

Stocks

DGEN ▼ 1.25%
2,561.63

CSCX ▼ 0.74%
5,123.75

Asian Markets

MUMBAI ▲ 0.05%
9,471.04

TOKYO ▲ 3.32%
8,488.30

SINGAPORE ▲ 2.54%
1,706.34

SHANGHAI ▲ 0.56%
2,338.42

Currencies

Buy Tk Sell Tk
USD 68.50 69.50

EUR 91.97 96.67

GBP 98.73 103.67

JPY 0.70 0.73

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼ \$935.00
(per ounce)

Oil ▼ \$53.05
(per barrel)

SOURCE: AFP

(Midday Trade)

More News

Cosmetics brands
beat all odds



Sanjida Rahman, a 29-year-old lawyer, loves using internationally renowned cosmetics, as these brands are reliable and available in the local market. "I feel comfortable using international brands, as I don't have to worry about the quality and can completely rely on them," she said.

B-4

International

AIG to give back 50 million
dollars in bonus cash

Executives with AIG's financial products division have agreed to pay back 50 million dollars in bonuses amid outcry over the insurance giant's use of taxpayer cash for executive perks, officials said.

Arroyo says 41,000
Philippine jobs lost to crisis

At least 41,000 people in the Philippines have lost their jobs amid the global downturn, President Gloria Arroyo said Tuesday. The number includes overseas-based contract workers sent home from recession-hit host economies as well as employees in local factories reeling from slumping global demand, she said in an interview on government radio.

B-4

Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

End of an era

British Airways set to exit from Bangladesh

SOHEL PARVEZ

British Airways (BA) is set to bring down the curtain on Bangladesh next week, ending an era of direct Dhaka-London flights.

Travellers are expected to pass more hours on their ways to Europe and North and South Americas.

The airline will say goodbye to Dhaka by making its last takeoff on March 28, as it finds the route "non-profitable".

"It's disappointing. Now I will have to detour to Europe. I could save time flying by British Airways," said Dr Fahmida Khatun, who used to travel to Europe by the UK's largest carrier quite frequently.

Fahmida, also an economist at the Centre for Policy Dialogue (CPD), said travel by British Airways was convenient.

Many other professionals, businesspeople, Bangladeshi immigrants also preferred this carrier to others for its direct flights.

British Airways, which entered Bangladesh in 1972, had been operating three flights a week on the Dhaka-London route, offering local business people, expatriates, non-resident Bangladeshis as well as students the fastest travel to London, various European destinations, North and South Americas.

BA officials said the airline used to take 10 hours on an average to reach London from the Bangladesh capital with its 276-seater Boeing-777.



A notice is posted on the glass door of the British Airways office in Dhaka to announce the airline's exit from Bangladesh.

Earlier, the Association of Travel Agents of Bangladesh (ATAB) urged the BA authority to reconsider its decision on the suspension of Dhaka-London flights. But its plea remained unheeded.

Following the exit of the airline, which flies more than 550 destinations, travellers will now need about 15 hours to go to London, as the existing carriers, including Biman Bangladesh Airlines, offer travels to Europe and other North Atlantic destinations via different airports like Dubai.

British Airways, according to officials, enjoyed about 80 percent load factor on an average on its Dhaka-London flights, as business class travellers were one of its main strengths.

"Our customers are very unhappy, so am I," said a BA official.

The official goes into voluntary retirement along with around 40 of his colleagues.

"It's the end of an era as operations of the oldest airline culminates here," said Kazi Wahidul Alam, editor of The Bangladesh Monitor, an aviation and tourism fortnightly.

"Travellers will be affected much as their travel times will increase," said Alam, "Now travellers will have to go to their destinations either through the Middle East or Far East spending five-seven hours more."

"Mostly affected will be corporate and business travellers," he said.

The airline, however, said it would continue its cargo operation, using connecting flights via the Middle East. sohel@thedailystar.net

Airlines face losses of \$4.7b in 2009: IATA

AFP, Geneva

Airline industry association IATA on Tuesday sharply increased its loss forecast for carriers to 4.7 billion dollars in 2009, which is set to be "one of the toughest years" that the sector has faced.

The new forecast, equivalent to 3.4 billion euros, by the International Air Transport Association marked a sharp rise from the 2.5 billion dollars in losses for 2008 that it predicted in December.

