

Telenor predicts fivefold Myanmar wireless surge

BLOOMBERG, Singapore

TELENOR ASA Chief Executive Officer Jon Fredrik Baksas said mobile-phone subscriptions in Myanmar, a new market for the wireless carrier, will surge more than fivefold to about half of the population by the end of 2017.

Telenor, the Nordic region's largest phone company and one of two operators selected to build Myanmar's telecommunications network, expects the license to be issued formally by the end of the year, Baksas said. Services will start eight to nine months after that, he said in an interview in Singapore Sept 28.

"Penetration figures will grow from presently below 10 percent to a very visible figure in a very short time," Baksas said. "We shouldn't be far away from 50 percent penetration already three years down the line."

Telenor, based in Fornebu near Oslo, is seeking growth in Russia, India and other parts of Asia as competition intensifies at home. Myanmar selected Telenor and Ooredoo QSC of Qatar in June, opening up one of the world's last remaining untapped markets. The expansion in Myanmar will boost Telenor's sales by 7 percent to 8 percent in 2020, according to an August estimate by Swedbank AB. Baksas declined to give financial targets for the Myanmar investment.

Telenor and Ooredoo beat nine other bidders including Singapore Telecommunications Ltd. (ST), billionaire George Soros and Bharti Airtel Ltd in the final stage. The licenses allow the carriers to run a nationwide wireless network serving Myanmar's about 59 million people for 15 years. The license term will start when the license is formally issued, said Baksas, who joined Telenor in 1989 and has been its CEO for 11 years.

Myanmar, which is a "cash society," will benefit from the ability to use mobile phones for financial transactions such as money transfers when they become available, said Baksas, who was in Singapore between visiting Myanmar and Thailand, where the company controls Total Access Communications.

"This is a population which does not have access to financial services the way we know them," he said. "The digitalisation of cash handling has happened through banks in general but the mobile phone takes it to the next layer."

Telenor's unit in Pakistan now handles \$2.5 billion of transfers annually on a rolling basis, compared with \$1.2 billion last year, Baksas said. Of 35 million customers in Pakistan, 6



Jon Fredrik Baksas

million regularly use financial services, he said.

"These are all people with no access to any bank or any financial services before," Baksas said. "So suddenly the mobile phone stands out as a distribution mechanism for funds, as well as a collection or transfer mechanism for funds, and it will facilitate money from one part of the country to another part of the country."

Separately, Telenor also announced joint ventures with Schibsted ASA and Singapore Press Holdings Ltd for online classified advertisements in South America and Asia. Telenor will pay about 145 million euros (\$196 million) for its stakes in the ventures, it said in a statement yesterday.

"Telenor remains one of those rare attractive growth stories in the sector, although the growth profile is becoming more challenged," said Barry Zeitoun, an analyst at Berenberg in London, who recommends holding the stock. "Telenor's entry into Myanmar is as expected, and Telenor has vast greenfield rollout experience in Asia."

Baksas, 58, said the network in Myanmar will rely more on solar power than any of its

other grids, both out of necessity and to achieve energy savings.

"This is very important because energy is scarce," he said. "We need energy on every base station and there is no grid in the countryside, which means that we have to establish and build energy capacities ourselves."

Telenor has about 1,500 base stations powered by solar energy in Pakistan and Bangladesh, Baksas said.

"We will probably see a network built out in Myanmar with the highest degree of solar panels that we've seen," he said. "My vision for the future is basically that a base station can be energy neutral."

Solar energy and batteries to store the energy is complemented by diesel generators, he said.

When asked about expansion opportunities, Baksas said Telenor's management will focus on building out the Myanmar operations and integrating Globul, the second-largest mobile carrier in Bulgaria that Telenor agreed to buy in April for 717 million euros.

"We have no specific focus over and beyond the two new countries that come into the Telenor group in 2013," Baksas said, referring to Myanmar and Bulgaria. "This is our focus and this has to do with the management attention, the board attention and the overall capacity of the group."

The company is also expanding its footprint through VimpelCom Ltd, Russia's third-largest wireless carrier and a service provider in other former Soviet countries, Italy and Africa. Russian billionaire Mikhail Fridman controls VimpelCom, with Telenor holding a minority stake.

The assets in faster-growing regions such as Asia have helped Telenor outpace Nordic competitors including Sweden's TeliaSonera AB. The Norwegian company's sales rose about 2 percent in the second quarter, compared with a 4 percent drop at TeliaSonera. Telenor is also reducing costs and expanding its Nordic wireless network to fend off local competitors such as Sweden's Tele2 AB and Denmark's TDC A/S.

