

International Business News

Indian airline sector hit by 'perfect storm'

India's airline sector has moved into negative growth and urgent reforms are needed if it wants to survive a "perfect storm" hitting the industry, an association said Wednesday.

Growth has slowed from 33 percent in 2007 to 7.5 percent for the first six months of this year, Giovanni Bisignani, director general and CEO of the International Air Transport Association (IATA), told business leaders here.

"The global crisis resulting from high oil prices and declining traffic is hitting India hard," Bisignani said, adding the last two months "have been negative."

Indian carriers could post 1.5 billion dollars in losses in 2008, the largest outside the US. Urgent action is needed to help Indian carriers weather the perfect storm of high costs and falling demand, he said.

The IATA chief said India needed to bring down fuel costs, landing fees and other taxes to remove what he said was a "cost structure that cannot support a competitive industry."

He also said there was a "lack of transparency" in India's airport and air traffic control costs, and said the government needed to implement tighter regulation of the sector.

"Infrastructure investments are urgently needed. While Delhi is moving towards the capability of handling 100 million passengers, the situation at Mumbai remains critical," he said.

The country fell six steps to the 110th position this year among 181 countries in "ease of doing business", said the global survey report jointly prepared by the multilateral lender and International Finance Corporation.

Bangladesh ranked 104th in 2007 and 88th in 2006 in similar surveys.

"It tells the quality of our bureaucracy," Zahid Hussain, a senior economist of the WB's Dhaka office, told The Daily Star in an interview on the Doing Business Report 2009.

He said the country's bureaucracy lags behind many nations in performance.

"The word dekhchhi (taking steps or looking into) of a bureaucrat takes months or even years in Bangladesh," he cited Tata and the National Coal Policy as examples.

"Indecisiveness is the biggest problem of our bureaucracy," he said.

According to experts, development planning and busi-

Thai budget airline cuts 200 staff over oil prices

Thai budget carrier Nok Air has cut 200 staff to cope with heavy losses due to high global oil prices and political turmoil in the kingdom, an official from the airline said Thursday.

Sehapan Chumsai, executive vice president of the low-cost offshoot of flag carrier Thai Airways, said slashing jobs among pilots, crew and ground staff would leave 540 employees in its operations.

"This is the last measure that we have to do to enable the company and the majority of staff to move forward. We have suffered from high oil prices and political turmoil in the country," Sehapan told AFP.

The Thai stock market has fallen more than 25 percent since anti-government street protesters began a campaign to unseat the government in late May, taking over the grounds of the Thai prime minister's offices.

Nok Air will pay 20 million baht (nearly 500,000 dollars) in compensation as well as one-month's salary to staff who had lost their jobs, Sehapan said.



President and Chief Executive Officer of Honda Motors Takeo Fukui stands in front of Honda's latest model during the launch in New Delhi yesterday. Honda SIEL Cars launched its all-new Third Generation Honda City with a completely new design and passive safety features for Indian market at the cost of \$19,778.

Oracle, HP unveil computer to cope with digital explosion

Longtime business software giant Oracle has announced it is diving headlong into the computer hardware business with a brainier, brawnier machine crafted to manage the explosion of digital data.

The company's chief executive Larry Ellison on Wednesday unveiled an Exadata Storage Server and a Database Machine built in partnership with computer titan Hewlett Packard.

"Oracle is getting into the hardware business but we are not doing it alone," Ellison said during a speech at an Oracle Open World conference in San Francisco.

"Conventional storage arrays simply cannot compete with the Oracle-HP Database Machine."

Oracle and HP have worked together for years on solutions to the rocketing growth in the amount of data businesses have crammed into their machines.

The amount of digital information is doubling or tripling annually and the number of people companies need to have access to that information is multiplying exponentially as well, according to industry statistics.

Washington offers sputtering automakers \$25b in loans

Sputtering US automakers were offered a 25-billion-dollar shot in the arm by Washington Wednesday when legislators agreed to cover the cost of insuring a massive loan from the Energy Department.

While the loans are restricted to funding "advance technology vehicles" and can be offered to any automotive suppliers or manufacturers, they are considered critical for shoring up the fragile finances of General Motors, Ford and Chrysler.

"Funding of the first 25 billion would materially curtail the bankruptcy risk at the US automakers," JP Morgan Chase analyst Himanshu Patel wrote in a recent report where he noted that an additional 25 billion in lower-interest, government loans may be needed.

INTERVIEW

Red tape takes ease off business

World Bank economist reflects on Doing Business 2009

SAJJADUR RAHMAN

Bangladesh is a country tainted by political instability and rivalry, natural calamities, poor infrastructure, energy hunger, bureaucratic tangles and many more such things that can easily make business hard. But an inefficient bureaucracy tops the list.

