

# Hold dialogue to end telecom disputes

## Grameenphone CEO talks about problems in the sector on the eve of World Telecommunication Day

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**T**HE telecom regulator should hold regular talks with the operators to end all disputes in the sector, Grameenphone Chief Executive Officer Tore Johnsen says.

"That will improve the climate between the operators and the regulator," he says.

The regulator and the operators should discuss how all want to see the picture of the sector in future, Johnsen says in an interview.

The Grameenphone CEO sat with some journalists on Monday to discuss the telecom sector and other current issues on the eve of World Telecommunication Day today.

Chairman of Bangladesh Telecommunication Regulatory Commission has recently invited the chief executives of all mobile operators to sit in dialogues every month, which Johnsen says is a good initiative.

The Grameenphone CEO also says the government should have a roadmap to develop the sector. He hopes such regular meetings will help the government meet its goals on what it should do and what not.

There are a number of regulations in Bangladesh that are very good for the sector, he says, adding that the telecom act witnessed some good changes in 2010.

However, on some recent developments in the sector, Johnsen says there is a lack of international best practices in the sector.

For example, he criticised the spectrum pricing method tagged with 2G licence renewal, where Grameenphone had to pay much higher than other operators for per megahertz of airwave.

Getting approval from the government for various types of issues such as packages or tariffs takes a lot of time, he says.

For taking an approval, an operator needs to go to the BTRC and the telecom ministry, which



Tore Johnsen

takes a lot of time and slows down operations, says the official.

He also says too many telecom licences and regulations are affecting the operators, and it is customers who ultimately bear the pains.

Johnsen particularly criticised the huge number of gateways licences -- more than 80 in number -- that the government offered recently.

Many of the licencees will not sustain, the Grameenphone CEO says.

About the upcoming value added service (VAS) guideline, which is available at the BTRC website, he says: "We didn't see such a guideline in the world."

Through the VAS guideline, the government wants to create content developers in Bangla-

desh, but it may not bring expected results, as the government has made it mandatory for such developers to have licences, he says.

"The government should think first what it wants to achieve from the sector."

On the contribution of the telecom sector to the economic development of the country, he says increasing telecom penetration is a factor behind higher GDP (gross domestic product) growth.

"Also the telecom operators are investing directly and indirectly in the country."

Grameenphone's cumulative investment now stands at Tk 17,465 crore since its inception in 1996. The operator has so far paid a total of Tk 25,638 crore to the state coffers, according to a statement of the operator.

Grameenphone has developed countrywide coverage, while the other operators are lagging behind, he says.

The market growth is good in Bangladesh, though the operators have to pay Tk 600 as tax for every SIM (subscriber identity module) along with other costs, Johnsen says, adding that if the SIM tax is waived, the growth will be much faster.

The growth is healthy with more than eight crore subscribers in the mobile industry. A lot of people have two or three SIM cards. So the real penetration is not what is seen, he says. "Still there is room to grow."

On 3G licences, he says auction is the best option to offer such licences. However, he says the floor price of the auction should be rational.

There are only 5-6 percent mobile sets that are 3G enabled. "So it is a slow business for the operators."

"We are not considering 3G before getting the 2G licences," he says, adding that no shareholders will agree to give money for 3G licences since the operators are yet to complete their 2G licence renewal.

# Is Facebook worth the bet? Doubts amid the frenzy

AFP, Washington

**E**VERYONE knows it is a giant of the Internet that will make money for a long while. But is Facebook worth investing in at its elevated initial public offering price?

Analysts have some doubts: the company has huge value, and could be very worthwhile over the long term. But there might be cheaper opportunities elsewhere on the market.

On the other hand, demand for Facebook shares is so strong that, fundamental valuations aside, an investor might score big in any case.

For one, there is last year's big social networking IPO, LinkedIn. Those who risked buying its shares at the seemingly expensive \$45 issue price would have more than doubled their money by now.

Facebook is confident of the demand. On Tuesday pushed up the price of its IPO, expected to take place Friday, to \$34-\$38 a share, from the previously proposed \$28-\$35 range.

That is fairly high, by fundamental valuations, analysts say. At the current pace of growth, the company's price-earnings ratio would be more than 60 times this year's projected earnings and 40 times next year's.

That compares with a current Nasdaq average market p/e ratio of 19.7 times, and rival online ad giant Google's 18.5 times.

Moreover, the company's first

quarter report showed slowing ad growth, rising costs, and the company was struggling to find ways to make money on customers who were using their smartphones more and more for their Facebook postings.

"It's really highly likely the company is overvalued... our fair value is \$32," said Rick Summer of Morningstar.

The issue price has been driven by the sheer frenzy of demand, he said. "This is the one Internet company that people feel they have to get a piece of."

"Sometimes the expectations get ahead of the fundamentals," said the more bearish Trip Chowdhry of Global Equities Research.

"Revenue per user... is very low (and) Facebook doesn't have a strong mobile story," he said.

The issue, said Chowdhry, is whether one believes the huge long-term promise that Facebook will keep a lock on users and their personal data that advertisers so sorely want, to keep it shoulder to shoulder with better-established Google in the online ads business.

"Is it a fad or is it a trend?" Chowdhry asked. "The industry is not defined, the business model is not defined, the user behaviour is not fixed."