The industry group also raised its estimate of total airline losses for 2008 from 8.0 billion dollars to 8.5 billion dollars, blaming a "very sharp fall in premium travel and cargo travel."

"2009 is shaping up to be one of the toughest years that the airline industry has ever faced," said Giovanni Bisignani, IATA's director general, who also described the year as "grim."

While the forecast losses for 2009 were barely a fraction of the 13 billion dollars the industry lost in 2001 following the September 11 attacks in New York, Bisignani pointed to rapidly deteriorating revenues to stress the severity of the current crisis.

In December, the industry association forecast revenues would fall 35 billion dollars or 6.5 percent for 2009, but on Tuesday, it raised the loss to 62 billion dollars or 12 percent.

Bisignani called it a "shocking difference."

The industry is particularly hurt by the fall in premium traffic, or first class and business class seats, where airlines typically make their money.

Although the airline industry's prospects may improve towards the end of the year, "expecting a significant recovery in 2010 would require more optimism than realism," Bisignani insisted.

"Given the scale of this crisis and the impact on premium traffic and revenues,



even with the best of optimism, I do not expect a significant recovery in 2010. This impact of this crisis will be with us for some time," he warned.

The only bright spot is falling fuel prices, noted Bisignani. Oil prices have plunged from a peak of over 140 dollars a barrel last July to around 50 dollars now.

However, some airlines anticipated that prices would continue soaring and therefore hedged or took out forward contracts based on the higher prices last year.

They are now paying elevated prices despite the fall, IATA explained.

Overall demand is projected to continue to slide this year, with passenger traffic shrinking by 5.7 percent over the year.

Asian-Pacific carriers are expected to be the worst hit, with the biggest losses to be posted by these airlines amounting to 1.7 billion dollars this year as demand tumbles 6.8 percent.

District-wise budgets planned for future

Says finance minister

STAR BUSINESS REPORT

The government will take initiatives to frame district-wise budgets in future, said the finance minister yesterday.

"Budgets for some districts will be framed on a pilot basis from the next year," AMA Muhith told a workshop in Dhaka yesterday.

Held at the Cirdap auditorium, the workshop on Gender Budgeting in Bangladesh was organised by

Unnayan Shamannay with support from the Canadian International Development Agency, Dhaka (CIDA) to motivate policy makers to frame national budgets that focus on reducing existing gender inequalities.

Canadian High Commissioner to Bangladesh Robert McDougall also spoke on the occasion. Representatives of NGOs and union councils also took part in the discussion, chaired by Unnayan Shamannay Chairman Atiur Rahman.

The minister promised to disaggregate the impacts of gender in the budgets of three ministries and unveiled his plans to merge both development and revenue budgets, to present in an integrated outlay.

He said disaggregated accounts on the



AMA Muhith

implications of gender in the Ministry of Education, Health and Social Welfare would be provided.

On combining both non-development and development expenditure, he said: "It's my long cherished vision to do so. I am merging these two to bring about positive outcomes."

Discussions demanded a rise in the targeted expenditure for women, more entry of women in technical educational fields and appointment of women in field level agricultural extension activities.

They also wanted a rise in the budget to assist destitute women and widows, so that more women reap the benefits.

Muhith said an elimination of gender inequality requires a change in mindset. He cited his experience in the government during the early 80s and said: "I don't see any major change in the mindset, in regards to reduction of gender inequalities."

The face of the government remains male-dominated, although some key positions have been taken over by women, he said.

"Without affirmative action, women empowerment can not be attained," he pointed out.

The finance minister said he would try to incorporate the representation of women, workers and migrants in the recently formed taskforce on recession.

Motorola launches WiMax trial programme

STAR BUSINESS REPORT

Motorola Telecommunications Bangladesh yesterday expressed its readiness to provide cost-effective services to prospective WiMax operators here.

"We cannot be the cheapest, but we will definitely be cost-effective in Bangladesh," said Sabbir Ahmed Khan, president Motorola Telecommunications Bangladesh.

Motorola launched its WiMax trial programme in Bangladesh yesterday aiming to show the multiple-use of WiMax for customers.

