Sky-high spectrum fees may dent growth

The chief financial officer of Grameenphone is willing to pay 'rational' licence fees

MD FAZLUR RAHMAN

Global mobile companies would not have invested tens of thousands of crores of taka in Bangladesh, one of the fastest growing telecom markets, had the country not offered free spectrum 15 years back, said a top official.

"Nobody wants to pour in money if there is no business case," said Raihan Shamsi, chief financial officer of Grameenphone.

"Our garments industry has blossomed because the government patronised it with right fiscal policies," he told The Daily Star recently.

His comments come as the country's four major mobile operators -- Grameenphone, Banglalink, Robi and Citycell -- face high fees to renew their 2G licences and spectrum.

The 2G licences of the four operators, which make up over 90 percent of the country's over 7 crore subscriber base, will expire in November.

Shamsi said the 2G renewal fees and astronomically high price of spectrum allocation proposed by the regulator are unheard of in the world and make the telecom business in Bangladesh uncertain.

"Bangladesh is one of the poorest countries in the world, where taxes are the highest but mobile tariff is one of the lowest. If our upfront fee is so high, investors will be discouraged. I will tell the government -- 'Please do not kill the goose'."

Bangladesh Telecommunication Regulatory Commission (BTRC) maintains that it fixes such fees as the operators got the spectrum free 15 years back.

However, Shamsi said, "Bangladesh was not a favourite pick for a new business venture 15 years back. Nobody would have invested in the country without incentives like low licensing fees. It has also happened to the garments industry."

"If we had high licence fees and spectrum charges at that time, Bangladesh would not have the industry it has today," he said, adding that as of 2009, Grameenphone reinvested 80 percent of its profits in Bangladesh for expansion.

He said the 2G licence renewal guidelines have created panic among shareholders. "For years, shareholders only thought of reinvesting their profits in the country so that the business expands and serves more customers. But the 2G licence renewal signals have spread panic among the shareholders. As a result, the shareholders have declared high dividends to make returns on their investment."

"I believe the operators and the regulators will be on a common platform when it comes to licence renewal and spectrum pricing, to secure the best interest of the general people, especially from the remote and rural areas."

"We want an investment-friendly regulatory guideline that covers everything. Now our main concern is 2G licence renewal. We need regulatory consistency, as it is a capital intensive industry."

Raihan Shamsi

"We are willing to pay any money. But it has to be rational. The authorities should study practices in other countries and then give us a rational framework," Shamsi said.

"We want an investment-friendly regulatory guideline that covers everything. Now our main concern is 2G licence renewal. We need regulatory consistency, as it is a capital intensive industry."

Shamsi said the government has done a good job by appointing international consultants in the 3G technology licensing process. "If the same could be done in case of 2G licence renewal, then there would have been fewer debates, as they could have properly guided us and fixed charges as it should be."

Just a month into the year, the country's leading mobile operator published its audited annual reports, first by any company, and according to what its officials say, to fulfil its commitments to the shareholders.

"Shareholders need information to decide whether they will buy, sell or retain shares of the company. It also helps new investors to decide whether they will purchase our shares," Shamsi said.

"The faster we can provide this information, the better it is for the shareholders. We closed the audit by one month and completed the audit. It's a great achievement."

"We are the largest company in the country, but we delivered the report first. It is not an easy task. It took a lot of effort -- from within the company, as well as cooperation from the audit firms."

He acknowledged that the operator knew from the very beginning that the fourth quarter would be a daunting challenge.

"We knew the securities regulator would not accept any un-audited reports, so we did not set aside anything for December. We concluded auditing after each month."

Grameenphone, the lone listed telecommunications company, made public its audited annual financials on February 7.

To get all these done on a tight deadline is challenging, but not impossible, he said.

"Being a part of a global company like Telenor comes here as an advantage. Automation and IT-based accounting and reporting solutions are the absolute essentials for fast processing of huge financial data."

Grameenphone topped the Telenor Group reporting benchmark for its yearly reporting this time, which, Shamsi said, was more challenging and critical than ordinary quarterly reporting.

He said their sincere efforts in preparing a well-audited annual report were manifested when Grameenphone won awards for published accounts from Institute of Chartered Accountants of Bangladesh (ICAB). "We hope to grab more successes in the coming years."

Shamsi, also the deputy chief executive officer, judges 2010 as a year of growth and innovation for Grameenphone, which acquired 67 lakh net subscribers in the year.

"We ended the year with around 3 crore subscriber base, maintaining the market share at 44 percent in the face of fierce competition."

The mobile operator experienced steady growth in voice revenues, with an impressive 64 percent increment in data revenue from previous year.

"It indicates that data is the next growth area. In each quarter of 2010, we surpassed our previous quarter's revenue, reaching a total of Tk 7,473 crore at year-end, up by 14 percent from 2009," he said.

Shamsi said SIM tax continues to be a significant barrier to the industry where operators, for the sake of growth, are subsidising the SIM tax.

