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Star BUSINESS

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Out with Sheraton, in with a new name

Dhaka Sheraton, no more: The five-star hotel takes on a new name Ruposhi Bangla on May 1.

RASHED SHUMON

SAYEDA AKTER

Iconic hotel brand Sheraton is finally ending its operation in Bangladesh after a long stay of 27 years, and state-owned Bangladesh Services Ltd (BSL) that owns the hotel is going to take over its operation and management.

From May 1, the state-owned hotel is going to be named Ruposhi Bangla, and it will be the title name of the hotel from now. The BSL has called a press conference on Saturday in this regard.

Ruposhi Bangla, a new company formed by the BSL and to be run by the Sheraton's present staffs, will be the management operator of the hotel for an interim period until the government finds a world class company to run the hotel.

Lutfur Rahman, managing director of the BSL, is likely to be the chief executive officer, while Mahfuzur Rahman, director of sales and marketing of Dhaka Sheraton, will be the general manager

of the new hotel, said a top official of the hotel, asking not to be named.

The BSL also takes over the 400 regular employees of Dhaka Sheraton, and would pay salaries and other facilities to all the staff members until a new company takes over.

Meanwhile, the government has started looking for an international hotel chain to operate and manage the hotel, and shortlisted a number of companies, including InterContinental Hotels & Resorts, Marriott, Swiss Hotel and Kempinski Hotel, he said.

Sheraton was supposed to fold its business by March 31 as the international hotel-chain brand and the government differed on operating conditions. Later, it extended its stay by a month upon government request so that the BSL gets a month more time for preparation.

Starwood Hotels and Resorts that operates under the brand name of Sheraton had a 25-year deal with the

BSL, which expired on December 31, 2008. The company had since extended its contract 10 times.

Since 2009, Starwood had been pressing for a complete renovation of the hotel's rooms, kitchens, conference rooms, bathrooms, lobbies and bars.

However, Starwood and the government failed to reach an understanding over issues, such as the renovation cost, the right to choose and hire construction team, and the deadline to complete the construction work.

Starwood was too strict to be flexible to the government request to ease the conditions, which eventually stopped both parties to reach an agreement.

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.

Restructure SEC

Prothom Alo roundtable spotlights troubled stockmarket

STAR BUSINESS REPORT

The issue of restructuring the Securities and Exchange Commission (SEC) once again came to the forefront at a roundtable in Dhaka yesterday on the back of its failure to regulate the stockmarket.

Unless the SEC is reformed with honest and capable people, the stockmarket would never be regulated properly and would face a stringent disaster in future, said the discussants who also urged the government to make the share market probe report public officially.

One of the discussants sought closure of the stockmarket until and unless the problems are sorted out and resolved.

They spoke at a roundtable on "Share market: what after the probe report?" organised by Bangla-language newspaper Prothom Alo. Abdul Kaium, joint editor of Prothom Alo, and Shawkat Hossain, joint news editor, moderated the roundtable, while Prothom Alo Editor Matiur Rahman delivered the opening remarks.

Faruq Ahmad Siddiqi, a former chairman of the SEC, said the commission, meaning its chairman and members, should be removed and replaced by efficient people.

"However, restructuring the SEC does not mean that everything will be changed. The surveillance remains the same for a Tk 2,000 crore turnover market as it was for a Tk 30 crore turnover market," he said referring to the inadequate workforce of the regulator.

At least three chartered accountants, two legal experts and one financial analyst should be included in the SEC's workforce. "But with the existing salary structure it cannot be expected. Separate payout structure, instead of government structure, should be there," he said.

Siddiqi said the probe report should be made public officially as it was also published in the media.

"What we saw in the report that it has served a lot of information such as where the weaknesses were and what actually happened," he said.

On the probe report's weakness,

the career bureaucrat said the probe committee compared the recent debacle with the 1996 market crash and identified the primary market as a major reason for the debacle.

"I differ with the findings. Scope for price inflation in the primary market has been created due to overvaluation of shares in the secondary market," he said.

Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue, said the delay in publishing the report is hurting the government's image that it revived through forming the probe committee. "Indecisiveness is worse than taking no decision," he said.

Bhattacharya identified the misuse of existing rules due to structural weakness of the regulator, lack of coordination among all economic systems, weak surveillance system in the market, and a narrow political mindset as major reasons behind the latest stockmarket crash.

He said it cannot be expected that the government will agree with all findings and recommendations of the probe committee. Whatever happens, he said, the current uncertainty over publishing of the probe report should be resolved.

Because of this, he said, neither the market nor the regulator can understand what should be done.

