



# star BUSINESS

DHAKA FRIDAY MARCH 18, 2011, e-mail:business@thedailystar.net

## Biman still reels from passenger loss

**SHARIFUL ISLAM**

Biman Bangladesh Airlines is still suffering from a loss of customers after hiking the fares on different international routes early this year, although the national flag carrier brought down the increased fares by 60 percent within a few weeks of the hike.

After the rise in fares in January, Biman lost around 50 percent of its passengers on different routes, which prompted the authorities to bring down the fares.

Sources said, even after a cut in the fares, the airline could not regain 50 percent of its lost passengers on the Dhaka-London route, while it is yet to win back 20 percent of its lost passengers on profit-making routes to Saudi Arabia.

Biman has already incurred a huge loss due to the fare increase in the name of surcharge, while analysts said the airliner will have to bear a long-term consequence for the decision.

Biman insiders said the tariff committee, which is responsible for taking such decisions, was restructured several months ago, making Biman managing director as its chief.

The new committee does not have the expertise in such delicate issues, they claimed.

The committee took the decision to increase the fares without doing any market analysis and without asking for opinion from Biman's customers and marketing departments, said the sources.

"The authorities did not consult us before increasing the fares," a Biman official working at a station in Saudi Arabia told The Daily Star. He said they requested the authorities to review the decision as Biman is suffering from a serious passenger loss due to the fare hike.

Wishing not to be named, he said, had the authorities increased the fares after a market analysis and taken their opinions, Biman would not have incurred the loss.

Depending on the distance of travel, fares were increased initially ranging from Tk 712 to Tk 4,976, but it was reduced by 60 percent later.

"The quick change of decision to slash the fares suggests it was taken without proper market assessment," said Abul-Muyeed Chowdhury, former managing director of Biman.

Biman Managing Director Zakiul Islam told The Daily Star earlier that they increased the fuel surcharge to be consistent with the actual fuel costs, but revised the decision later due to its adverse effect.

Officials of different foreign airlines operating from Dhaka said they often increase or decrease fuel surcharge keeping consistency with the fuel prices on the international markets, so the increased fares never become a burden on the passengers.

Biman increased the fares after almost three years as it incurred around Tk 80 crore losses in fiscal 2009-2010. Earlier in 2007, Biman hiked the fuel surcharge, but cut it down later.

"Biman should not have decreased the fuel surcharge in 2007," said an official of Qatar Airways.

"Despite the recent increase, Biman's fuel surcharge is low compared to other operators, and the airline can logically increase the fuel surcharge on some routes where it has monopoly," he said.

The airline will have to face serious losses due to a long-term effect of the hike, as it will be a tough task to regain passengers who have already discarded the airline, observed Kazi Wahidul Alam, editor of aviation and tourism fortnightly The Bangladesh Monitor.

They should have upgraded the quality of services before increasing the fares, he added.

"If you want to increase the fares, you need to assess the market first. Now Biman is losing its market share to competitors and often struggles to maintain its schedules. In such a situation, the decision to increase the fares was very unjustified," said a senior journalist and an aviation analyst, Raquib Siddiqi.

He said the present Biman management is not fit for airline management, as none of them has any expertise in aviation.

Chairman of the Board of Directors of Biman Air Marshal Jamal Uddin Ahmed said the tariff committee took the decision taking everything into account.

When asked, how much loss Biman had to incur for the decision, he said he had no updated information about it.

## DSE president re-elected

**STAR BUSINESS REPORT**

Shakil Rizvi has been re-elected as president of Dhaka Stock Exchange for the second time for one year.

The election was held at the annual general meeting of DSE directors on Wednesday. Ahasanul Islam Titu was elected as senior vice president and Md Shahjahan as vice president.

"We will work together to develop the capital market," said Rizvi.

"After discussing with all stakeholders we will make a strong work-plan to develop the capital market," said Islam. "We want a market that has enough liquidity and shares for investors."

The new office bearers are scheduled to seat with the Securities and Exchange Commission on Sunday.



Shakil Rizvi

## Footwear exports rise 48pc

**SAYEDA AKTER**

Footwear exports marked a 48 percent rise in the first eight months of the current fiscal year, Export Promotion Bureau statistics show.