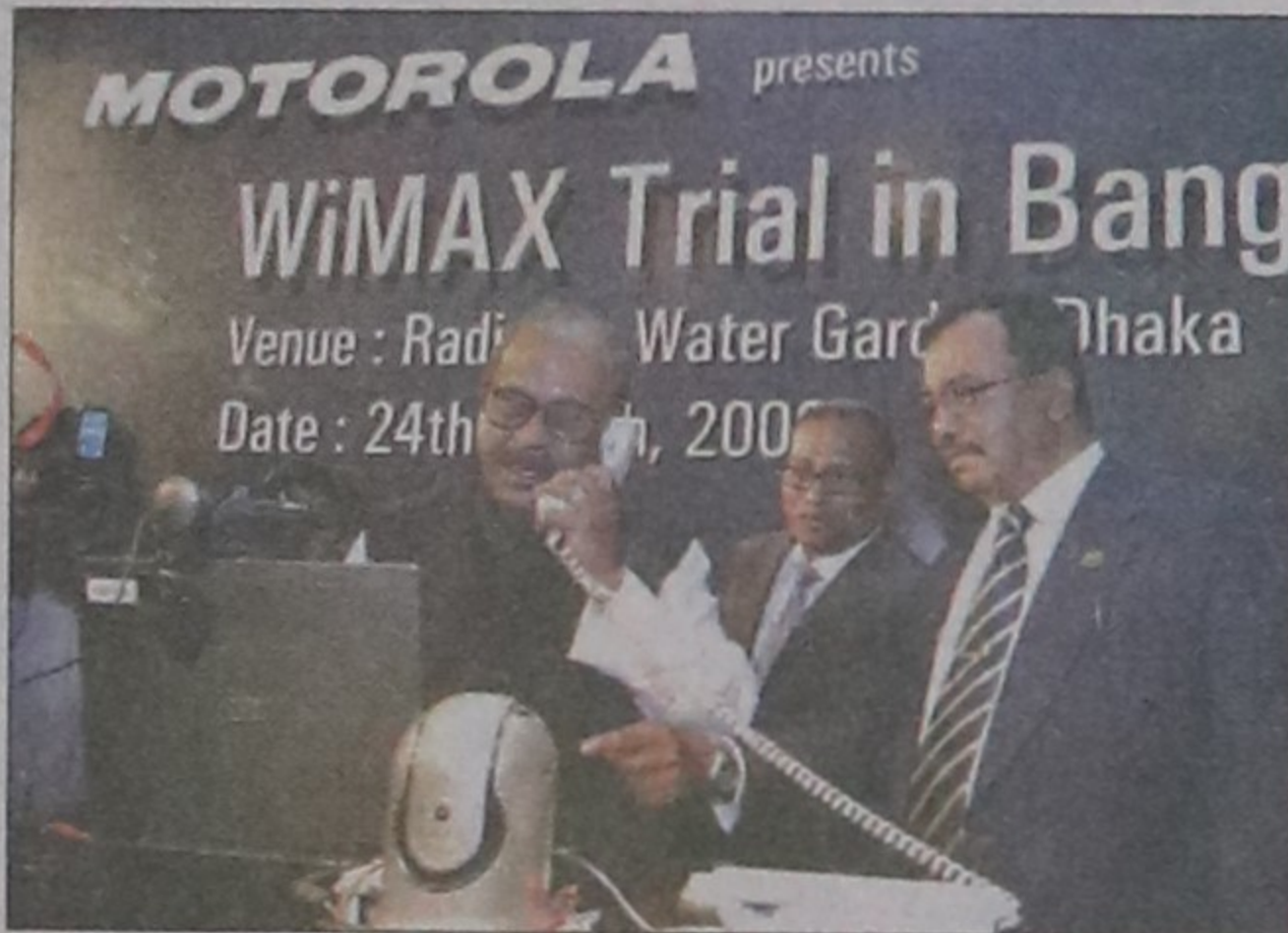
Post and Telecommunication Minister Rajiuddin Ahmed Raju inaugurated the month-long WiMax trial programme.

Talking to The Daily Star, Khan said Motorola is yet to get any customer in Bangladesh to provide WiMax services.

BanglaLion Communication, Mango Telecom and Augere Wireless Broadband Bangladesh are set to roll out their services.

WiMax (Worldwide Interoperability for Microwave Access) is a wireless digital communication system that can provide broadband wireless access across 30 miles for fixed phone, and three-ten miles for mobile stations.

