

## Bangladesh takes aim at Grameen Bank

THE NEW YORK TIMES  
THE government of Bangladesh is considering nationalising and breaking up the widely admired Grameen Bank, which pioneered the business of lending small amounts of money to poor women who want to start and grow businesses. Lawmakers should reject these destructive ideas and stop meddling in the affairs of this important financial institution, which serves 8.4 million rural women.

In the last two years, the government of Prime Minister Sheikh Hasina has waged a destructive campaign against Grameen and its founder, Muhammad Yunus, who won the Nobel Peace Prize in 2006. Her actions appear to be retaliation for Yunus's announcement in 2007 that he would seek public office, even though he never went through with his plans.

In 2011, her aides forced Yunus out of his job as managing director of the bank by arguing that he was older than a mandatory retirement age of 60, even though bank regulators had previously allowed him to stay in the job after he crossed that threshold. Since then, the government has started an investigation into the bank and is now planning to take over Grameen—a majority of whose shares are owned by its borrowers—and break it up into 19 regional lenders.

Although the microcredit model created by Yunus in the 1970s has lost some of its luster in recent years because of controversial practices by some lenders other than Grameen, the approach remains a vital tool for reducing poverty. It has helped millions of poor women start and sustain small businesses around the world and especially in Bangladesh, according to the World Bank.

Turning Grameen into an arm of the state would jeopardise the bank's core mission by subjecting it to destabilising political interference. And breaking it up would make its operations less efficient while eliminating it as an influential national organisation that might challenge government policies.

A government-appointed commission studying Grameen Bank is expected to produce a report next week that recommends three different proposals, one of which would nationalise and break up the bank, according to local news reports. Some political analysts say that Prime Minister Hasina might not act on those recommendations until after the country votes for a new government at the end of the year to avoid giving the bank's many borrowers and employees a reason to campaign and vote against her.

Regardless of when the prime minister makes her decision, she has provided no compelling reason to dismantle one of the most promising credit movements to have benefited millions of women in her country.

## ANALYSIS

# Amazon's Bezos pays hefty price for Washington Post

REUTERS, Washington

JEFF Bezos has just shown how valuable one-of-a-kind newspaper properties can still be in the United States.

The multimillionaire founder of online retailer Amazon.com Inc may have paid more than four times the price that the financial results of the Washington Post suggests it is worth.

In Monday's deal, Bezos agreed to buy the Post and a handful of other newspaper assets from the Washington Post Co for \$250 million. Going by the valuations of other newspaper deals and publicly traded media companies, though, the Washington Post would have been worth closer to \$60 million.

The average sale of a metro US newspaper has commanded a valuation of 3.5 to 4.5 times earnings before interest, taxes, depreciation and amortization (EBITDA), according to Reed Phillips, managing partner of the media investment bank DeSilva and Phillips.

Morningstar analyst Liang Feng estimated that the Washington Post's newspaper division posted EBITDA of \$15 million last year, not including pension liabilities. Washington Post CEO Donald Graham said the newspaper division was profitable last year but declined to give a figure.

Based on those estimates, Bezos paid about 17 times 2012 EBITDA.

Washington Post Co's shares rose more than 4 percent on Tuesday.



A newspaper box outside the Watergate complex offers copies of the Washington Post for sale in Washington on August 6.

Such a large premium, which essentially pays for intangible assets like the brand name, may mean that any future sellers of prestigious newspapers will raise their price expectations. Other major newspapers that are in the sights of potential buyers include the Los Angeles Times and the Chicago Tribune.

Analysts and bankers said that when it came to newspapers such as the Washington Post, the usual financial metrics did not apply. The price, as in the case of other trophy assets like sports

teams, depended on what a buyer was willing to pay.

"The reality for newspapers like the Washington Post is it's impossible to use traditional financial metrics," said Paul Zwillenberg, a partner at The Boston Consulting Group. "These are trophy assets whose value is in the eye of the beholder."

The deal could be one bright spot in an otherwise dour outlook for the newspaper industry, which faces declining advertising revenue and subscribers as people increasingly get their news online

and on handheld devices. Over the past five years advertising revenue—still the major vein of revenue for most newspapers—fell by half to \$22.3 billion.

The New York Times Co, for example, faces many of the same headwinds as the Washington Post.

