Make 3G base price affordable: Airtel CEO

ABDULLAH MAMUN

THE proposed base price of $20 million in 3G spectrum auction is prohibitive, said Sanjay Kapoor, Bharti Airtel's chief executive officer (CEO) for India and South Asia.

"To draw a high spectrum price is like killing the golden goose," Kapoor told The Daily Star during his short visit to Dhaka last month.

He deems the proposed base price to be high in comparison to emerging markets, particularly in Africa, and suggested that it be kept at the very minimum level and let the market mechanism work out the value.

Citing India as an example, he said the high spectrum prices do not present a "strong business case".

"Indian subscribers have been enjoying 3G services for two years now, but the penetration remains very small in comparison to the overall size of the market."

"How will the operators create a business case with the inflated spectrum prices? Ultimately, the customers will have to pay for the prices," the Airtel CEO said.

He further said the company would be "very happy" if the proposed base price was made "more affordable".

With the regards to the Indian and Bangladeshi governments' decision to launch the 3G service via the state-owned operators, he said it is not a conducive idea.

"Multiple operators are needed to set up the technology. One operator can not produce the ecosystem needed to operate the service."

He is however hopeful that the 3G technology will eventually bear its fruits.

"As the penetration grows, so will the dividends -- in most countries it took 5 or 6 years."

Kapoor also touched upon the issue of the lack of profitability of all mobile operators in Bangladesh bar Grameenphone, blaming the country's business-unfriendly regime.

Sanjay Kapoor

"Taxation in Bangladesh is far too high in comparison to other countries. But the mobile tariffs are very low. In fact, it is the second lowest in the world. The revenue source is very diagonal."

To be able to provide good-quality service to the customers the industry has to be profitable first, he said.

"But for that, industry-friendly policies and regulations are required," said Kapoor, while stressing the need for more than one operator to be profitable for the industry's sustainability.

It will eventually become unfeasible to make the investments required to keep up with the constantly evolving technologies -- if there are no profits, he said.

"In the end, customers would be the losers."

Airtel, which has been in operation in Bangladesh since 2010 after purchasing Warid Telecom's majority stake, ranks among the top five mobile service providers globally in terms of subscribers.

Innovation, a robust business model, prompt execution, leadership, high-skilled management and the concept of 'customer is king' are the ingredients behind the success of the company that operates in 20 countries of South Asia and Africa, Kapoor said.

"The company has two separate management teams: one for Africa and the other for South Asia. We never divide our attention."

abdullah.mamun@thedailystar.net

Global commerce, local tragedy

AP, *New York*

IN the charred bones of the Tazreen Fashions Ltd. factory, the labels and logos - sewn and printed in scarlet and royal blue - beckon from the ashes. Even in ruins, there's no missing that these T-shirts and jeans were intended for US stores and shopping carts, designed as bargains too good to pass up, or stocking stuffers just in time for the holidays and in just the right size.

But a week after the blaze outside Bangladesh's capital killed 112 workers, a glaring question remains unanswered: How, exactly, did brands worth fortunes end up in such a place? And what does the odyssey that brings them to market across thousands of miles say about the everyday economics most consumers take for granted?

Retailers and marketers whose clothes were found in the embers, including Wal-Mart, Sears and Disney, are carefully vague in explaining why that was the case. But piecing together the information they provide with records and the insight of apparel and sourcing experts reveals a complex and ever-morphing supply chain, in which Tazreen was just an interchangeable link.

It is a chain whose combination of ultra-low labor costs, maximum flexibility and delegated authority offers undeniable advantages. But it is also comes with considerable risk.

"A lot of people go into the store and see `Made in China' or Bangladesh or India or whatever and it's almost like this magical thing, that somebody said I want to make some shirts and it shows up the next day," says Vinod Rangarajan, who advises apparel companies on product development and sourcing for consultant Kurt Salmon. "But it is a lot more involved than people would imagine."

In fact, there is no single answer to how and why so many branded garments from Tazreen found their way to US consumers, because that is precisely the advantage of the global supply chain: It never has to be one size fits all.

Some big retailers buy clothes directly from scores of such factories, searching for the production capacity to meet the demands of the coming season's fast fashions. Others work through supply chain managers, independent suppliers or in-country agents. Still other so-called "vertical manufacturers" produce much of their product line in-house, but turn to a factory like Tazreen to handle specialty items that fall outside their line of expertise.

