

International Business News

India watchdog urges scrapping of telecom licences

AFP, New Delhi

India's telecom watchdog has called for the licences of operators caught up in what could be the country's largest corruption scandal to be cancelled, a statement said Saturday.

The proposal to cancel 38 permits came as the government reeled under fierce attacks from opposition parties for the way second-generation (2G) licences and radio bandwidth were awarded two years ago.

The firms affected by the recommendation include the Indian joint ventures of Norway's telecommunications giant Telenor and Emirates Telecommunications Corp, junior communications minister Sachin Pilot said in a statement.

The Telecom Regulatory Authority of India, or TRAI, has also recommended the cancellation of 31 more licences including a joint venture of Russia's Sistema investment holding company but only after a further legal examination.

The Congress-led government plans to "take necessary action after verification of data and after taking legal notice," Pilot said in the statement posted on a government website.



French leisure group Club Med Chairman Henri Giscard d'Estaing talks during a press conference in Paris on Thursday. Club Med said it had cut its net loss by a factor of four in its 2009-2010 financial year, and said the prospects for 2011 with a sustained rise in reservations.

EU bank stress tests to made regularly: Trichet

AFP, Madrid

The president of the European Central Bank, Jean-Claude Trichet, Friday said bank stress tests were "useful" and would be organised regularly in the European Union.

"Stress tests are useful and will be made on a regular basis," he told a news conference after attending a Madrid conference on cooperation between eurozone and Latin American central banks.

The stringency of European stress tests has been called into question by the markets.

Bank of Ireland and Allied Irish Banks passed the exams in July, only to be propped up by the state a few months later in a move that helped push Dublin into needing an 85-billion-euro rescue package from the European Union and IMF.

"Stress tests are a very useful concept and tool. It is certainly important that they are made on a regular basis," Trichet said.

The EU economic affairs commissioner, Olli Rehn, said this week new "even more rigorous and even more comprehensive" stress tests would be organised in February, this time including a look at liquidity positions.

Court orders Air India to rehire overweight air hostess

AFP, New Delhi

An Indian court ordered state-run Air India on Friday to rehire an airline hostess that the carrier had sacked nearly a decade ago for being overweight.

Dismissed overweight women have previously unsuccessfully challenged Air India's policy in Indian courts, which upheld clauses in the group's employment contracts.

Neepa Dhar, 44, joined the carrier as an airline attendant in 1987 but was grounded in 1997 due to her weight and finally dismissed in 2001.

The Calcutta High Court told the airline to pay all Dhar's earnings owing since 2001 and to assign her to ground duty.

The airline declared Dhar unfit to work as a flight attendant after she became overweight from medication taken to treat "high altitude anxiety syndrome", her lawyer told the court.

The court ruling came days after Air India voluntarily invited back 10 former flight hostesses it dismissed last year for being overweight as it sought to overcome a severe shortage of cabin crew.

GM chief wants government nod to raise pay

AFP, Washington

The head of US automaker General Motors, Dan Akerson, said Friday that he wanted the government to allow the company more freedom in awarding executive pay raises.

"We have been able to attract and retain great people... but we are starting to lose them now," Akerson said in remarks to members of the Economic Club of Washington.

The GM chief executive said he was to meet later in the day with Patricia Geoghegan, President Barack Obama's "pay czar" in charge of preventing bailed-out companies from using taxpayer dollars to pay excessive salaries.

Under the program, GM and other rescued companies that have not repaid public aid must submit their executive pay proposals to the pay czar's office for approval.

Asked whether government control on pay was still appropriate, Akerson replied: "That is still true."

INTERVIEW

Govt fee grab will kill fast data

Grameenphone CEO shares his take with The Daily Star

MEHDI MUSHARRAF BHUIYAN

The head of Grameenphone has warned that the government's proposed licence-renewal scheme is so costly that the top mobile phone operator would be forced to put its investment in a high-speed cellular data network on hold for up to five years.

A postponement of a 3G rollout in the country by the telecom market leader, with 29 million subscribers, is all but certain unless its 2011 fees, estimated at Tk 7,000 crore, are reduced, said CEO Oddvar Hesjedal.

Hesjedal called the billion-dollar fees "roughly the whole revenue we generated in 2009."

"There will be no money left for further investment after defraying our licence-renewal expenses," the CEO said in a recent interview, so he would ask the government to postpone 3G licensing for five years.

The four major telecom operators, including Grameenphone, now expect to pay a combined Tk 14,000 crore for their licences next year. "With that much money to be paid for renewing our licenses, I absolutely see no chance for 3G or any further investment in this country," Hesjedal said.

The four operators -- Grameenphone, Banglalink, Robi and Citycell -- would pay a combined total of Tk 28,000 crore over the next 15 years, but half would be paid in 2011. The telecommunication ministry is now reviewing the BTRC guidelines.

Robi and Banglalink are reportedly each on the hook for about Tk 3,000 crore; Citycell for about Tk 1,000 crore.

"Previously, similarly high fees were imposed for 3G licences in Britain and Germany, which ultimately saw the collapse of several telecom giants, including British Telecom in the UK," Hesjedal said. "We do not want to see the repetition of such a scene in Bangladesh, do we?"

Domestic banks will not even be able to



Oddvar Hesjedal says there will be no money left for further investment after defraying licence-renewal expenses.

disburse this much money to the operators, as they are limited to \$250 million in loans to a single sector per year, he added. "We may have to go to the international banks for loans -- but I doubt, in such case, if we have a strong basis for asking for such a high amount."

"So, the only way for us is to go to the 90,000 shareholders and ask them to pay, instead of giving them dividends," Hesjedal said, asking: "Are they willing to pay?"

