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Star BUSINESS

DHAKA SUNDAY MARCH 20, 2011, e-mail:business@thedailystar.net



A night view of Dhaka Sheraton Hotel, which is set to operate with a new name. STAR

Sheraton, no more

SAYEDA AKTER
 From next month, Sheraton will not be in sight, but a five-star hotel with a different name -- Dhaka Continental.

Sheraton will fold its business by March 31 as the international hotel-chain brand and the government differed on operating conditions.

State-owned Bangladesh Services Ltd (BSL) that owns the hotel will handle its management and operations for three months from April 1. The tourism ministry holds a meeting with BSL on the issue today.

BSL has started looking for a world-class operator and management company to run the hotel and a few international brands have already visited the hotel. Of them, Crown Plaza and Hyatt Hotels and Resorts are in talks with BSL, said a top BSL official, asking not to be named.

Starwood Hotels and Resorts that operates under the brand name of Sheraton had a 25-year-deal with BSL, which expired on December 31, 2008. The company had since extended its contract nine times -- three months each time.

Since 2009, Starwood has been pressing for a complete renovation of the hotel's rooms, kitchens, conference rooms, bathrooms, lobbies and bars. The estimated cost of such refurbishment stood at \$20 million. They also said a 12-14 months of closure of the hotel was necessary for a facelift.

Initially, the government rejected a proposal of renovations, saying that the hotel was making profits without any renovation.

Later, the government agreed to renovate the hotel on conditions that Sheraton will undertake and carry out the renovations in phases, without shutting down the hotel.

In September 2009, Starwood sent a high-profile technical team to conduct a feasibility study on the project and finally determined the cost estimation. In 2010 Starwood developed a detailed property

improvement plan (PIP). According to the PIP, the hotel requires \$25 million for refurbishment, while the construction work must be complete by 2018. If BSL fails to complete the construction work by the deadline, the deal would stand cancelled and Sheraton would quit. Also, the government must compensate Starwood.

The company also gave condition that they would choose and hire the construction team, said a director of BSL.

The PIP was disapproved and sent back to Starwood twice from BSL's board of directors meetings, he said. BSL urged Starwood to make the PIP conditions a bit flexible.

Besides, Dhaka Sheraton has been making profit amid the recent global financial meltdown when most of the Starwood enterprises across the world failed to lure expected occupancy.

Last year Sheraton earned revenue of around Tk 102 crore, up from Tk 80.5 crore in 2009. The hotel made an operating profit of nearly Tk 50 crore, a sharp rise of 47 percent from that of 2009, amid intense competition from its new rivals in the hospitality sector.

Despite such profitability, Sheraton is now leaving the hotel management because of the failure to reach an understanding over the renovation issue.

GM Quader, civil aviation and tourism minister, said the government is working to find a world-class management and operator company to run the hotel.

"We will finalise it soon, keeping no ambiguous conditions in the agreement," he said.

The new company will have to work in line with the government's renovation proposal and cannot shut down the hotel during renovations, he added.

Meanwhile, BSL is set to take over the hotel with its 600 employees for next three months from April 1 and would pay salaries and other facilities to all the staff members.

Japan quake shakes up used car market

MD FAZLUR RAHMAN
 Prices of imported reconditioned cars are set to rise on the local market due to a limited number of used vehicles available in Japan following the recent devastating earthquake and tsunami.

Importers said auctions for reconditioned cars, from where agents purchase for Bangladesh buyers, are not being held regularly due to the ongoing crisis in Japan.

A record 8.9 earthquake and subsequent tsunami on February 11 broke the supply chain of the major reconditioned car exporter for Bangladesh.

"Even if some auctions are being held in Japan, the Japanese people are also bidding, as many of their cars were washed away by the tsunami," said Habib Ullah Dawn, an importer.

"As a result, we are forced to buy a car at \$12,000 now, up from \$10,000 on average a few days ago. Our customers now have to bear the extra cost," Dawn, owner of Auto Museum, told The Daily Star yesterday.

Reconditioned cars account for 90 percent of about 40,000 cars imported a year, and Japan con-

trols 95 percent of the market. Both new and used cars from Toyota, Honda, Nissan and Mitsubishi commonly ply Bangladeshi roads. Of them, Toyota account for 75 percent of the country's growing market.

Abdul Hamid Sharif, chairman of Autocon Group, said the prices of used cars have already gone up. "New production in Japan is being hampered seriously as the earthquake and tsunami have inflicted damage on component plants. This will not go very soon."

"People will not sell their old cars if they cannot buy new ones. As a result, we are getting a fewer cars to import. Besides, the local demand for old cars is rising in Japan, as many have lost their cars in the calamity."

