International Business News

IATA halves airlines 2010 loss forecast on Asia recovery

AFP, *Geneva*

Airline industry group IATA on Thursday halved its 2010 loss forecast for airlines to 2.8 billion dollars as a recovery led by Asia and Latin America proves stronger than expected.

"For a change today we have some good news to present. The good news is that we're cutting our loss forecast in half," said Giovanni Bisignani, director general of the International Air Transport Association.

"You may say it's still a red number ... it's probably too early to have a party ... but it's something very, very positive for the industry and a good signal for the economy."

Asian carriers are expected to post profit of 900 million dollars in 2010, reversing losses of 2.7 billion dollars in 2009.

"Cargo markets are particularly strong with long-haul cargo capacity for shipments originating in Asia experiencing a capacity shortage. Demand is expected to grow by 12 percent in 2010," IATA said.

Latin American airlines are also forecast to record profits of 800 million dollars for a second consecutive year.

With less debt than their European counterparts, Latin American carriers have also benefited from ties with Asia.

"We are seeing a definite two-speed industry. Asia and Latin America are driving the recovery. The weakest international markets are North Atlantic and intra-Europe which have continuously contracted since mid-2008," said Bisignani.

Google prepared to quit China over censor feud: Executive

AFP, *Washington*

A top Google executive told US lawmakers Wednesday that the Internet giant is prepared to leave China if Beijing says it must censor Web searches or quit the world's most populous online market.

"Google is firm in its decision that it will stop censoring our search results for China," Google vice president and deputy general counsel Nicole Wong told the US House of Representatives Foreign Affairs Committee.

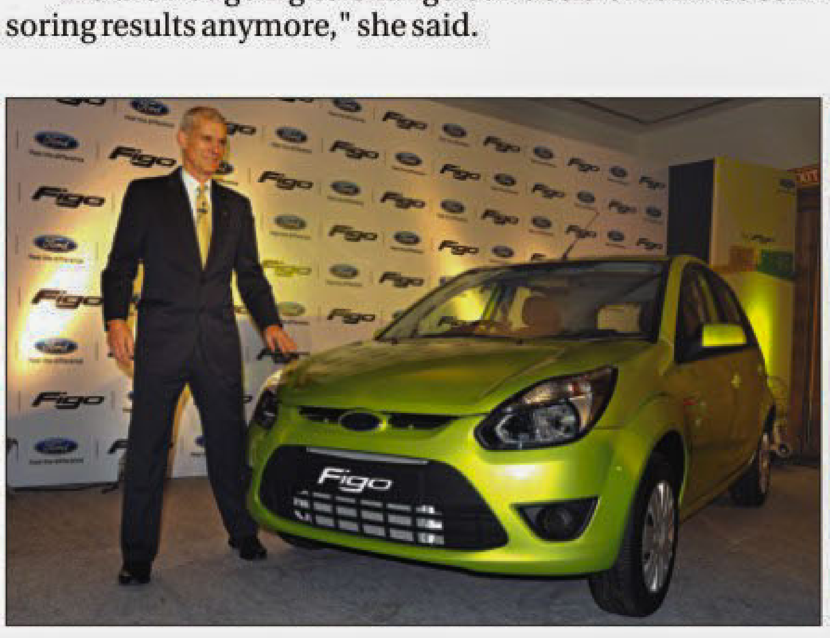
"If the option is that we'll shutter our .cn operation and leave the country, we are prepared to do that," she said at a hearing on the relationship between Internet technology and aiding democratic activists around the world.

Google threatened in January to leave China over what it said were mid-December cyberattacks aimed at its source code and at the Gmail accounts of Chinese human rights activists around the world.

In the meantime, Google has continued to filter results on its Chinese search engine, Google.cn, and posted ads for dozens of positions in China, which has the world's largest number of online users at 384 million.

Wong said the company was mindful that it has "hundreds of employees on the ground" and understands "the seriousness or the sensitivity" of its decision but "we will stop censoring" search results in China.

"We are not going to change our decision on not censoring results anymore," she said.



AFP

Executive Director (marketing) of Ford India Nigel Wark poses next to the newly launched Ford Figo during a press conference in Bangalore yesterday. Auto giant Ford Motor Company launched its bid to enter India's lucrative small car market, unveiling a brand new model to compete with international rivals from General Motors, Volkswagen and Hyundai. The petrol version will cost about $8,700 making it significantly more expensive than ultra-low-cost local models such as Tata Motor's famous Nano, which sells at less than $3,000.

