

3G won't be a hit without high-end handsets

Robi CEO Michael Kuehner says they will participate in the auction only when the disputed issues are resolved

ABDULLAH MAMUN

THE upcoming 3G technology will not benefit people much unless high-end or 3G-enabled handsets are widely available, says the chief executive of a mobile operator.

In Bangladesh all the users may not be able to buy costly handsets and the benefits of the 3G services will get away from them, says Michael Kuehner, managing director and chief executive officer of Robi Axiata Ltd.

Kuehner also says 3G is not going to bring miracles although a lot of hype has been created around the launch of the technology.

He says 3G will facilitate a bigger amount of data transfer, but for daily use, such as mailing or surfing the net, the current technology -- EDGE (known as 2.75G) -- is enough.

The Bangladesh Telecommunication Regulatory Commission is going to hold an auction on September 8 to offer four 3G licences to private mobile operators.

However, the Robi CEO says, along with the upcoming 3G services, "still there is room to develop the existing EDGE technology."

A significant portion of the population of Bangladesh needs internet or data connectivity and, Kuehner says it is the right time to go for 3G, as higher internet



Michael Kuehner

penetration will help the economy grow faster and bring about positive changes in education, healthcare services and many other areas.

However, for the last six months the government, the regulator and the mobile operators have been trying to reach a consensus to launch the 3G services, but that could not happen due to some tax-related disputes and court cases.

"We are very interested and

well prepared to launch 3G. All the other companies of the Axiata Group have offered the services long ago."

Kuehner says: "We can participate in the auction only when the disputed issues are resolved."

"The shareholders have told me that if there is no clarity on the issues and if we don't know what we will face, we will not get a go-ahead (from the shareholders) to participate in the auction."

The disputes centring the VAT issues and the pending cases regarding SIM replacement, among others, have to be resolved first, he says.

On the \$20 million base price in the auction, Kuehner says, "It's not realistic and business friendly."

Recently Robi's shareholder Japanese mobile giant NTT Docomo has decided not to invest further in the operator. A lack of predictability and

investment protection, and a negative regulatory environment are the reasons why Docomo has taken such a decision, the Robi chief executive says.

Telecom is a very capital intensive business. Its capital expenditure is extremely high compared to its operational expenses, which take away a huge amount. On top of it, when the government takes more than 50 percent in taxes, it becomes very tough for an operator to do business, Kuehner says.

He also says, due to the tax burden Robi is not consistent in its profit. "The profit is mostly driven by taxation."

However, he says Robi is growing and doing "very well" despite the unfavourable tax regime.

"We are running our operations as cost efficiently as possible. But the profitability is far below the expectations of the shareholders," he says.

Recently Robi has signed an agreement with an internet service provider to offer Wi-Fi services.

About Wi-Fi, he says it is complimentary to the 3G services but cannot be an alternative. Wi-Fi can be rolled out at a low cost compared to building the 3G network.

Kuehner says the regulatory environment has improved in the last one year.

If the operators can put forward their opinions in all issues, a good regulatory environment can be created, he says.

Promoting child tourism

ZIAUL HAQUE HOWLADER

CHILDREN are a significant segment of the tourism industry across the world, and many countries offer education-based tourism for them focusing on history and heritage. Initiatives also include options for gaining first-hand knowledge on agricultural production and cultural interactions with other communities within or outside their own country and so on.

Though there is no specific data even by the United Nations World Tourism Organisation on child tourism or global visits of children, it is perceived that child tourism is growing well, which may contribute to domestic tourism a lot. In Japan, there are also special kinds of air and road transports for children to visit the countryside. The children go together with only teachers to guide them. Children are encouraged to get directly involved in agriculture by showing them sugarcane and rice production, flower cultivations and the like.

There are some children's parks in all cities of Bangladesh, including Chittagong, Sylhet and Dhaka, but they are insufficient. They need to be further developed, and the safety and security of children must be ensured. Currently, children can only visit historical sites either with parents or from schools, said Taufiq Uddin Ahmad, current president of Tour Operators Association of Bangladesh.