If the New York Times, which is controlled by the Ochs-Sulzberger family, were to decide to sell its flagship newspaper and demanded a similar premium as the Washington Post, it could be worth nearly \$5 billion, based on the Reuters analysis.

Currently, the New York Times Co's market value is \$1.8 billion.

But Bezos' bet is relatively small compared with his fortune of around \$25 billion, and the chances of any buyer paying a premium like that for the Times are remote. The last blockbuster deal of that size for a prestigious newspaper was News Corp's deal to buy Dow Jones, the publisher of The Wall Street Journal, for \$5.6 billion in 2007. The following year it took a \$2.8 billion non-cash charge on the purchase.

"The New York Times is not for sale," said a New York Times spokeswoman.

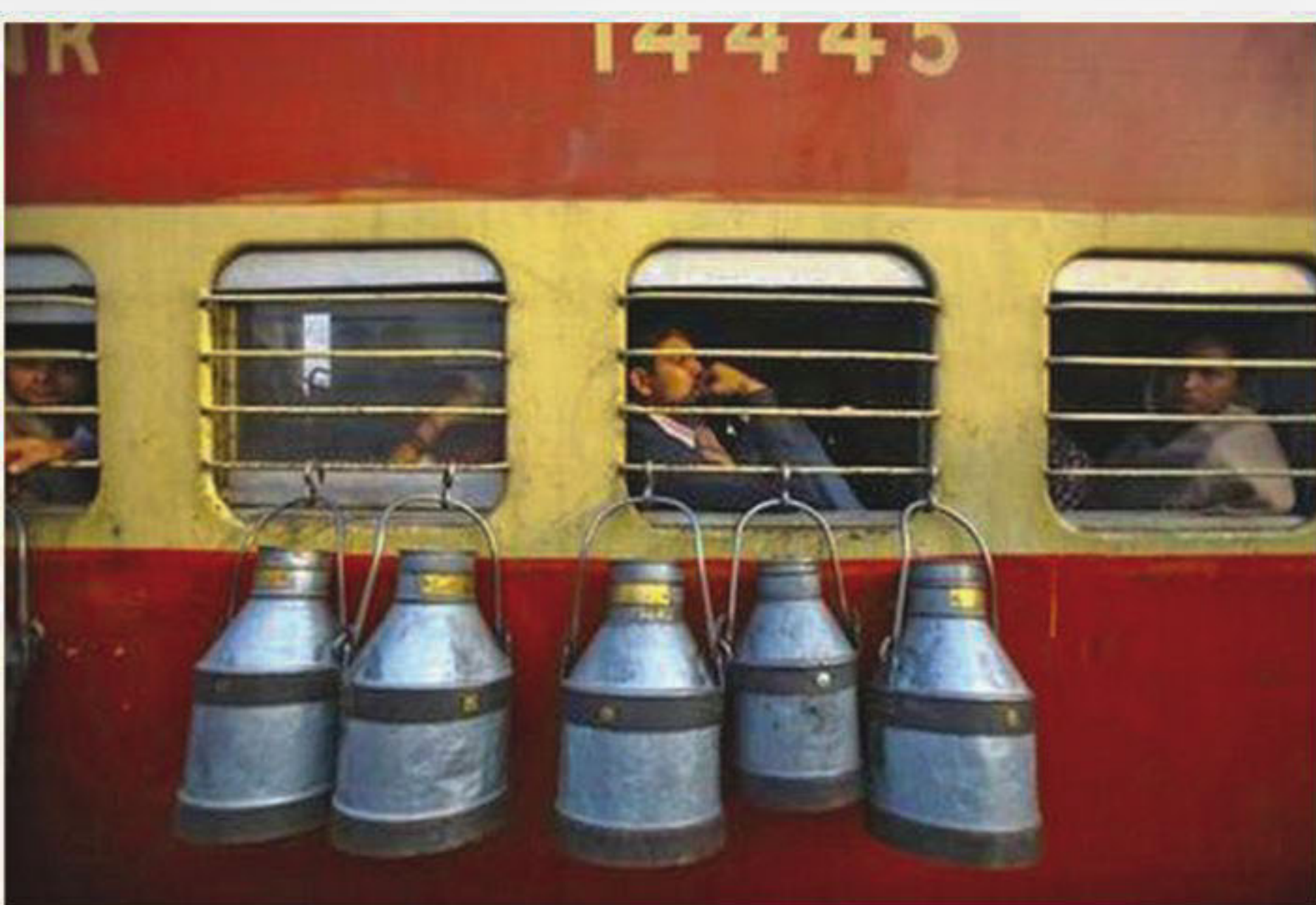
New York Times Co last weekend announced it would sell The Boston Globe and other New England properties to financier and Red Sox baseball team owner John Henry for \$70 million. Boston Globe has a daily circulation of 245,572, roughly half of the Washington Post's 474,767.