BMW posts poor 2009 results, says outlook brighter for 2010

AFP, *Frankfurt*

German luxury car maker BMW on Thursday reported a 36.4 percent drop in 2009 net profit but also issued an upbeat 2010 forecast.

BMW said its 2009 profit had fallen to 210 million euros (287 million dollars) as boss Norbert Reithofer updated provisional figures.

A company statement added however that sales by the world's leading luxury auto manufacturer were expected to increase this year by 50,000 vehicles to 1.3 million.

Although the global economic crisis sent unit sales plunging by 12.6 percent last year, BMW fared better than rival Daimler, because the maker of Mercedes Benz cars posted a 2009 loss of 2.6 billion euros.

"We are prudently optimistic for the current year," Reithofer was quoted by the statement as saying.

Philippines drops global crisis response measures

AFP, *Manila*

The Philippine central bank said Thursday it had kept interest rates unchanged but would phase out "crisis response" measures introduced during the global financial meltdown.

The key measures focused on liquidity for banking institutions, but the central bank said they were no longer needed as the Southeast Asian nation's economy was showing strong signs of improvement.

"The Monetary Board noted that a broad range of indicators point to increasing momentum in domestic economic activity," it said in a statement after the policy-setting body's monthly meeting.

TELECOM

Disorder behind glitzy facade

A ROUF CHOWDHURY

The policy of liberalisation in the telecom sector initiated by the previous Awami League government more than a decade back permitting competitive carriers to operate parallel to the state-owned operator (BTTB, currently BTCL) has resulted in an impressive growth in teledensity, and the subscriber count now is close to 54 million. However, this growth has been totally confined to the mobile sector led by five foreign operators owning 51 million subscribers out of a total of 52 million. The remaining one million subscribers belong to the state-owned mobile operator, Teletalk. The PSTN (Public Switched Telephone Network) sector with a current subscriber base of 1.6 million is still dominated by BTCL owning 1 million and the remaining 0.6 million by the private PSTN operators. The private PSTN operators owned and operated by the local entrepreneurs are plagued by a multiplicity of problems and have not been able to take off as yet. The same is true for the local internet service providers (ISPs). Only with the recent involvement of the mobile operators, the data subscriber count has risen to about 4 million.

The achievement of 35 percent teledensity with a subscriber base of 54 million coupled with the recent phenomenally low tariff in Bangladesh is undoubtedly impressive and dazzling. But behind a glitzy façade of the telecom industry there are some unpalatable truths that should be addressed. This is due to serious policy shortcomings.

The mobile operators in the beginning were given licences with all the spectrum resources at throwaway prices presumably in the interest of a fast takeoff. These companies brought in initial investments in hard currency but for subsequent network expansion, money was raised from the local market in the form of syndicated bank loans.

Nationwide telecom networks, especially mobile, require a huge investment and it is appropriate to have a liberal government policy for attracting foreign telecom operators to invest in Bangladesh. Many foreign operators are continuing to show interest because of the huge growth potential that Bangladesh promises. In such a backdrop, the investment policy must be clearly defined maintaining a balance between national interest and the profit potential of the foreign investors.

As regards local entrepreneurs and operators, the picture is very grim and the policy objective of providing encouragement to them has never even existed. A case in point is the state of the PSTN operators. Right from the beginning, this sector has been a victim of bureaucratic negligence and high-handedness. The BTRC (Bangladesh Telecommunication Regulatory Commission) has issued too many operator licences without dedicating a clearly defined market segment to the PSTN operators. No business analysis was conducted to determine the economic viability of the operators, the market size and the optimum number of operators. The licence fees, spectrum charges and revenue sharing model were set arbitrarily. The interconnection regime, which is the foundation of any telecom operation, was completely anti-competitive and in favour of the mobile operators. The taxation regime gave absolutely no encouragement to the local operators.

The PSTN operators, in service for several years now, are in such dire straits that they are running the risk of bankruptcy and thus bringing down the total local industry since their owners are also linked with other valuable enterprises, which cannot be decoupled as per law. The operators have taken up their issues with the BTRC on numerous occasions but other than forming committees to formulate some recommendations, nothing of substance has ever been implemented.