About reforms in the market, Bhattacharya said, "The reshuffle should have to be started from the SEC."

Arif Khan, managing director of Zenith Investments Ltd, said SEC should not be blamed wholesale; there must be some capable people.

"The market should be regulated only by the SEC, which also should be advised. People with integrity and managerial capacity within the commission can ensure it," he said.

Although many reasons were identified for the recent market disaster, no-one talks about the role of auditors who are responsible for making the financial statements, Khan said.

The role of Bangladesh Bank was not also discussed thoroughly. "As most of the commercial banks had exposure to the stockmarket, the

market was flooded with enormous liquidity. But the central bank overlooked it," he said.

"The central bank was late in looking into the matter. If it curbed the banks' over-exposure timely, the market would not have faced this situation," he said.

Yawer Sayeed, managing director of AIMS of Bangladesh, said the crash in the stockmarket would not be possible without collusion of the regulator and its lack of knowledge.

"Every step was compromised. If there was no law, why issuance of preference shares was approved? How preference shares were issued with higher prices after rejection of rights issue proposal?" he questioned.

Shakil Rizvi, DSE president, said, "Synchronisation between the economy and capital market is needed to avoid another debacle in the capital market." Talking about the demutualisation of stock exchanges, he said, the process is going on. "It will take time."

AK Azad, president of Federation of Bangladesh Chambers of Commerce and Industry, said: "I request the government to form a taskforce to punish the market manipulators." He also said the anti corruption commission should investigate that who siphoned money out of the market.

"When the banks crossed the 10 percent exposure limit, Bangladesh Bank did not raise the issue. When the debacle started it asked the commercial banks to take funds out of the capital market," he said.

"The central bank will have to explain that why it avoided taking actions when the banks were overexposed to the capital market. I have a question for the probe committee: Why it avoided Bangladesh Bank's role?" he said.

Bangladesh Bank is trying to blame the general investors for the market debacle and that is not right, he said. "Bangladesh Bank is liable for the market crash in January."

He also said the commercial banks made hefty profit of Tk 2,000 crore from the capital market, and the commercial banks should invest their profits in the capital market.

Poverty in decline

Atiur cites survey findings

SOHEL PARVEZ

The number of population below the poverty line has dropped to 31.5 percent from 40 percent in 2005, said Bangladesh Bank Governor Atiur Rahman yesterday.

"It's a remarkable progress in poverty eradication. Some 15 million people have come out of poverty in last 10 years," said Rahman, citing the preliminary findings of the latest Household Income and Expenditure Survey (HIES).

The central bank chief shared the data at a seminar at Bangabandhu International Conference Centre in Dhaka on the need for taking a bottom-up approach and inclusiveness in budget making.

Bangladesh Economic Association and Dhaka School of Economics co-organised the programme as part of Bangladesh Social and Economic Forum 2011.

The data on reduced level of poverty comes at a time when the government is set to frame the budget for the next fiscal year following the draft of the sixth five-year plan (SFYP) for 2011-15. The SFYP aims to cut poverty by accelerating the growth of the economy, expanding by 6 percent a year now.

The latest estimate shows that

Increased remittances, better performances by the agriculture sector and improved connectivity have contributed to the fall in the poverty level, say analysts

the poverty level went down by 17.4 percentage points last decade. Between 2000 and 2005, the percentage of people below the poverty line dropped to 40 percent from 48.9 percent in 2000.

Analysts gave the credit to the increased inflow of remittances in the past several years amid a rise in the outflow of workers for jobs abroad.

Now nearly 70 lakh Bangladeshi migrants work abroad and send remittances to their families living mostly in semi urban and rural areas.

Prof Shamsul Alam, a member of the Planning Commission, linked the fall in the rate of poverty to a rise in crop intensity and a diversifica-

tion in agricultural production.

An increase in prices of farm produces and rural wages, connectivity with towns due to expansion of road networks in rural areas, microcredit and a rise in non-farm economic activities have also contributed to the decline in poverty, analysts added.

Sajjad Zohir, director of Economic Research Group, said the reduction is consistent with other trends in the economy and the way poverty is measured.

The BB chief cited the Gini-coefficient, a measure of inequality, and claimed the coefficient was stable in the past three to four years, meaning that inequality has not increased.

The Gini-coefficient ratio dropped to 0.46 in the latest HIES from 0.47 in 2005, said Planning Commission member Alam.

"It indicates that an equitable economy has been developed," said Rahman, a campaigner of inclusive growth. He said the economy of Bangladesh had turned around.

"The rural economy is shining. If you look at the smiling faces of people in the rural areas and the sandals they wear, you will recognise it," he said.

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