"I like child tourism. I have already created some kids corners in my resort like butterfly gardens, fishing for children, and facilities disbursing knowledge of indigenous trees of the country etc," said Khabiriddin Ahmed, chairman of TRIAB and owner of Arunima Eco-resort Golf Club.

Child tourism can be a great boon for the tourism industry of Bangladesh. Children are the potential tourists of future. If children were provided a congenial atmosphere like children-friendly transports and infrastructure, there would be a significant change in the domestic tourism of Bangladesh.

Child tourism would give them a chance of first-hand education from archaeological, historical or any natural site. If children get to visit sites like Panam city at Songargaon, Paharpur of Naogaon district or Mahasthangarh of Bogra, Kantaji Temple of Dinajpur, it would inspire them to learn more, rather than just memorise them from text books.

Moreover, the experience of visiting a site remains with the child much longer than the lessons do.

Even though many children visit such sites with parents, they remain largely unaware about their significance.

READ MORE ON B3

When will the rupee stabilise?



A sand artist puts the finishing touches to his sand sculpture of a rupee coin in front of Hindu goddess Lakshmi on the beach at Puri in India.

DH PAI PANANDIKER

THE rupee hit a series of record lows in August, rattling the stock market and forcing policymakers to step in. But the fall was necessary to correct India's past mistakes and improve the dynamics of the economy. Stock markets were jolted because the rupee's slide was sudden. But then that is how markets behave.

International markets, be it for currencies or commodities, are sensitive and therefore volatile due to underlying speculation that is difficult to control. Eventually, however, a stable point is reached at which point they settle down.

It was principally the currencies of emerging market economies that weakened. The declared intention of the US Federal Reserve to taper quantitative easing (QE) created a scare that dollars would be in short supply. Most currencies in Asia, for instance, depreciated except the Philippine peso. The depreciation of currencies varied depending on the country's internal strength and weakness.

The Brazilian real was the hardest hit with a drop of more than 16 percent in three months. The rupee was a close second, followed by the Indonesian rupiah. These currencies were already under some stress. Inflation was high in Brazil and India. Growth had dropped significantly. Investment, both domestic and foreign, had also slowed.

The currency fall had its repercussions. The repatriation of dollars by FIIs entails

the sale of stocks and bonds. When the rupee fell to 65, the Sensex lost 2,000 points and the 10-year government bond yield jumped to over 9 percent.

It was always known that quantitative easing wasn't going to be there forever. The Federal Reserve had indicated its discontinuation when US unemployment was down to 7 percent. When the tapering does happen, world currencies will have to readjust. The fall in currencies and the drop in stock and bond prices are required adjustments that the markets have anticipated for different countries.

There might be some indication of QE tapering at the Fed's next meeting on Sept. 17 and 18. That is when the markets for currencies, stocks and bonds will be able to reassess the likely impact and discover a relatively stable currency matrix.

So far, the market reaction was overdone. It is possible that there will be some correction in the weeks ahead. Already, the fall of the rupee, the Sensex and bond yields has been reversed to some extent. But this could be a flash in the pan.

The markets are rebalancing. A more realistic appraisal will come in September after the Federal Reserve meeting. That is when the rupee, the Sensex and bond yields will reach some stability. Still, the political uncertainty due to the upcoming elections in India will persist in the coming months and keep markets volatile, but it should be averted.

The author is president of RPS Foundation, a private think tank in India.

New Microsoft CEO faces big choices post-Ballmer

REUTERS, Seattle

THE next CEO of Microsoft Corp has one big decision to make: press on with retiring chief executive Steve Ballmer's ambitious plan to transform the software giant into a broad-based devices and services company, or jettison that idea and rally resources around its proven strength in business software.

Ballmer's grand design—unveiled just six weeks before Friday's surprise announcement that he would retire within a year—calls for 'One Microsoft' to pull together and forge a future based on hardware and cloud-based services.

But poor sales of the new Surface tablet, on top of Microsoft's years-long failure to make money out of online search or smartphones, have cast doubt on that approach.