The PCO (public call office) segment, which is clearly a fixed service and naturally belongs to the PSTN operators, is being served by the mobile operators and none seems to care.

The PSTN operators were barred from acquiring new licences such as International Gateway (IGW) or Interconnection Exchange (ICX) during the caretaker government even though these are fixed services and they are the natural contenders being local entrepreneurs having all the requisite technical facilities and expertise at hand. The single decision of making them eligible for these licences would have made them financially viable outright. It is understood that the new ILDTS (International Long Distance Telecommunication Services) Policy-2009 adopted in a recent cabinet meeting permits individuals and companies to obtain new IGW/ICX/IIG licences in more than one category. It is to be seen that the implementation guidelines to be developed now by the BTRC truly reflect the spirit of the above policy decision.

A Rouf Chowdhury

INTERNATIONAL CALL TERMINATION

Bangladesh receives around 65 million minutes of international traffic daily and only about 35 million minutes pass through the international gateways. The remaining 30 million is unaccounted for but they all terminate on the mobile and PSTN networks. The total capacity of the PSTN operators is about 10 million minutes. For argument's sake, if we assume that the PSTN operators do not have any genuine local traffic and their total traffic is international masked as local, we are still left with 25 million minutes directly terminated by others. This issue has been brought to the attention of the BTRC many a time but whenever there is a directive from the government to curb illegal call termination, a flurry of activities is initiated, victimising the poor PSTN operators and some quick points are scored. The real call traffickers are always shielded in the process.

NATIONAL TELECOM INFRASTRUCTURE

The basic building blocks forming the national telecom infrastructure should be under the control of the indigenous companies, government or privately owned. Ideally, BTCL (Bangladesh Telecommunications Company Ltd) having the blessings of the state and run by the taxpayers money, should have built the national telecom infrastructure and facilitated the service providers to run their networks over it. In other words, BTCL's network should have been the network of networks at the wholesale level. At the retail level, the private sector operators should have been entrusted with the responsibility of providing service as they generally excel in it compared to the government. Unfortunately, BTCL failed in building the required telecom infrastructure and the mobile operators filled in the void in long-haul transmission. Of late, a few National Telecom Transmission Network (NTTN) licences were given but in the presence of multiple nationwide fibre networks owned by mobile operators, their financial viability is questionable.

As regards the basic infrastructure such as International Gateway, Interconnection Exchange, International Internet Gateway (IIG), the policy was right in not permitting the foreign operators to offer these services. Our national operators are more than capable to build and operate these basic infrastructure facilities.

UNIFIED LICENSING REGIME: A UNIQUE OPPORTUNITY TO SET THINGS RIGHT

The telecom licensing system in Bangladesh has become outdated given the tremendous technological advancements that have taken place in the last two decades. In such a backdrop, the initiative taken by the BTRC to engage David Butcher & Associates (Consultant) to give recommendations on future ULR (Unified Licensing Regime) framework is very timely and commendable.

The consultant has submitted its draft recommendations based on ULR principles such as neutrality, simplicity and flexibility and the proposal is to migrate all existing licences to a category called Facilities Licence to cater to wholesale services and another category called Retail Service Licence for end-users with a built-in mechanism to accommodate all types is an excellent solution to a very complex problem. Utilising the schedules under each licence category to accommodate the existing peculiarities is a unique solution.

The basic telecom infrastructure of the country should remain with the local operators and entrepreneurs, and foreign operators must not be permitted in this area. They should be restricted only in areas, which require a colossal amount of investment usually not within the reach of the local entrepreneurs. A clear migration strategy should also be in place so that the local entrepreneurs can gradually take over these networks in future.

RECOMMENDATIONS

1. Issue basic infrastructure licences such as IGW/ICX/IIG to the national operators immediately as per the new ILDTS Policy-2009, which accommodates individuals and companies in multiple categories. Mini, Medium and Large IGW licences may be issued with licence fees proportional to capacity. Such a policy will legalise VoIP (Voice over Internet Protocol) and unleash competition among the operators, small and large, across the country resulting in reduced international call rate as well as employment of many technically educated youth.

2. Permit migration of licences from one category to another, especially in the ailing segments such as PSTN and ISP, with the condition that valuable underutilised resources such as spectrum are returned to the BTRC. For example, a regional PSTN operator may be allowed to migrate to a medium capacity IGW (capacity: 100 E1's) with the standard revenue sharing conditions. The spectrum assigned to the operator must be returned to the BTRC as part of the migration deal.

