and facilitate regional cooperation initiatives in six priority areas: energy and power; environment; information and communication technology; tourism, trade, investment and private sector cooperation; and transport. It provides a venue for policy dialogue, information sharing and confidence building among participating countries to enable better economic cooperation.



## AB Bank MD reappointed

Kaiser A. Chowdhury has been reappointed president and managing director of AB Bank for a period of another three years, says a press release.

In a chequered banking career spanning three decades, he served his first 24 years with Grindlays Bank in various key positions at home and abroad.

Chowdhury also served ONE Bank as deputy managing director from 1999 to 2004.

## World shares fall on US recession fears

STAR AND AGENCIES

Global stock markets plunged Monday, with Tokyo tumbling to its lowest level in more than two years as US President George W. Bush's tax plan to revive the world's largest economy disappointed investors.

After heavy losses in Asian trade, it was the turn of the European markets to suffer, with the main bourses posting losses of between three and five percent by midday as investors headed for the exits, dealers said.

They said that after high hopes that Bush would announce strong measures to prevent the US economy going into recession, the markets did not find enough to offset all the bad news coming through on the banks and the collapse of the US housing market.

"Investor scepticism over the impact of a temporary tax cut in saving the US economy from a sharp slowdown in economic growth prompted heavy selling" in equities, said Derek Halpenny of The Bank of Tokyo-Mitsubishi in London.

Tokyo's benchmark index closed down a hefty 3.86 percent, hitting the lowest point since October 2005. London's FTSE 100 meanwhile dived 3.83 percent in morning trade as it fell under 5,700 points for the first time since July 2006.

Frankfurt declined 5.02 percent and the Paris market tumbled 4.55 percent and stood under 5,000 points for the first time since August 2006.

Indian share prices tumbled Monday to close down 7.41 percent, the steepest one-day fall ever as local and foreign investors dumped blue-chip firms, dealers said.

Markets were reacting to Bush's plan announced last Friday for 140 billion dollars (97 billion euros) in temporary tax cuts and other measures.

Stocks on the Dhaka Stock Exchange experienced a slight drop on price correction yesterday, according to brokerage houses. DSE All Share Index fell by 6.70732 points or 0.2693456 percent to close at 2483.52085 points.

Asia-Pacific markets			
January 21 closings			
<b>TOKYO</b>	<b>HONG KONG</b>	<b>TAIPEI</b>	<b>SYDNEY</b>
3.86%	5.5%	0.91%	2.9%
Nikkei	Hang Seng	Weighted	SP/ASX
13,325.94 (- 535.35)	23,818.86 (- 1,383.01)	8,110.20 (- 74.45)	5,580.4 (- 166.9)
<b>SINGAPORE</b>	<b>SHANGHAI</b>	<b>SEOUL</b>	<b>BANGKOK</b>
6.03%	5.14%	3.0%	2.93%
ST Index	Composite Index	KOSPI Index	SET Index
2,917.15 (- 187.10)	4,914.44 (- 266.08)	1,683.56 (- 51.16)	766.53 (- 23.14)

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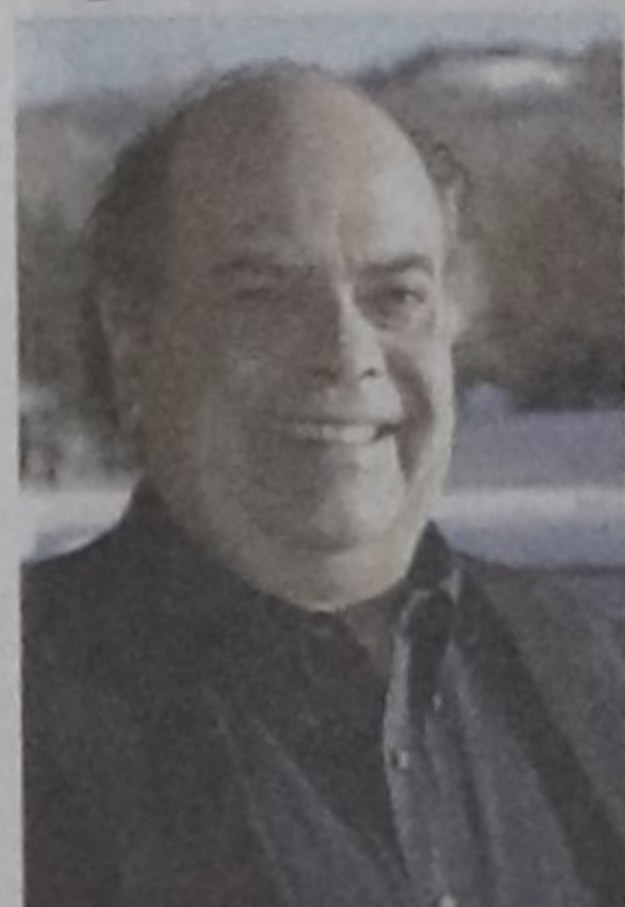
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