Chowdhry says the company's financial performance might not justify the IPO price for several years. Revenues will grow quickly from online ads, but not earnings.



# Govt targets higher growth, lower inflation

STAR BUSINESS REPORT

**T**HE government will focus on attaining higher economic growth and containing inflationary pressure in the next fiscal year, Finance Minister AMA Muhiith said Tuesday at a pre-budget discussion.

The present upward growth trend will continue in the next fiscal year, said Muhiith at the discussion organised jointly by the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) and Maasranga TV at a city hotel.

The inflation rate crossed double digits due to a hike in oil prices on the international market and the government's heavy borrowing from the banking sector in the current fiscal year, he said.

But, the present trend shows that inflation is going to ease in the coming months. "We expect GDP growth will continue to go up in the next fiscal year," said Muhiith.

The finance minister said his government is working to improve the present situation of gas and electricity.

"The government has attached higher importance to power generation," said the minister.

Though the government has undertaken a number of steps such as setting up quick rental power plants, those could not produce the required amount of electricity, said Muhiith.

The minister said power is very fundamental to growth, adding: "We never expected that the demand for power could be so high."

He admitted that the government has made a mistake in calculating the actual demand for electricity, resulting in frequent power outages.

The government has revised the demand for electricity to 9,000 MW from a previous projection at 7,000 MW until 2015, and signed deals to procure coal for producing power, said Muhiith.

The government wants a balanced use of fertilisers to reduce increased pressure on urea, the minister said.

He also said subsidy for the agriculture sector will continue in the next budget.

Muhiith said the number of actual taxpayers is much higher than the existing number of one million.



From right in first row; AK Azad, president of FBCCI; Mahbubur Rahman, president of ICCB; Md Shafiqul Islam, president of BGMEA; Tapan Chowdhury, former president of MCCI; and Rokia Afzal Rahman, a member of the MCCI committee, attend a budget discussion at Radisson Hotel in Dhaka on Tuesday. The MCCI and Maasranga Television co-organised the event.

"We don't count the trade licence-holders who pay taxes." He said those who have savings accounts and purchase cars also pay taxes.

He said the features of the online tax payment system will increase further in future. "The system will be made available across the country next fiscal year."

On the stockmarket, the minister said the existing benefits will continue through the next fiscal year, allowing the investors to legalise their black money in stocks by paying a flat tax at 10 percent.

"I always oppose black money in principle. It doesn't benefit the country," said Muhiith. "But, as the stockmarket is very sensitive, we wouldn't touch it in the upcoming budget," he said.

On the utilisation of foreign aid, Muhiith said the government will announce a new mechanism in the upcoming budget to

maximise the utilisation of such funds. The amount of unused foreign assistance has reached a record \$16 billion now, up from \$13 billion at the beginning of the current fiscal year.

The upcoming budget would be of around Tk 190,000 crore, of which Tk 54,000 crore will be for annual development programme. The budget is likely to be placed in parliament on June 7 and to be approved on June 28. The government targets GDP growth at 7.2 percent and inflation at 8 percent in the next fiscal year.

The minister also said the government will allocate fund for the construction of Padma bridge and for special economic zones in the next budget.

Amir Khasru Mahmud Chowdhury, a BNP leader and former commerce minister, said the government's decision to depend on quick rental power plants has emerged

as a major threat to the country's macro-economic stability.

Chowdhury said the government increased borrowing from banks in the current fiscal year. "This has slowed down growth in the private sector."

He said the rate of inflation has also gone up due to higher interest rates.

Dr Mohammad Farashuddin, a former central bank governor, said the government should use fiscal policy to raise economic growth.

He suggested the government give incentives for encouraging taxpayers.

Latifur Rahman, a former MCCI president, said banks' lending rate should come down. "Higher bank interest will certainly affect economy," said Rahman.

He urged the government to rein in borrowing from banks as it shrinks scope for the private sector to borrow from the bank-

ing system.

Moazzem Hossain, editor of The Financial Express, said the next budget should be an investment-friendly one.

He urged the government to utilise foreign aids instead of borrowing from banks.

Mahbubur Rahman, president of International Chamber of Commerce, Bangladesh (ICCB), said the government should make it mandatory for business houses, irrespective of their sizes, to pay a flat Tk 3,000 as tax annually.

Rokia Afzal Rahman, former adviser to a caretaker government, said the government should allocate a special fund for the development of women entrepreneurs.

She said some banks are charging high interest from the small and medium entrepreneurs, which should be stopped.

Leading banker Anis A Khan said the government can consider launching Islamic bonds to increase liquidity in the banking sector.

AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry, said Bangladesh now needs coal-based power plants.

Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh, said subsidy, especially in the power sector, cannot be a long-term solution.

Inam Ahmed, deputy editor of The Daily Star, stressed the need for strengthening the operation of Bangladesh Petroleum Exploration & Production Company Ltd to speed up gas exploration.

He also urged the government to set up more base power plants.

Mustafizur Rahman, executive director of Centre for Policy Dialogue, stressed creating internal demand to offset the impact of global financial crisis.

Syed Nasim Manzur, managing director of Apex Adelchi, said the government gets the highest amount of tax from imports. He suggested the government should take initiatives to rationalise duties to encourage more investment and create employment.

Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry, and Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, were also present at the discussion moderated by Nihad Kabir, MCCI vice-president.