Sharif, also the secretary general of Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), the industry lobby group, said the ongoing electricity crisis triggered mainly by the shutdown of nuclear power plants, is hampering the industry.

"The auction houses in Japan cannot run without electricity. Local Bangladeshi buyers are already facing a triple whammy. The government, in the current budget, has increased tax on

imported cars. The stronger US dollar and Japanese currency against the taka pushed the prices of reconditioned cars up significantly. And now comes the earthquake and tsunami effect.

Due to a rise in tax in the current fiscal year, the prices of imported cars have gone up by Tk 3 lakh to Tk 3.5 lakh each car, according to the importers.

From this March, the prices of small cars such as Toyota Allion, Corolla and Premio have gone up by Tk 60,000, while the prices of sport utility vehicles such as Land Cruiser Prado have increased by Tk 4-5 lakh, as both the yen and US dollar are getting stronger.

Sharif admits that some businessmen could exploit the situation in Japan and increase the prices. "But there are some valid reasons for the upward trend in the car prices."

Mahbulul Haq Chowdhury Babur, owner of Chittagong-based Reference Point, said the supply from Japan could face problems, as fewer cars are being put on auction in Japan.

He said the rise in prices is expected to continue in the coming months. "As a result, the cars may be too pricey for the

middleclass." Dawn said due to the supply shortage, the prices of 1,500cc cars will rise by about Tk 1 lakh and 2,000cc by Tk 2.5 lakh. The prices of jeep will increase by Tk 5 lakh to Tk 6 lakh, he added.

Before the earthquake, Japan was making 37,000 cars and trucks each day. It exported more than half of them. Fourteen percent of the 7.2 crore vehicles produced worldwide last year were made in Japan.

Most of the Japanese carmakers are based in south of Tokyo, which was able to evade the calamity. However, damage to the overall infrastructure in the country could cause a more lasting impact, importers said.

Dawn, also a former president of Barvida, said the roads have also been damaged disrupting carting the cars to the auction venue. A ship, which was due to leave Japan three days ago with cars, could not sail yet.

In Japan, there were nearly 7,200 confirmed deaths so far, and nearly 11,000 people remained missing. The government said it expects the death toll to exceed 10,000.

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Youngone sets export target higher

Officials defuse rumours of missing workers

REFAYET ULLAH MIRDHA, back from Chittagong
 Youngone Group, a Korean garment and shoe maker operating in Bangladesh, has set a \$440 million export target for the year 2011, a 10 percent rise from last year, said a top official of the company.

In 2010, Youngone exported goods worth more than \$400 million from its Bangladesh operations, said Sikder Mesbahuddin Ahmed, director of operations support for Youngone Bangladesh. Its total turnover was \$1.2 billion last year.

"Over the years, the growth of Youngone has remained 10-15 percent. This year, the growth might not reach 15 percent. It might be a little more than 10 percent," he said.

But Youngone is expanding its

business because of higher demand for products, he said, adding that Youngone hopes the Korean Export Processing Zone this year should go into operation backed by its own capacity as the government failed to provide gas connections. The construction of the EPZ started in 2000 on 2,700 acres.

Production in all the 17 units of Youngone inside the Chittagong Export Processing Zone was hampered by widespread labour unrest in December last year, he said.

"We suspended production in all the units in CEPZ on December 12-13," Ahmed said. "Now all units in Dhaka and Chittagong are running well," he added.

During the restive days, the workers and outsiders vandalised machinery and materials of different units of Youngone in

Chittagong. Later, Bangladesh Export Processing Zones Authorities (BEPZA) formed a committee to investigate the matter.

BEPZA's Executive Chairman ATM Shahidul Islam said there was unrest for wage implementation in the CEPZ. "But no worker in any unit of Youngone Group was killed or went missing," he said. "We conducted an investigation to find out the causes of unrest," he said.

SM Abdur Rashid, general manager of CEPZ, said there were rumours that some workers were missing during the incident from Youngone factories. "But that is not true," he said. "We did not get any report or witness any incident of workers missing or sustaining major injuries as we have conducted a thorough investigation," he said.

Officer-in-Charge of Bandar

Police Station in Chittagong Mohammad Sanaullah said he did not receive any case of workers missing from Youngone. "We did not come across any incident of workers of Youngone missing or anything," he said. A total of six cases were filed after the incident with the police station.

Smreeti Paul, a quality inspector of a unit of Youngone in CEPZ, said during the incident of December 12 the outsiders tried to instigate workers to join the demonstrations. "But we returned home because the management announced closure of the factory to avoid any unrest," she said.

"Now, the situation is normal as the workers returned to work and are drawing increased wages," said an inspector of the garment unit of the group in CEPZ, Nila Barua, who hails from Rajshahi in Chittagong.

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