Graham, whose family plucked the Washington Post out of bankruptcy in 1933, said in an interview on Monday that he based his price expectations partly on what other buyers had offered.

Graham said that the Post's investment bank Allen & Co reached out to no more than a dozen parties at the beginning of the year to gauge interest.

He hatched the deal with Bezos less than a month ago during the annual media mogul fest in Sun Valley, Idaho. The Amazon founder did not haggle over the price.

"I named a price and Jeff agreed to pay it," Graham said.



Empty milk containers hang from the window of a train in Uttar Pradesh of India.

## India to milk advantage from curbs on New Zealand dairy products

REUTERS, Mumbai

INDIA, the world's biggest milk producer, hopes to seize on a New Zealand dairy product contamination scare to increase its exports and add market share in China and other emerging Asian countries.

India's milk production is likely to rise almost 5 percent in the year to next March to 133 million tonnes, said R G Chandramogan, managing director of Hatsun Agro Products Ltd, one of the country's leading milk powder exporters.

Traditionally, most of that production stays at home as a protein staple for a population of 1.2 billion, but with domestic demand pegged at around 128 million tonnes, there should be more milk available to make skimmed milk powder (SMP) for export. The government also usually restricts overseas sales to keep a lid on local prices.

But, with more milk powder, a weaker rupee and Chinese restrictions on using some New Zealand products in the wake of Fonterra's whey powder concentrate contamination scare, India expects its SMP exports to jump by more than half to 100,000 tonnes this year, said R.S. Sodhi, managing director of Gujarat Cooperative Milk Marketing Federation Ltd (GCMMF), India's top milk product exporter and owner of Amul, the nation's best-known milk and dairy products brand.

Referring to New Zealand's food safety issue, Sodhi said: "We don't have such a problem. This is a very good opportunity

for India. Definitely our exports will rise this year."

Amul branded products won't be appearing in Chinese supermarkets just yet - Indian supplies will go to milk product makers who then use their own packaging. GCMMF expects to ship 25,000 tonnes of SMP this year - five times last year's levels.

"This year there is no (export) restriction and market conditions are better," said Sodhi.

Nearly 90 percent of China's \$1.9 billion in milk powder imports last year originated in New Zealand. India's milk product exports are tiny in comparison - just \$230 million last year, mainly to south Asian countries and the Middle East. India only felt comfortable enough with its domestic supplies to lift an SMP export ban in June 2012.

"We are heading towards the flush season, so there will be more milk available for SMP. We are getting good export orders for SMP," said Vinayak Patil, chairman of the Maharashtra State Cooperative Milk Federation. August marks the start of a 2-3 month peak milk production season in some Indian states.

Rising export prices are also boosting sales, especially with the rupee's weakness. The currency hit a record low of 61.80 to the dollar on Tuesday, and has lost a tenth of its value so far this year.

"SMP prices have risen more than 15 percent in six months in dollar terms," said an official at a Delhi-based co-operative dairy. "With the rupee depreciation," he added, "SMP exports are now lucrative for dairies."

## Delays hang over Pakistan 3G lifeline

AFP, Islamabad

PAKISTAN'S cash-strapped government has promised to sell 3G mobile telephone licences to raise revenue, match regional rivals and drive prosperity, but the process has been beset by delays.

Even Afghanistan, Pakistan's far less developed western neighbour with a weaker economy and more fragile state, has the technology.

But Pakistani consumers struggle to transfer data by phone, video streaming is often interrupted -- although technically YouTube is banned -- and video calls problematic.

Two months after the new government took office, there is little sign that the process will start soon.

Pakistan's state minister for information technology Anusha Rehman told AFP that the auction alone could take six to eight months. "The base price for 3G licences is not set yet. Only once it is done will I be able to give a figure on how much revenue will be generated by the licences sale," she said.

But first the Pakistan Telecommunication Authority (PTA) needs to be constituted and Rehman conceded there could be substantial delays.