The CEO also warned the fee would send a negative signal to foreign investors: "The company that has invested the most and has reached the most people is getting penalised with having to pay the most," he said.

He blamed a lack of consultation and a lack of a level playing field between various operators: "Firstly, we would have to pay more than others; secondly, two other operators -- namely, Warid and Teletalk, whose license is not to be expired in 2011 -- will be

exempted from paying these renewal expenses for now.

The subsidiary of Norway-based Telenor's started its business in Bangladesh in 1997, when the cell phone communication system in the country was at its naive stage with only two operators in the market.

"Almost 80 percent of what we invested back in those years was reinvested, and this is why we now have a much better coverage than India," Hesjedal said.

ANALYSIS

The Chinese consumer awakens

REUTERS, Xiahe, China

In the Tibetan monastery town of Xiahe, Gyelyanjia is visiting for a festival and taking the opportunity to do some shopping.

He has spent 20 yuan (\$3) at Ding's electrical appliance shop on a heat-belt, which he can fill with boiling water and strap around his waist to ward off the bitter winter chill on the Himalayan plateau.

The 66-year-old grins: "I already have a television at home. But I would like a washing machine and a fridge. I hope to buy those next year."

Timothy Geithner harbors similar hopes. The US Treasury Secretary is counting on hundreds of millions of Chinese like Gyelyanjia to spend more and save less.

That way, Chinese factories would produce more for domestic consumption and less for export, helping to narrow the trade imbalances that are destabilising the global economy.

Chinese consumption is, in fact, strong. It has grown by more than 9 percent a year, after adjustment for inflation, over the past decade. China overtook the United States in 2009 as the world's leading automobile market. The real-estate market is on fire, swelling demand for appliances and furniture. China is No. 2 in sales of luxury goods.

There are no luxuries for sale in Xiahe, a rapidly developing town in the western province of Gansu and home to Labrang monastery, the largest outside Tibet.

Tibetans wrapped in long woolen robes, their hair falling in long plaits, crowd the broad pavement lined with shops along the main street leading to the sprawling monastery. Monks, taking a break from their prayers, chat on mobile phones on their way to the tea house or to buy a pair of hand-made felt boots.

Renqing, 33, who like many Tibetans uses only one name, watches over her two-year-old daughter, sleeping in her stroller outside a shop. "Life is difficult for us. I only have enough money to feed and clothe my family."

Still, she admits, she has a washing machine, a fridge, a television and a computer at home. And, of course, a DVD player. But it's not enough. "If there's one thing I dream of having, it's Tibetan religious art. I wish I could buy statues to put in my home."

The Ding family are Hui minority Muslims. Mrs Ding Yuying gestures around her store filled with freezers and televisions. "Business is up 50 percent this year because the government has given a subsidy to farmers to buy electrical goods," she said.

Yet appearances are deceptive, at least through the prism of economic statistics.

INVESTMENT TRUMPS CONSUMPTION

Spending might be sturdy in China, but



Chinese shoppers pay for the foodstuff they bought at a supermarket in Hefei, east China Anhui province. China's consumer prices rose at the fastest pace in more than two years in November, the government said after ratcheting up efforts to contain inflation and rising property prices.

investment has been off the charts. As a result, consumption was just 35.6 percent of Gross Domestic Product in 2009, from 46.1 percent a decade earlier - and that was helped by a massive government stimulus to counter the global financial crisis.

The task for China's policymakers is to lift that proportion by boosting wages, speeding up urbanisation and building a social safety net so people do not need to save so much for a rainy day.

"Consumption will be the story of the next five to 10 years, and because we're talking about a fifth of humanity, it will have a huge impact on global business," said David Gosset, director of the Euro-China Center for International and Business Relations at the China Europe International Business School in Shanghai.

Still, he doubted China's consumption share would reach the roughly 60 percent rate of the European Union, let alone the 70 percent rate of the United States. "The Chinese will never consume as we do in the West, especially in the US."

The opportunities for retailers are nevertheless mouth-watering, if they can adapt their sales methods to thousands of fast-

growing towns across China where budgets and tastes are a world apart from the bright lights of Beijing and Shanghai.

Patrick Kung, Greater China chairman for Koninklijke Philips Electronics NV, sees huge growth in the coming decade in what he calls China's "emerging markets" -- lower-tier towns and the countryside -- while coastal cities will gradually become saturated.

"A smart company will be proactively investing and looking how to tap those markets," Kung told a conference organised by the European Union Chamber of Commerce in Beijing.

General Motors, the biggest overseas automaker in China, is busy rolling out affordable models aimed at smaller cities that it says could account for 60 percent of its business within five years.

"Those big coastal cities are rapidly becoming less than a quarter of our business and the real growth is in what we call Tier-3, Tier-4 cities," Terry Johnsson, vice president of GM's China operations, told the news agency.

German sports goods company Adidas

AG plans to open more than 2,500 stores in smaller Chinese cities by 2015.

Foreign and domestic retailers in sectors from hotels to instant noodles are reporting surging sales from lower-tier cities, which are benefiting from a wave of corporate investment and government measures to support consumption, according to Jing Ulrich, chairman of China equities and commodities at JP Morgan.

"If you're not doing well, it's because you have an execution problem," she said. "I think in the next 3-5 years we're going to see the interior really taking over as a major growth driver for China's overall economy."

VESTED INTERESTS

The logic behind aggressive expansion plans sounds compelling. But they will pay off only if the Communist Party is prepared to overturn China's growth model. That means taking on vested interests that thrive financially and politically from the way the economy is run, from well-connected property developers and their friends in local government, to the Party bosses of banks and big firms who wield immense power in their industries.