3. Give incentives to the local operators such as BTCL and the PSTN companies in terms of differentiated tariff, interconnection fee, revenue sharing percentage, spectrum fee, etc. as per the professed policy objectives mentioned earlier.

4. Clearly stipulate the maximum profit that can be repatriated by the foreign operators. This amount can be based on a percentage of the foreign investment made by the company initially and subsequently. If a company makes more profit than the amount permitted to be repatriated, the extra amount must be invested in the country in some allied local industry sectors.

The Bangladesh Bank and the Board of Investment must have an appropriate monitoring and control mechanism in place.

5. All foreign operators must bring in foreign investment in hard currency. The practice of raising syndicated bank loans for network expansion should be barred for the foreign operators. This valuable national resource should, in principle, be available to the basic infrastructure segment such as roads, highways, bridges and power stations and to local entrepreneurs for investment in other industries.

6. When the mobile operator licences come up for renewal in 2011, the fee should be based on the commercial value of the allocated spectrum and the fee paid by the latest entrant (Warid) should be the minimum benchmark.

7. For the operators that have already attained the significant market player (SMP) status, introduce structural and accounting separation of the constituent units. This will be a safeguard for the small operators against the anti-competitive and predatory pricing practices of the SMP's. Monitor their behaviour on a continuous basis. Otherwise, the small operators will head to bankruptcy.

The writer is the president of the Association of PSTN Operators, Bangladesh.

WEALTH

Mexican Carlos Slim now the world's richest

AFP, *New York*

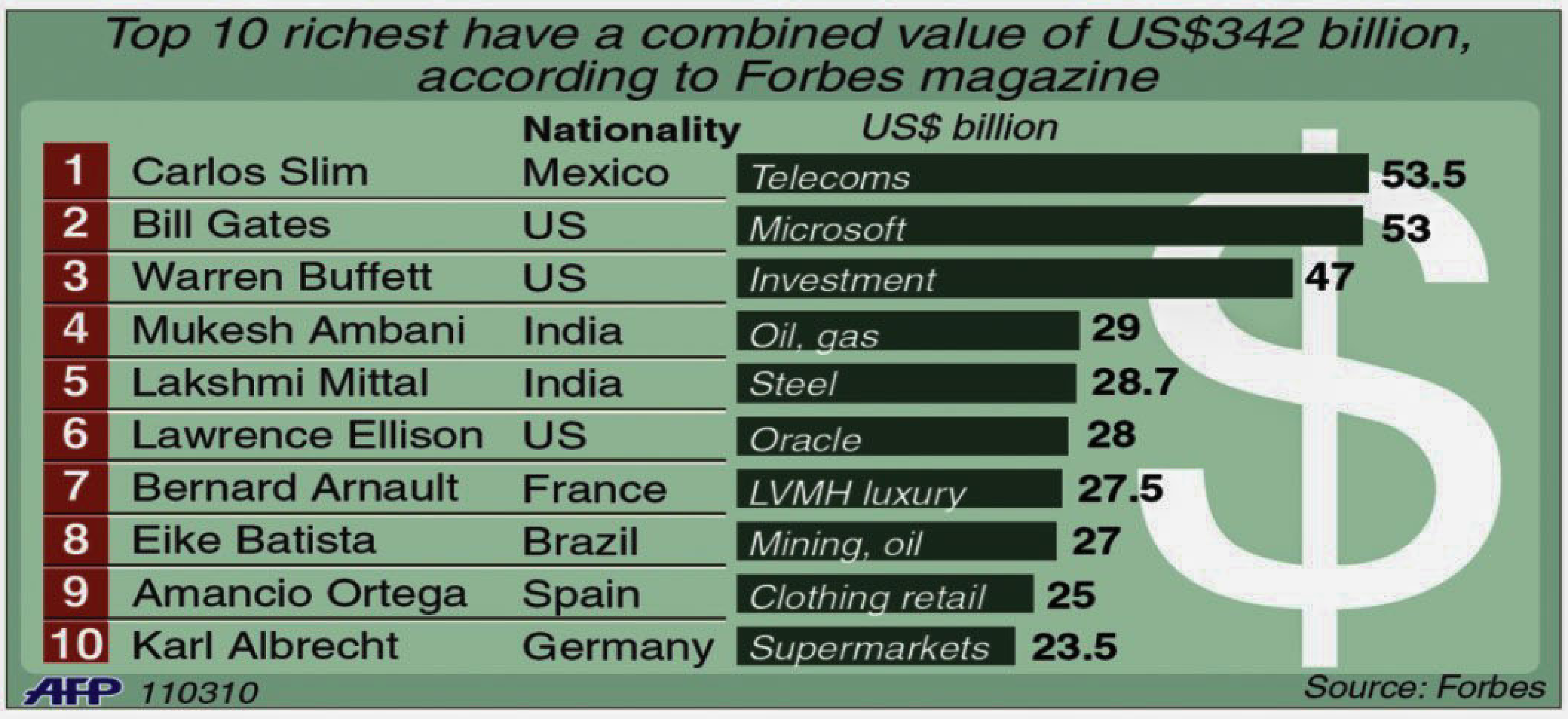
Mexican tycoon Carlos Slim has dethroned Microsoft founder Bill Gates as the world wealthiest person and China is fast catching up with the number of US billionaires on the annual Forbes rich list.