This month, Telenor reiterated its goal of 5 billion kroner in cost savings and operating cash flow of 28 billion kroner to 30 billion kroner in 2015.

"Telenor's expansion and asset base is significantly more attractive and more diverse versus that of the Nordic incumbents," said Daniel Johansson, an analyst at Fondsinans ASA in Oslo with a buy rating on the shares. "Risks are more balanced for Telenor."



Arastoo Khan, additional secretary of the Economic Relations Division, and Christine Kimes, acting head of the World Bank Bangladesh, exchange documents of a deal to introduce solar irrigation pumps for farmers, at the ERD in the capital yesterday.

\$10m grant for solar irrigation pumps

STAR BUSINESS DESK

THE government yesterday signed a \$10 million grant agreement with the World Bank to introduce solar irrigation pumps for farmers.

The Solar Irrigation Project will enable installation of more than 1,300 solar powered irrigation pumps covering more than 65,000 bighas of land for rice cultivation.

The project will be financed by the Bangladesh Climate Change Resilience Fund (BCCRF), an innovative multi-donor financing mechanism.

The solar irrigation pumps will provide farmers access to clean energy in a comparatively lower cost, the World Bank said in a statement.

Arastoo Khan, additional secretary of the Economic Relations Division (ERD), and Christine Kimes, acting head of the World Bank Bangladesh, signed the deal, at the ERD in the capital in presence of the development partners.

Traditionally, Bangladeshi farmers rely on more expensive diesel-based irrigation pumps for rice cultivation.

By replacing diesel pumps with solar irrigation pumps in areas where grid electricity has not reached, the project will reduce dependence of farmers on diesel supply, which is often erratic and costly particularly in remote rural areas.

"Reliance on costly diesel imports for irrigation puts a pressure on the country's foreign exchange. Thirteen hundred solar irrigation pumps will save \$3.2 million in foreign currency every year from displacement of diesel," the World Bank said.

"Wider use of solar powered irrigation pumps will help Bangladesh to save foreign

exchange in diesel imports," Kimes said.

"Due to clean and renewable energy used, the project will reduce carbon emission by 10,000 tonnes every year. The project will contribute to improve farmers' livelihoods, increase climate change resilience of the agriculture sector and strengthen food security."

Private sponsors will be responsible for installing, operating and maintaining the solar irrigation pumps, according to the statement.

"BCCRF will provide up to 50 percent of the pump costs in grant, while International Development Association of the World Bank will provide 30 percent in concessional credit. Private sponsors are expected to provide 20 percent of the pump costs as equity."

"The project directly contributes to the government of Bangladesh's climate change adaptation vision," Khan said.

"Wider use of solar irrigation pumps will help the agriculture sector to reduce dependence on diesel imports. Smooth supply of water for irrigation will help to increase agricultural productivity. The solar irrigation pumps will enable us save foreign exchange substantially. However, to popularise the solar irrigation pumps, investment in research and innovation is needed to bring down the upfront cost of the pumps."

BCCRF has provided \$10 million grant in first phase for the solar irrigation project and the total commitment amount for project is \$24.5 million in grant financing.

The Infrastructure Development Company Ltd will implement the solar irrigation project through private sponsors as part of the Rural Electrification and Renewable Energy Development II Project.

Poultry industry needs a lifeline to flourish

MD RASEL UZZAMAN

THE poultry industry has gained a certain level of success in the last three decades in Bangladesh. The sector is now capable of fulfilling the protein requirement of the country's 160 million people, which is necessary for building a healthy nation.

After the readymade garment industry, the poultry sector has become the second highest employment provider in the private sector in rural and semi-rural areas. It created a market of an estimated investment of Tk 20,000 crore.

Frequent outbreaks of bird flu in 2007 and 2009 shook the entire poultry industry, and still the industry is suffering from lots of hiccups, which pushed many farmers to bring an end to their businesses and look for other options to make ends meet.

It has been reported that the number of poultry farms, which stood at around 115,000 in 2007, has drastically come down to as low as around 55,000 now. In two years since 2011, nearly 25,000 farms were closed mainly due to the outbreak of the diseases.

Farms' closure in such a pace would turn up as a threat to food security of the country and harm the physical and mental growth of the young generation in the long run.

To avoid the dire consequences, we have to wake up and think afresh now to reshape the industry into a sustainable robust business field.

As per the poultry experts, the major challenges to the sector are: limited access to credit, competition from imports and outbreaks of diseases like avian influenza. There are also several issues, which need to be addressed soon.

As far as rural and semi-rural areas are concerned, most of the farmers are young, who start the business following their fellow friends or peer groups to be self employed.

In most of the cases, they do not take the management issue of the highly sensitive broiler birds seriously. They simply want to rely on quacks for the birds' treatment.