BTRC keen to ease costs of 3G licensing



STAR

Telecommunication Minister Rajiuddin Ahmed Raju inaugurates Motorola's WiMax trial programme in Dhaka yesterday.

STAR BUSINESS REPORT

The telecom watchdog is looking for a suitable way to award mobile phone operators 3G licences to ensure licence-acquisition fees are not a burden to prospective operators.

"We are almost ready to finalise the guidelines on 3G licensing. We are moving cautiously. We are looking for a suitable mechanism to award the licences," said Zia Ahmed, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC) yesterday.

The BTRC chief was speaking to reporters at a

programme titled "WiMax Trial in Bangladesh" at Radisson Water Garden Hotel.

In response to queries over whether they would go for an auction to award 3G licences, Ahmed said: "Whatever mechanism the BTRC adopts, it will be decided after discussing with all stakeholders."

BTRC initiated an auction in September last year to award WiMax licences, the first-ever high-speed technology. However, the auction price was so high that the some bidders left the race, despite winning.

The Tk 215 crore WiMax bid price became a burden

for the local licensees and some are struggling to realise the hefty amount.

Asked on how BTRC may manage bid prices, Ahmed hinted that they are thinking of ways to award the 3G licences by minimising floor prices.

In an open announcement in November 2008, the former BTRC chairman said BTRC is getting ready to award 3G licences by March 2009.

However, the current chairman yesterday said it might take time as BTRC has become extra-cautious in awarding the latest technology.

As per BTRC's announced plan, of the six mobile operators, three will be awarded 3G technology to serve Bangladesh's 45-million mobile customer market.

Third-generation technology enables network operators to offer users a wider range of advanced services while achieving greater network capacity through improved spectral efficiency.

At present, the Bangladesh mobile market runs on 2.5G technology.

In Bangladesh, the telepenetration rate is 31 percent while the internet penetration rate is still below 1 percent.

Demand for rate cuts kicks up debate

SAJJADUR RAHMAN

Demand for lowering bank-lending rates has come to the fore, kicking up a debate on the issue.

But a consensus is in place that this rate cut is essential for private-sector investment, a driving force of the economy.

Considering the high rate, the central bank, which usually plays a guiding role, now puts in efforts to convince banks to go for rate cuts.

Many banks link the cuts to a government bid to reduce savings instrument rates, as money holders go for buying the instruments for higher gains and the banks have no alternative to offering more to net the money.

"A reduction in the deposit rate will certainly slash the lending rate," said Helal Ahmed Chowdhury, managing director and chief executive officer of Pubali Bank Limited.

"It is not possible for us to reduce the lending rate unless the government does

it with its savings instruments," said another top banker of a private commercial bank.