The sad reflection becomes lucid when the country takes more time in almost all 10 indicators in the recently published Doing Business (DB) Report 2009. Even the country needs more time than all the South Asian nations to do or close a business here.

The time-consuming process is casting a pall on Bangladesh's prospect for a lift in the overall doing business ranking, according to a top World Bank (WB) economist.

"The WB published DB 2009 Report shows that Bangladesh takes more time in almost all 10 indicators than most of the countries, including its neighbours.

Quoting experts, the WB economist said the quality of our bureaucracy has gone down because of politicisation in both recruitment and promotion.

"Better performance of bureaucracy can improve the overall time required for starting or closing a business," Zahid Hussain said. But he said improved performance is needed through reforms of bureaucracy.

"Massive reforms are needed to improve the poor performance of our bureaucracy," he said, adding that

SOUTH ASIANS: TIME REQUIRED FOR DIFFERENT INDICATORS				
Indicators	Bangladesh	India	Pakistan	Sri Lanka
Starting a business	73	30	21	38
Construction permits	231	224	223	214
Registering property	245	45	50	83
Paying taxes	302	271	560	256
Export	28	17	24	21
Import	32	20	18	20
Enforcing contracts	1,442	1,420	976	1,318
Closing a business	4 years	10 years	2.8 years	1.7 years

Other figures in days

nesses in Bangladesh have not been conspicuously successful mainly due to inefficiency and indecisiveness of bureaucracy, while many countries have developed their bureaucracy in line with the investors' demands.

But the term 'bureaucracy' in Bangladesh still suggests a lack of initiative, excessive adherence to rules and routine, red tape and inefficiency. The second factor is lack of commitment of the bureaucracy.

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civil service reforms are the toughest job for a country.

Will a rational hike in salary enhance the bureaucrats' performance? "Salary hike may stop petty corruption," he said.

According to the DB Report 2009, Bangladesh takes 73 days to start a business, 231 days for dealing with construction permits, 245 days for registering property, 302 days for paying taxes, 28 days for export and 32 days for import. Bangladesh needs amazing 1,442 days to enforce a contract and four years for closing a business.

In his assessment Hussain found Bangladesh's time consumption as a major barrier for its fall in the ranking. He also attributed "time-taking" to an inefficient bureaucracy.

The WB official said although Bangladesh's ranking has slipped by six steps from 104 to 110, this year's performance shows a substantial improvement in as many as three indicators.

In the past, improvements were limited to two indicators. There was even deterioration in some indicators in some years. The economist said by historical standards, this is Bangladesh's best performance in a single year on

the Doing Business indicators.

He also reasoned Bangladesh's fall in the ranking on three broad grounds -- inclusion of three new countries, all of them rank above Bangladesh, 16 countries' improved rankings by 10 places and the worldwide faster pace of reforms.

Despite Bangladesh's slip in the ranking, the economist said the country shows significant improvement in three indicators -- starting a business, registering property and paying taxes.

Bangladesh was able to reduce costs by 50 percent for starting a business, time for registering property and paying taxes by 43 percent and 25 percent respectively.

"Bangladesh is the only South Asian country cited for two reforms (registering property and starting a business) compared to India, Sri Lanka and Bhutan cited for one reform each. Pakistan, Nepal, Afghanistan and the Maldives had no reform during the period.

Bangladesh also ranks the highest in terms of legal rights and protecting investors' index in South Asia. The country scored 8 out of 10 along with India in legal rights index



Zahid Hussain

and 6.7 in protecting investors compared to 6.3 for Pakistan and 6 for India.

The credit of Bangladesh's success in reforms goes to the present government, Hussain said. "A special kind of government is running the country. It's relatively easy to do many things as there are no interest groups," he said, citing the example of reforms to Chittagong Port.

Although Bangladesh has achieved significant gains in some indicators, there are many things yet to be done, the WB economist said.

The number of procedures required for Bangladesh to register property is still high at eight, compared to six for India and Pakistan. The cost of property registration as a percentage of the property value is the highest at 10.4 percent compared to 7.5 percent in India, 5.3 percent in Pakistan and 5.1 percent in Sri Lanka.

Bangladesh also ranks the lowest, just above Afghanistan on the number of days -- 1,442 -- it takes to enforce a contract, compared to Pakistan's 976 days and Nepal's 735 days.

Why does India attract more FDI than Bangladesh? The WB official said Doing Business only looks at the regulatory environment, but there are

other factors that affect the FDI flow.