"I am not sure how long it is going to take because the appointment of members have to be made by the cabinet," she said.

A senior civil servant initially told AFP that key appointments to the PTA were expected to be finalised in July. The first half of August in Pakistan is dominated by religious and national holidays.

Prime Minister Nawaz Sharif, elected for a historic third term in May, faces the daunting challenge of bringing down an 8.8 percent budget deficit, yet his first budget was conservative.

He offered no major tax reforms and within weeks, his government was forced to seek a \$5.3 billion loan from the International Monetary Fund: enough only to keep on top of old loan repayments.

Finance Minister Ishaq Dar sought to fend off some criticism about the lack of tax reform by saying that a 3G auction would fetch a "considerable amount of foreign exchange".

## Sri Lanka plans aircraft repair hub with Lufthansa

AFP, Colombo

SRI Lanka's national airline announced Wednesday plans to set up a regional aircraft repair hub with the help of German carrier Lufthansa.

The aircraft maintenance, repair and overhaul operations will be a centrepiece of the new \$209 million Mattala Rajapakse International Airport which opened in March, officials said.

Sri Lanka Airlines said it was working out details with Lufthansa AG's maintenance arm, Lufthansa Technik, to open the repair facility at the Chinese-built international airport in the island's south by next July.

"We are in discussions to finalise our business plan and work out the equity to be put into the new venture," Sri Lankan airlines chief executive Kapila Chandrasena told reporters in Colombo.

He said the facility would be developed

as a regional centre for repair and maintenance of Airbus A320 and Boeing 737 aircraft and they hoped to service about 110 aircraft annually.

He said Airbus was also providing some \$25 million worth of repair equipment as part of a package to buy 10 new Airbus aircraft that would be delivered to Sri Lankan Airlines starting in October 2014.

The national carrier, which lost an estimated \$190 million in the financial year ending March 2013, has signed a deal to buy six new Airbus A330-300 aircraft and four of the latest Airbus A350-900 jets as part of a major renewal of the ageing fleet.

The airport and its surroundings -- around 1,000 hectares (2,471 acres) -- have been earmarked as a tax-free zone for foreign and local investors to set up warehouses, maintenance hangars and other industries.



A Lufthansa Boeing 737-300 taxis across the tarmac of Frankfurt airport.

## China fines formula firms \$108m for price-fixing

AFP, Beijing

CHINA said Wednesday it has fined six mostly foreign baby formula producers including New Zealand's scandal-hit Fonterra a total of \$108 million for price-fixing, as it seeks to cool public anger over the sector.

The penalties -- also levied against firms from the US, France, the Netherlands, and one Chinese company -- came after a five-month inquiry by the National Development and Reform Commission (NDRC), China's top economic planner.

They were a "record high" in Chinese anti-monopoly rulings, the official Xinhua news agency said.

They also come in the middle of the latest safety scare over formula, in which Fonterra-related products have been recalled in several countries over concerns they could be tainted with a bacteria that can cause potentially fatal botulism.

It said Wednesday that all the affected items had been removed from retailers' shelves.

China is the world's biggest market for formula and foreign-branded products are in high demand after repeated safety scandals involving domestic products -- including one in 2008 when six children died and 300,000 were sickened.

Prices are high as a result, leading to frustrations among consumers.

It fined Mead Johnson and Abbott from the US; Dumex, a subsidiary of France's Danone; a China arm of Royal FrieslandCampina of the Netherlands; Fonterra and China's Biostime.

The firms set minimum prices with distributors and punished dealers who did not comply, the NDRC said, and their actions reduced competition and "unjustifiably maintained high milk powder prices".

"They undermined the fair market competition order and harmed consumers' interests," it added.

Mead Johnson said it had been fined 204 million yuan (\$33 million), adding it remains committed to the country that is "one of the company's most important markets".

Biostime, based in the southern city of Guangzhou, said in a filing to the Hong Kong stock exchange that it would pay a fine of 163 million yuan "in a timely manner".

The value is around six percent of the company's sales revenue in the previous year -- the highest rate among all firms punished -- because its violations were "grave" and it "failed to rectify its wrongdoings in an active way", the NDRC said.

Fonterra said it was fined 4.5 million yuan and accepted the decision.

Its chief executive Theo Spierings said all tainted products, which were distributed in countries ranging from New Zealand to Saudi Arabia, had been removed.