The Tk 800 tax on SIM has also eaten away a significant part of profits, he said. "We have always told the government that if they can eliminate the SIM tax, mobile penetration growth will go up dramatically. The mobile industry can develop the government's 'Digital Bangladesh' vision."

Shamsi said the country's telecom laws have also created uncertainty. "We did not hope that such unfriendly laws would be enacted in a democratic environment. No expert will say it is an investment-friendly regulation. It has included fines to the tune of Tk 300 crore, unheard of in other parts of the world."

Grameenphone is going to organise its second annual general meeting as a listed company on April 19. Shamsi said preparations are going on and hopes to stage the event in line with the regulator's guidelines.

Since inception, Grameenphone has invested nearly Tk 16,000 crore in the country and contributed TK 18,500 crore to the government coffer.

In 2010, Grameenphone invested Tk 846 crore for network quality and data capacity enhancement and modernisation. It contributed Tk 3,715 crore to the national exchequer in the year.

He said the next growth area for the industry would be internet, especially from data traffic. "Growth in this area indicates that Bangladesh is preparing for 3G technology."

fazlur.rahman@thedailystar.net

Tourists reach new beach frontier in Myanmar

AFP, *Ngapali Beach, Myanmar*

Waves lap the vast sweep of pristine, palm-lined sands as a sprinkling of Westerners soak up the sun, their breezy peace punctuated only by the creaks of a passing ox-cart.

Welcome to a tourist paradise, in one of the world's most isolated nations.

"I've been to a lot of beaches and this is just amazing," said retired Canadian Hugh Minielly, as he and his wife Mary watched the sun set over the azure Bay of Bengal at Myanmar's coastal resort of Ngapali.

Just a dozen or so hotels are hidden amid the two-mile (three-kilometre) stretch of palms, including some offering luxury beachfront villas for hundreds of dollars a night.

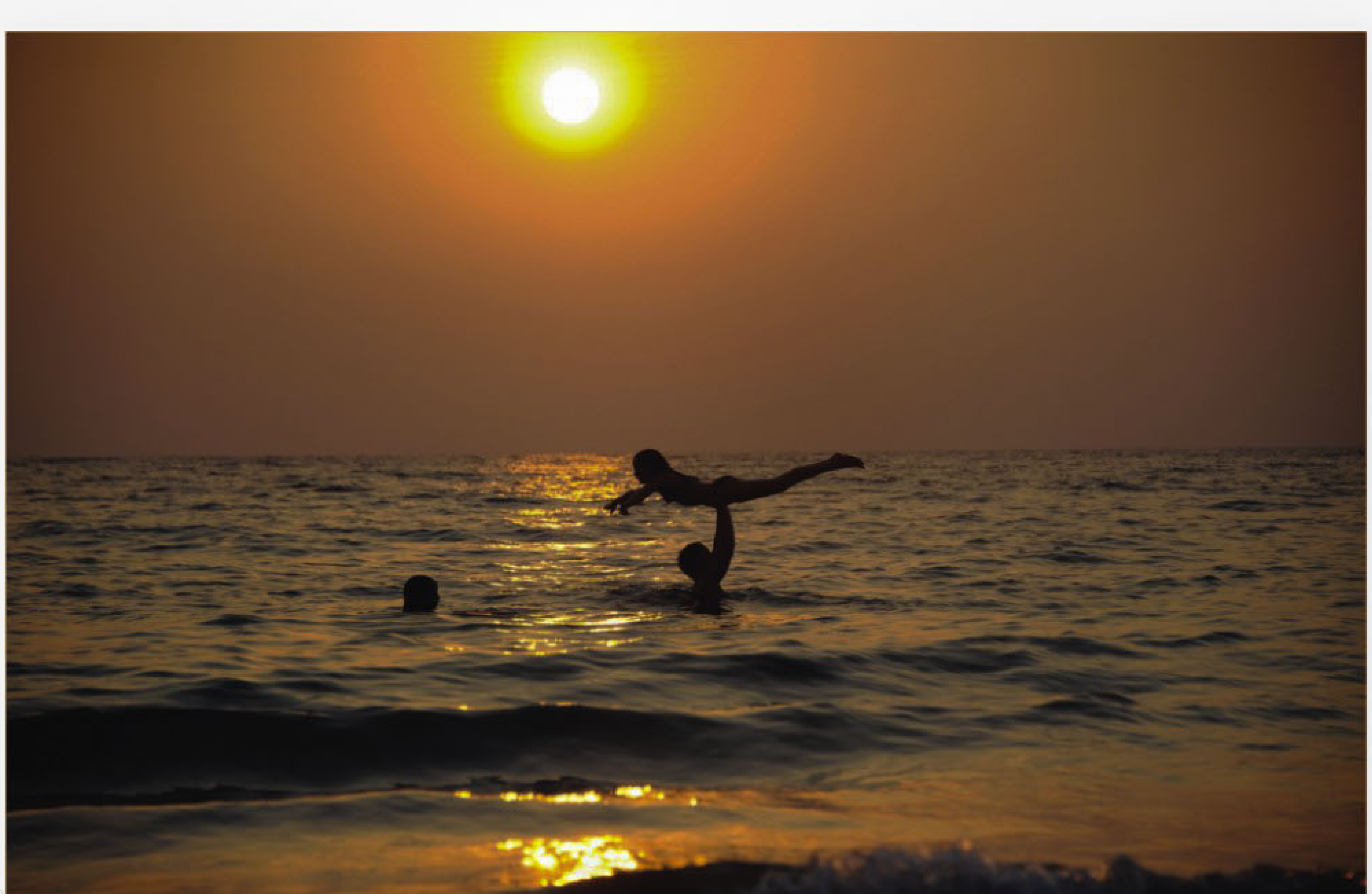
Despite the allure of its picture-perfect sands, Myanmar's murky political landscape has kept the beach largely under the radar of most tropical sun-seekers, who have typically looked to more well-trodden Asian shores.