The new annual list saw the 70-year old Slim catapult from third place last year to the top spot, thanks to the success of his America Movil company, Latin America's biggest mobile phone operator.

Slim's fortune was estimated at 53.5 billion dollars, according to Forbes, which said his wealth increased by 18.5 billion in 12 months.

Gates, 54, slipped to second place with 53 billion dollars while American super investor Warren Buffett was third with 47 billion dollars.

The United States remained by far the dominant home of the super-rich, with 403 billionaires, or 40 percent of the world's ten-figure fortunes, down from 45 percent.



China moved up to second place with 64 billionaires, including 27 newly minted ones. Including Hong Kong, China has 89 billionaires.

Share in Slim's America Movil, of which he owns a 23-billion-dollar stake, have gained 35 percent in a year. Slim learned his business acumen from his father, a Lebanese immigrant, who gave each of his children a savings book to manage income and expenses.

He studied civil engineering and later built up the telephone monopoly Telmex after acquiring it from the government in 1990.

A widower with six children, Slim has handed over the daily operations of his companies to his three sons and business partners but remains a well-known public figure in Mexico.

He has recently made investments in telecommunications across the Americas, and have diversified his holding in areas of water and electric utilities.

Forbes counted 1,011 billionaires from 55 countries, up from 793 last year, though still below the pre-crisis 1,125 listed in 2008.

Gates' worth has increased from an estimated 40 billion dollars last year.

The Microsoft co-founder had held the title of world's richest for 14 of the previous 15 years.

Buffett, who at 79 is considered one of the most reliable and successful Wall Street investors, has gone up from 37 billion dollars in the recession hit list last year.

There has been a wealth resurgence after the financial turmoil of 2008 and 2009, with the top 10 worth a combined 342 billion dollars, compared to 254 billion dollars in the previous year.

"The global economy is recovering. The financial markets came back, especially emerging markets," said magazine editor-in-chief Steve Forbes.

"There's a 50 percent increase in general global wealth compared to last year," Forbes said.

Certainly the economy recovered for the super rich, who took a beating during last year's stock and commodity market collapses, but saw across-the-board gains this year.

The list includes 97 fresh billionaires, 62 of them charging out of Asia, a region that saw booming stock markets and several large public offerings in the past year.

Russia comes in third with 62 billionaires, many of them commodities kings who fell off the list last year, only to see their vast natural resource holdings regain value this year.

Europe is still the number two super-wealthy region, with 248 billionaires. The richest European is France's Bernard Arnault, 61, whose LVMH sells Louis Vuitton, Moet & Chandon, and other luxury goods, with his net worth at 27.5 billion dollars.

Just behind is Spain's Amancio Ortega, owner of the Zara clothing chain, with 25 billion dollars.

Asia trails Europe by only 14 billionaires and the region's net worth of 729 billion dollars is double what it was a year ago.

The region's richest man, oil-and-gas tycoon Mukesh Ambani, 52, climbed to four from seven on the list with a net worth of 29 billion dollars, up 9.5 billion.

NOTICE

We have dropped our regular IT&Telecom page for today. It will come out on Sunday.