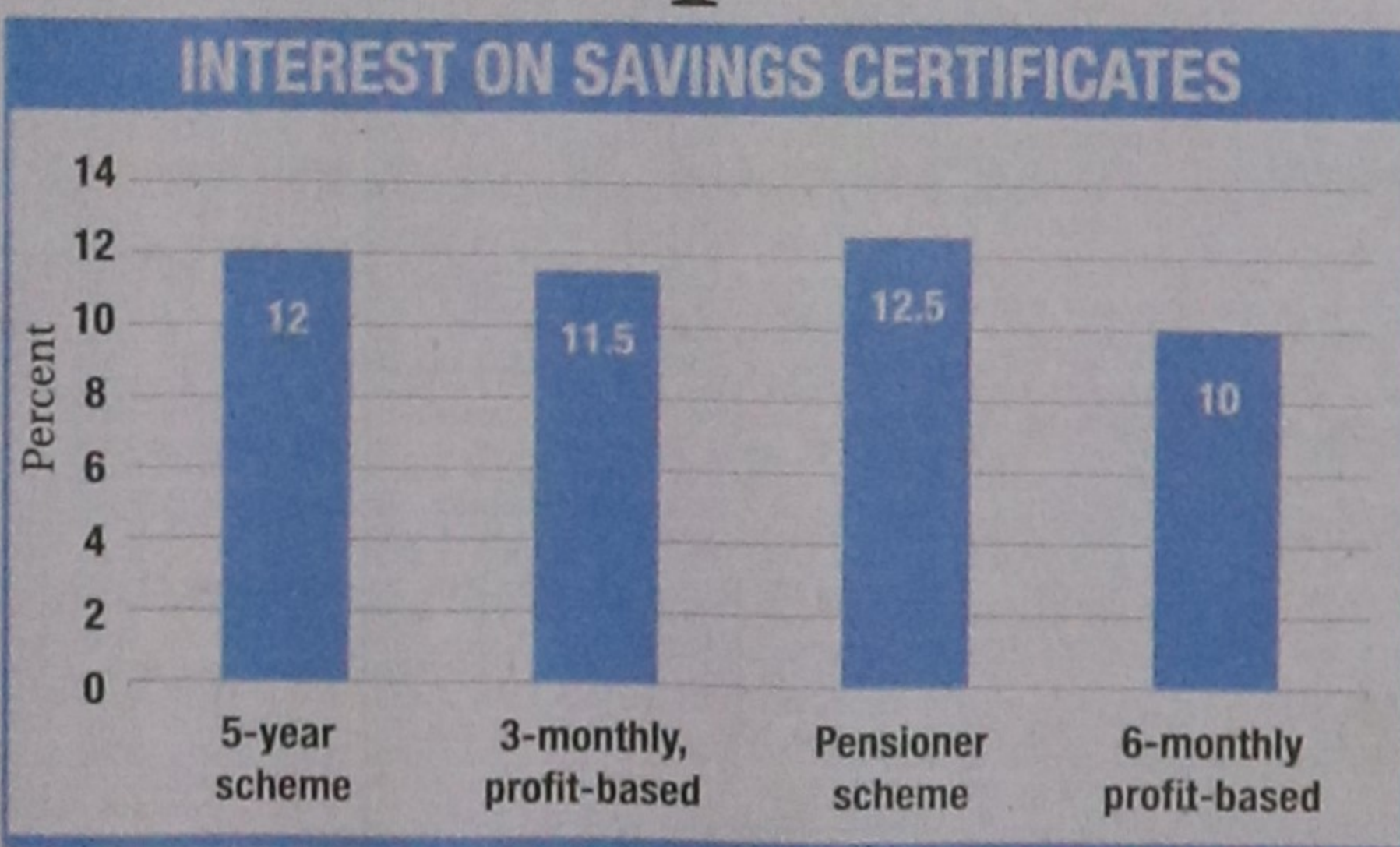
A debate also goes on about determinants of the lending rate.

Shahjahan Bhuiyan, the United Commercial Bank MD, does not think that merely savings certificates should be blamed. "The rate depends on some other factors," he said.

"Inflation and overall economic activities are the two other major determinants of such a rate," Bhuiyan said.

Bangladesh Bank (BB) is also in a fix as commercial banks are yet to go for a rate cut despite its recent cut in its short-term lending rates (repo) by 25 basis points to 8.50 percent.

BB uses short-term interest rates, such as repo and reverse repo rates, as indirect instruments of monetary policy, which in turn affect long-term rates and finally aggregate demand. Reduction in repo rate is a widely accepted measure to cut the lending rate because banks' cost of borrowing is reduced with the move.



There are several types of savings certificates, which include 5-yearly, 3-monthly profit-based, pension certificate and 6-monthly profit-based certificate.

A 12 percent interest rate is offered for

5-yearly one, while it is 12.50 percent for pension savings certificate and 11.50 percent for 3-monthly one.

The bankers argue that they are to offer more than the interest these savings certificates do, if they desire to

attract long-term deposits.

"We offer 13.25 percent interest for the fixed deposit scheme," said Shahjahan Bhuiyan.

BB data shows a 17.6 percent growth in bank deposits during FY08. The deposit growth was 16.5 percent in FY07. It also shows that over 40 percent of bank deposits come from the fixed deposit scheme.

Khondaker Ibrahim Khaled, the chairman of Bangladesh Krishi Bank, said deposit rate and savings certificate are the same -- one is done by banks and the other by the government.

Khaled sees the present low inflation, an important determinant of lending rate, as a scope for a rate cut.

Termining the link between the lending rate and deposit rate of saving instruments 'a half truth,' the career banker said, "Now banks can reduce the rate at 11-12 percent as the inflation rate now hovers around 7 percent."

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