"India has a much larger market size along with natural resources, skill base and relatively more rich infrastructure," Hussain said.

Why the Maldives being a tiny nation performs so well in the report every year? He said sometimes for a small country like the Maldives, the regulatory framework can be less complex. "This could be a possible reason for them having a better ranking," he added.

"Even Dhaka's economy is far more complex than the whole of the Maldives," said the WB economist.

Is there any impact of the Doing Business Report on the economy? Hussain said: "The Doing Business indicators receive wide publicity. This helps a country improve its branding and attract the attention of foreign investors." But he said the DB indicators are more important for countries like Bangladesh that badly need a better image.

For India, he said the indicators might not impact in the same way there, as foreign investors already know about India.

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BANKING

Banks rev up for parties despite crisis

AFP, Singapore

In a world far removed from the crisis on Wall Street, top global banks plan to pamper their wealthiest clients with exclusive parties at the inaugural Singapore Formula One this weekend.

Lehman Brothers may have gone bankrupt and Merrill Lynch been forced into a takeover by Bank of America but it is business as usual for other international banks which plan to splurge on their exclusive club of valued clients.

The first night race in Grand Prix history is one of the rare global events that allows bankers to show appreciation for their wealthiest clients known as "high-net-worth individuals", the banks said.

Hosting these parties alongside the race also allows for golden networking opportunities to further cement business relationships with them, the banks added.

US banking giant Citigroup, which suffered billions of dollars in losses tied to mortgage investments, sees its Grand Prix-related functions as a way of saying thank you to its highly-valued clients.

"This is a small token of our appreciation," a Citigroup spokesman said. He added the bank's "relationship managers" would spend time with the clients while they were in Singapore.

Citigroup has booked "a couple" of trackside suites for the few hundred guests it has invited for the three-day event culminating in the Sunday evening race, the spokesman said.

Citigroup, like the other banks AFP spoke to, declined to say how much it had budgeted to pamper its select group of guests.

A three-day trackside corporate suite package ranged in price from



High-rise banking buildings loom over the financial district in Singapore. Forget about the financial crisis on Wall Street that sent investment bank Lehman Brothers into bankruptcy and another Wall Street titan, Merrill Lynch, into a takeover by Bank of America. It is business as usual for other global banks which plan to splurge on their exclusive club of valued clients when the Formula One Grand Prix flags off for the first time in Singapore this weekend.

3,500 to 7,500 Singapore dollars (2,473-5,300 US) per person, a spokesman for the race promoters said.

Whatever the cost, one analyst sees the banks reaping multiple spinoffs.

"What Formula One has to offer is an environment of an extremely high number of high-net-worth individuals which these banks want to target," said Kevin Alavy of media consultancy Future Sport + Entertainment.

"It's a fantastic networking environment for senior executives to meet people and do deals," he told AFP from London.

Even though the US financial sector is engulfed in its worst crisis since the Great Depression of the 1930s, "there is still an awfully large amount of business to be done," said Alavy.

Banks routinely hold these functions at most Grand Prix races.

French banking giant Societe Generale (SG) said it had booked corporate suites offering "the best views" of the race when world champion Lewis Hamilton of Britain tries to hold off rival Brazilian Felipe Massa.

The bank said its guests would stay in five-star hotels overlooking the track.

"Our support for the event is part

of the strategy devoted by SG Private Banking to cater to the evolving needs of our high-net-worth clients", Pierre Baer, SG Private Banking's regional chief executive, said when asked how the expenditures could be justified at a time of global financial turmoil.

"We are constantly looking for relevant and innovative activities of interest to our high-net-worth clients," he said.

The bank has hired a private yacht to cruise in Singapore waters, and said it had collaborated with a high-end luxury brand for a fashion show aboard the boat.

Swiss banking giant Credit Suisse, official partner of the BMW Sauber F1 team, is inviting 1,000 international guests to the race.

Some will be treated to up-close action at the Paddock Club -- the most exclusive corporate suites where everything from Maine lobster to marble of duck liver, risotto, and cheeses will be served.

Lito Camacho, the bank's regional vice chairman, said Paddock Club guests would get "close interaction" with the F1 drivers, pit lane access, and the chance to experience a race car simulator.

British bank Standard Chartered has also caught F1 fever, inviting 200 guests from around the world for this weekend's race.

"The F1 is a fantastic opportunity to engage our clients... The F1 is the most significant investment we have made in a client entertainment opportunity in recent times in Singapore," said V. Shankar, a senior executive with the bank.

Aside from the race, Standard Chartered was planning "unique dinners and other opportunities" for guests to mingle and network, he added.