"There are lots of companies who exist between brands and factories and their job is really to just take technical specifications on an order and turn around and make sure that there is a poly-bagged, perfectly folded item that comes with a SKU (stock-keeping unit) number and a price tag," said Kevin O'Brien, a partner in Ethix Ventures Inc, a Massachusetts distributor of "ethically sourced" apparel.

That explains why paperwork found in the shell of the burned out factory and its parent bare the names of clothing companies all but unknown to consumers. They include businesses like NTD Apparel Inc., based in Montreal, which sells T-shirts and other goods printed with licensed characters like Hello Kitty and Angry Birds to JC Penney, Urban Outfitters and other merchants. It was identified as the recipient of a 2011 auditor's report deeming Tazreen a "high risk." Or MJ Soffe LLC of Fayetteville, NC, which makes items including cheerleaders' outfits and fleece tops, and was identified by an order book photographed inside the factory. Both companies were also named in shipping records, compiled by trade platform Panjiva, showing they received orders from Tazreen or its parent.

NTD executives did not return phone calls or take questions. In an email from the president, Michael Eliesen, the company said it was not working with Tazreen at the time of the fire. NTD said it hires auditors to ensure factories with make its clothes comply with local health and safety laws. "Any violation is dealt with according to the sensitivity of the issue and in consultation with our audit partners," NTD said, without explaining how it had dealt with hazards found at the fated plant.

Robert Humphreys, CEO of Soffe parent Delta Apparel Inc said he had never heard of Tazreen and did not know what his company had made there. That points both to the complexities of the apparel business, he said, and the fact that Delta, whose own factories in North Carolina and Central America focus on items that change little from season to season, normally only outsources work for the fringes of its product line.

"Maybe we make 80 percent of what we ... sell and then you have outlying products that maybe are just for the season or a fashion run," said Humphreys, whose plants turn out 3 million pieces of clothing a week. "This is why it gets so complex and there's so much misinformation. But the apparel industry is a very big, complex marketplace."

That complexity means there are secrets behind every label that moved through Tazreen, sewn in by workers earning the equivalent of 27 cents an hour, 6 days a week, packed between rows of sewing machines stacked on floor after floor of a building with exits locked or blocked.

Such conditions were also common in the US until a fire achingly similar to the one in Bangladesh killed 149 workers at New York's infamous Triangle shirtwaist factory 101 years ago. But today, the globalized economy allows retailers and consumers in First World countries to turn to Vietnamese or Honduran or Bangladeshi workers to do those jobs, a role largely overlooked until a system that runs with formidable efficiency is upended by tragedy.

"You have to remember that there is a problem which we face in a globalized economy, which is that if one country enacts really strict safety guidelines that raise the cost of manufacturing, buyers have the option to take their business elsewhere and, thus far, have demonstrated a tendency to do so," said Josh Green, CEO of Panjiva Inc, an online data platform used by international marketers and producers.

READ MORE ON B3

Franco-German rift threatens plan for banking union

REUTERS, *Brussels*

GERMANY and France clashed publicly on Tuesday over plans to put the European Central Bank in charge of supervising banks, deepening a dispute over the scope of ECB powers that threatens to derail one of Europe's boldest reforms.

With time running out to meet a pledge to complete the legal framework for an EU-wide banking union by the end of the year, Germany's Wolfgang Schaeuble told a meeting of EU finance ministers he could not support a plan that would give the ECB the final say on supervision.

France's Pierre Moscovici and the ECB protested against any watering down of a plan central to Europe's response to a five-year banking crisis and which promises to unify the way it deals with problem lenders, ending a previously haphazard approach.

"The right of the last decision cannot be left to the ECB Governing Council," Schaeuble told the meeting in Brussels, in comments broadcast to reporters.

There could be no deal unless national supervisors had responsibility for most banks, he added.

"A Chinese wall between banking supervision and monetary policy is an absolute necessity," he said, also voicing scepticism that an independent central bank such as the ECB should even take on the tasks of supervision.

Moscovici countered that EU leaders, who had given finance ministers responsibility for drawing up a supervisory framework, had placed the ECB at the centre of their vision.

"We have no mandate for a dual system of supervision, which would call into question the existence of a single system for some banks," said

Moscovici, conceding after the meeting that their differences were difficult to hide.

The depth of divisions between the two biggest euro zone economies highlighted the difficulty in reaching agreement, making a deadline of this year uncomfortably tight.