Those who do venture to the impoverished nation -- one of the world's least-developed after nearly 50 years of military rule -- rave about the friendly locals, the tasty seafood and above all, the lack of other tourists.

"I've been looking for a beach like Goa, and this is like Goa but without the backpackers. It's so authentic," 69-year-old Minielly told AFP.

The quest for a coastal idyll was dramatised in the film "The Beach", in which Leonardo DiCaprio plays a young backpacker who finds a seemingly utopian community on a remote bay, later torn apart by violence and paranoia.

Secluded spots are increasingly hard to find, as neighbouring Thailand can attest: it saw 16 million visitors in 2010, compared to 300,000 in Myanmar, according to the Bangkok-based



AFP

Western tourists play in the sea at sunset at a beach in Myanmar's western coastal resort of Ngapali.

Pacific Asia Travel Association (PATA).

Maya Bay on Phi-Phi Leh island, where the movie was filmed in 1999, is now hardly DiCaprio's dream shore: every day, dozens of boats ferry hundreds of tourists to follow in his footsteps.

"Thailand is pretty well established on this circuit, especially if you go by what you can see in Phuket, Krabi or Koh Samui, where the beaches can be really crowded," said Kris Lim of PATA, referring to popular Thai resorts.

It's a pattern found across the region as beaches fall victim to their own popularity.

For years, India's most tourist-friendly shores were to be found in the coastal state of Goa, where visitors could sip cold beer and feast on fresh seafood, enjoying the laid-back atmosphere.

"More than anywhere else on planet earth, this is a place where people really know how to relax," boasts Goa's official tourism website.

But over-commercialisation, allegations of police-supported drug peddling by Russian gangs and high-profile cases of violence against foreigners have tainted the state's glamorous image.

In 2009 it was elbowed out of the top 10 Indian destinations for tourists, with many opting to head south to the palm-fringed backwaters of Kerala, where luxury houseboats offer peaceful cruises floating by lush paddy fields.

Further east in the Philippines, the central island of Boracay and its crystal-clear waters are a top attraction for visitors, but green groups and the government say the white sands are losing their idyllic charm.

"It's so dense, it is now... too commercial. It's become Phuket," said tourism secretary Alberto Lim last year, sparking a firestorm of controversy as he suggested tourists visit less-developed islands.

In contrast, the El Nido area, on the western Philippine island of Palawan, continues to enjoy an unspoilt image, protected by its remoteness, government efforts to protect its environment and the high prices of its hotels.

Tourists use a small plane and a boat to get to the high-class resorts, ensuring an exclusive clientele. Local residents and businesses are also careful not to ruin El Nido's main asset, its natural beauty.

"It's important to have a sustainable plan to ensure the beaches and whatever surrounds the resorts are very well protected," said Lim from PATA.

"We want to see that in 20 years from now, the islands are still as good as ever."

In Ngapali, locals and foreigners alike were keen to preserve its rustic appeal -- but Myanmar, too, is quickly changing and tourist numbers are up, with last year's relatively modest figure a nearly 30 percent rise from 2009.

Democracy icon Aung San Suu Kyi, who was freed from house arrest late last year after a controversial election, still stands strongly against tour groups to Myanmar, which often benefit the government financially.

But her party "would not object to individual tourists coming to study the situation and to find out what is really happening" in Myanmar, she told AFP in December, softening a previous tourism boycott.

Some fear the traveller floodgates will open -- especially if a visa-on-arrival process, withdrawn ahead of the election, is fully resumed.

UK-based Wanderlust magazine has rated Myanmar the "top emerging destination" of 2011.

Antonio Dappozzo, Italian manager of the luxury Sandoway resort, warned it would be tough to retain such a peaceful atmosphere at Ngapali, where the main sound from his roadside window a year ago was of ox-carts lumbering past.

"Just a year later, now there is more noise from cars," he said.

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