For years, investors have called on Microsoft to redirect cash spent on money-losing or peripheral projects to shareholders, while limiting its focus to the vastly profitable Windows, Office and server franchises.

Activist investor ValueAct Capital Management LP, whose recent lobbying of the company may have played a role in Ballmer's decision to retire earlier than he planned, is thought to favor such an approach.

In the last two years alone, Microsoft has lost almost \$3 billion on its Bing search engine and other Internet projects, not counting a \$6 billion write-off for its failed purchase of online advertising agency aQuantive. It took a \$900 million charge for its poor-selling Surface tablet last quarter.

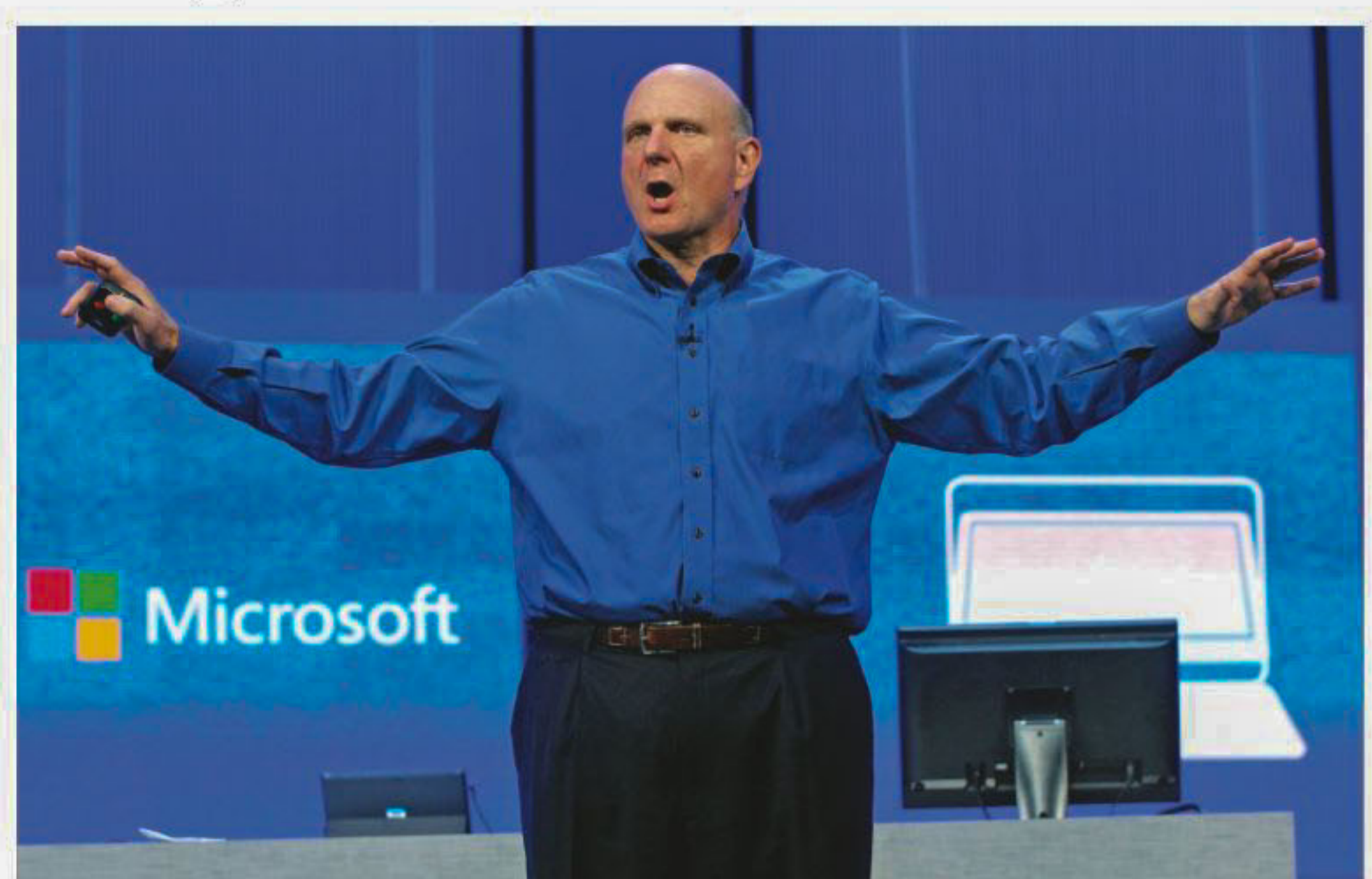
For now at least, Microsoft seems intent on pursuing Ballmer's vision. John Thompson, Microsoft's lead independent director who is also heading the committee to appoint a new CEO, said on Friday the board is "committed" to Ballmer's transformation plan.