The country fetched around \$197 million from such exports during July-February, a sharp rise from \$133 million in the same period a year ago.

During this period, leather exports increased by 34 percent and earned \$176.46 million, while leather goods marked a whopping 152.6 percent rise.

Industry insiders said the growth is fuelled by a rise in the prices of raw materials across the world.

China is currently failing to produce high quality shoes at competitive prices due to the WTO anti-dumping rules. So, orders from Germany, Italy, France, Japan and Canada are shifting to Bangladesh, said the footwear businessmen.

Saiful Islam, president of Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh, said the main reason behind the growth is a steady rise in demands for the Bangladesh-made footwear items.

"The growth is driven by a rise in demand for our footwear, after orders were shifted from China to Bangladesh."

On the other hand, Bangladesh has

mastered in producing low-cost but high-quality shoes, Islam added. "Also we can maintain a short lead time, as we have our own stocks of leather."

He said: "These things pulled European orders mainly to India, Vietnam and Bangladesh."

Bangladesh also offers competitive prices, which have increased the demand globally, said Islam, managing director of Picard Bangladesh Ltd.

"The cost of making leather shoes is lower in Bangladesh than that in China and India."

Currently, the local market of leather footwear stands at around Tk 1,800 crore, of which about 45 percent is exported. The country exports around six million pairs of leather footwear a year.

The increasing prices of raw materials in the international market have made the products a pricey and fuelled the total export, said Tipu Sultan, director of Bengal Leather Complex Ltd.

He also said the demand for Bangladeshi shoes increased manifold in the last two years.

New export destinations also helped, he added. Along with the traditional markets such as Italy, Germany and Japan, local exporters are now selling products to China and Hong Kong.

sayed@thedailystar.net

**NOTICE**

Star Business brings out four pages today instead of its regular eight, as the stockmarket was closed yesterday due to a public holiday to mark the 91st birth anniversary of Bangabandhu Sheikh

**Clarification**

The report titled "Bangladesh moves to update rating" published on Wednesday failed to name Standard Chartered Bank as one of the advisers for credit ratings for Bangladesh.

Standard Chartered and HSBC worked jointly for S&P,

**PASSION DREAM COURAGE**

**RAHIMAFROOZ**

**GLOBATT** INVITES YOU TO WITNESS

**6th GLOBATT DHAKA MOTOR SHOW**

*A Complete Show for the Automobile & Auto Component sector of Bangladesh*

**Date: 17 to 20 March, 2011**

**Venue: Bangabandhu International Conference Centre**

Partners: **DUNLOP** | **GLOBATT** | **Castrol**

*It's a CEMS Exhibition*

Bitopi/Leo Burnett/47/76/11

## Food imports from Japan in focus

**REFAYET ULLAH MIRDHA**

Bangladesh will discuss next week the ways to deal with food imports from Japan as many Asian countries have stepped up radiation monitoring of passengers and goods out of the tsunami-ravaged country, an official said yesterday.

There are two options open for the government: run strict tests or impose a ban on food imports from Japan that is now scrambling to prevent a meltdown in the wake of blasts in nuclear reactors.

"We have not decided yet whether to set strict radiation tests or impose a total ban. We will take action in line with the recommendations of food and health ministries," Commerce Secretary

Ghulam Hossain told The Daily Star.

"We will discuss the issue with relevant ministries, agencies and departments on our next workday," he said.

Hossain said Bangladesh imports some fancy food items from Japan, but no radiation-related problems have so far been detected.

Food Minister Abdur Razzaque said he would take action in this regard as soon as possible. "Food items imported from Japan are very few. We don't import rice from Japan," Razzaque said.

Takashi Suzuki, representative of Japan External Trade Organisation in Dhaka, said: "Most food items are imported for personal use from Japan because many Japanese are living here."

**Fiesta**

Get an iPod Touch 4G With every purchase of a Fiesta

**RANGER**

Get Free Registration With every purchase of a Ranger

Only at **DHAKA MOTOR SHOW 2011**  
From 17 - 20 March  
@ BICC, Dhaka

**Ford**  
**ANWAR GROUP**

Ford 3S Center, Uttara  
8911880  
01678 69 3673  
01678 3673 38/45