Tuesday's occasionally heated talks ended in disagreement and the ministers will resume discussions on December 12, news that initially saw the euro slip against the dollar.

ECB Vice-President Vitor Constancio expressed alarm at suggestions that the Frankfurt-based bank may not receive the mandate to supervise lenders at all, something hinted at by Schaeuble and spelt out bluntly by Austria's finance minister.

Maria Fekter said that EU leaders in making their pledge to establish a new system of supervision "did not decide the hegemony of the ECB, just involving the ECB" and accused Constancio of misrepresenting their intentions.

The suggestion was rebutted by Constancio. "It is inside the ECB, as the summit has decided," he said.

Most countries support the idea of banking supervision, the first pillar of a banking union, but disagree on how best to structure it or how far to go in unifying banking systems to share risk and prevent discrimination between euro and non-euro countries.

Complicating the debate further is Sweden, a non-euro zone country that has substantial banking interests in Finland, which uses the euro. Sweden is concerned that if the ECB is to have oversight of assets it owns, it must have some level of equal representation at the ECB.

Having earlier threatened to block agreement, Sweden's Finance Minister Anders Borg appeared to soften his stance on Tuesday, saying compromise was possible if non-euro countries were treated fairly and national regulators retained autonomy.

Diplomats also need to address the concerns of non-euro zone countries that aim to join the currency, such as Poland and Hungary, which also want to ensure they are not disadvantaged by the ECB taking a more powerful oversight of their banks.

Pakistan's motorists suffer at centre of gas price row

AFP, *Rawalpindi, Pakistan*

HUGE bottlenecks of cars snaking away from filling stations have become a familiar sight in Pakistan as a row festers between retailers and the authorities over the price of compressed natural gas.

CNG is substantially cheaper than petrol in Pakistan and is widely used by private motorists as well as in taxis, rickshaws and buses.

But many CNG stations have closed their doors, declaring they are no longer making money following a Supreme Court hearing at the end of October that led to pump prices tumbling by a third.

As prices climbed to around 92 rupees (95 cents) per kilo, Pakistan's highest court questioned the linking of CNG to international oil prices and how much retailers were charging at the pumps.

The court queried whether there was a need for the price of CNG -- produced locally -- to be pegged to petrol prices, which reflect constantly fluctuating worldwide oil markets.

As a result the government's Oil and Gas Regulatory Authority (OGRA) cut the pump price to around 61 rupees per kilo -- good news for motorists but disastrous for the CNG station owners.

They say they are no longer making a profit and for the past two weeks many filling stations across Punjab, the most populous province, have only opened for three days a week.

It is a row that observers say exemplifies Pakistan's lack of long-term planning, particularly on energy issues -- but also the willingness of special interest groups such as CNG retailers to exploit

AFP

A Pakistani fruit vendor stands in the middle of a queue of vehicles as motorists wait to buy compressed natural gas (CNG) from a government-run CNG station in Islamabad on Monday.

public misery for their own gain.

"It's typical of the way Pakistani administration works -- they never have a long-term view. They have an immediate issue to deal with and they don't see the problem in the longer perspective," political analyst Hasan Askari told AFP.

Pakistan has substantial natural gas reserves and in the past the government encouraged motorists to convert their cars to run on CNG in order to reduce dependency on imported oil.

But security worries in gas-rich areas and years of under-investment in exploration mean demand has far outstripped supply and the country now suffers gas shortages every winter.

Factories and homes suffer "load-shedding" -- having their supply cut off -- infuriating ordinary people who cannot cook or heat their homes and damaging the economy by halting industrial operations.

Askari said that the CNG station owners were seeking to stir up public anger with their strike to force the government's hand.

But the president of the CNG station owners' association, Ghayas Paracha, said his sector was being treated unfairly and demanded the government level the price playing field.

"One solution is... every sector giving the same price for the gas," he said.

"There is a big discrimination for us. We pay for instance 300 rupees per MMBtu (one million British thermal units -- a standard unit of energy used to calculate gas prices) of taxes, but the industry sector is paying only 50 rupees per MMBtu."

Paracha said around 3.7 million cars in Pakistan run on CNG and the filling station shutdown has meant huge queues at the few that remain open.

Farooq Qadri, a taxi driver in Rawalpindi, told AFP the CNG "strike" had forced him to leave his car at home for most of last week, severely denting his income.