The eventual choice of that committee—which has given itself a year to do its work—should provide a clue to how committed the board really is, and how open to outside advice.

"Taking an internal candidate like Satya Nadella—the guy nurturing servers—or some of the other people on the Windows team, that makes sense to keep a steady hand through this reorganization and strategic shift," said Norman Young, an analyst at Morningstar.

"But a strong case could be made that the company needs a breath of fresh air, someone who can execute on the strategy but also bring an outsider perspective," he added. That could mean selling the Xbox and abandoning Bing, or cutting short efforts to make tablets or other computers.

Throughout the last decade, as Microsoft's share price has remained flat, shareholders have called for bigger dividends and share



REUTERS/FILE

Microsoft CEO Steve Ballmer gestures during his keynote address at the Microsoft "Build" conference in San Francisco, California. Microsoft said that Ballmer will retire within the next 12 months, once it completes the process of choosing his successor.

buybacks to beef up their returns.

Microsoft obliged with a one-time \$3 a share special dividend in 2004 and has trebled its quarterly dividend to 23 cents since then.

But shareholders still want a bigger slice of Microsoft's \$77 billion cash hoard, \$70 billion of which is held overseas.

Rick Sherlund, an analyst at Nomura, believes that if the retirement of Ballmer means the company is listening to ValueAct and its supporters, then action on the dividend and share buyback could perhaps happen as early as September 19, when Microsoft hosts its annual get-together with analysts and is expected to announce its latest dividend.

"The momentum of shareholder activism is well underway and likely to benefit shareholders even though the process of how this unfolds is not certain," said Sherlund.

The lackluster performance of Microsoft's stock has long been the stick that shareholders beat Ballmer with, and it has looked all the worse compared with the staggering gains made by Apple Inc under Steve Jobs.

Yet Ballmer—who owns just under 4 percent of the company—never showed any doubts about his intention to stay in the job. His old friend and ally Bill Gates, who still owns 4.8 percent of the company, never wavered in his public support.

The first public signs of dissent on Microsoft's board came in 2010, when Ballmer's bonus was trimmed explicitly for the flop of the infamous Kin 'social' phone and a

failure to match Apple's iPad, according to regulatory filings.

It was around that time, though not necessarily connected, that the board started considering how it would manage a succession, according to a source familiar with the matter. Ballmer and the board began talking to both internal and external candidates.

About 18 months to two years ago, Ballmer started thinking seriously about a succession plan, the internal source said.

The time since was not marked with glory for Ballmer, with a tepid launch of Windows 8, the disappointment of the Surface tablet, and a \$731 million fine by European regulators for forgetting to offer a choice of browsers to Windows users.

Two to three months ago, Ballmer started thinking seriously about his retirement and concluded it was the "right time to start the process," the source said. That was shortly after ValueAct took a \$2 billion stake in Microsoft.

July's gloomy earnings, which offered no immediate hope of quick improvement, may have sealed the decision. Ballmer said Friday he made the choice in the few days prior, and informed the board on Wednesday. Whether the board urged Ballmer to leave is not known.

The impending exit of Ballmer leaves a difficult and perhaps impossible choice to his successor—pushing a large and insular behemoth through a highly risky transformation to the mobile world, or clinging to an island of profitable but PC-centric businesses.