Moreover, slaughtering of poultry birds in open places is a common prac-

tice in Bangladesh, which directly or indirectly helps diseases like bird flu outbreak in epidemic forms.

The country has no active poultry policy now. The draft of the Safe Food Law 2013 may be passed in the parliament soon. So, it is time to think about our vibrant poultry sector, as it is the prime catering industry to ensure food safety.

The government should establish a nice coordination among the poultry breeders, farmers, feed millers, drug companies, researchers, experts, feed quality ensuring authorities and all the youths who wish to run poultry business.

A harmony should also be established between the Safe Food Law 2013 and the Feed Act 2010 for the sake of the poultry industry.

Like other countries, Bangladesh should pay due attention to livestock and poultry production, and the government should provide poultry farmers with soft loans.

Poultry farmers deserve a subsidy in purchase of poultry foods, as the farms spend 70 percent of their cost behind feeding the animals. The farmers should also be adequately trained up on poultry management.

The installation of "animal feed analysis laboratory" in 22 districts during 2010 to 2014 by the government may be a notable initiative. Some of the laboratories have already started functioning.

Farmers can test their feed sample only at Tk 75 from these laboratories. The farmers, who wish to formulate the poultry rations depending on their experience, can also be benefitted from the initiatives.

We are no more in a state of overlooking the challenges towards keeping our domestic source of protein intake for our huge population.

Thus, a never dying industry like the poultry should be taken care of properly for the sake of our own, which will increase the chance of getting a vibrant poultry sector like before.

The writer is a PhD researcher at the Department of Animal Science in Chungbuk National University in South Korea.

ANALYSIS

Default or not, Asia a hostage to US debt

REUTERS, Seoul/Beijing

UNLESS the US Congress settles a political showdown to raise the country's debt ceiling in coming weeks, it will be left on the edge of an unprecedented default. But America's main creditors in Asia may be the least of its worries.

The creditors—China, Japan and other Asian governments—have a hoard of US Treasuries in their \$5 trillion cache of foreign exchange reserves, the equivalent of almost a third of US gross domestic product.

Despite having so much at stake as bond prices lurch violently, they are not about to do anything more than minor tweaking of their portfolios.

Sovereign reserve managers and advisers cite conventional reasons for the thinking.

Asian governments consider a US debt default unthinkable and see the eventual tightening of US monetary policy as a bigger issue for managing their reserves. Even if the United States was to default, its debt markets would still be the safest and most liquid in the world. Importantly, they take a far longer-term view than most private investors.

"We're keeping an eye on potential market risks such as tapering, the debt ceiling and a government shutdown, but that does not necessarily mean we regard the current situation as critical," a Japanese government official, who declined to be identified in the absence of authorization to speak openly to the media, told Reuters this week.

They also face a Hobson's choice. These reserve managers would rather stay invested in Treasuries than be the cause of global market bedlam if they were to shift all that wealth.

More than 60 percent of the \$5 trillion that Asian central banks hold is denominated in US dollars and invested in American bonds



A pedestrian walks past a quotation board displaying the Nikkei key index of the Tokyo Stock Exchange in front of a securities company in Tokyo.

Tokyo stocks tumbled 2 percent in opening trade yesterday as the dollar fell against the yen on concerns over a US budgetary impasse.

and stocks, the International Monetary Fund estimates.

About \$2 trillion of that amount was accumulated after November 2008, when the US Federal Reserve embarked on its 5-year ultra-easy monetary policy, which included flooding global markets with cheap cash that drove US yields to record lows.

Now, as an impending turn in Fed policy drives yields up and bond prices down, investors face a decline in the value of their bond portfolios.

A US debt default would rock the bond market but most investors consider it implausible that US lawmakers would allow that to happen. A similar political showdown in 2011 pushed the nation to within days of missing payments and led ratings firm Standard and Poor's to strip Washington of its top-notch credit rating.

But veterans from both political parties in Washington are aghast that some lawmakers openly speak of managing a default that could be triggered next month if they

don't authorize more borrowing.

In exchange for agreeing to raise the \$16.7 trillion debt ceiling, Republicans are seeking big spending cuts, which may strike at the heart of programs considered sacrosanct to President Barack Obama and his fellow Democrats.

Ironically, the uncertainty of Fed tapering and increasing the US debt ceiling sent investors last week scurrying into the refuge of US debt, rather than casting any doubt on how risk-free Treasuries really are.

Still, with the Federal Reserve set to relax its stimulus and eventually even tighten monetary policy, Asian reserves managers are preparing for a longer-term slide in the value of US debt.

Making a profit from FX reserves had been easy during the last three decades as global interest rates gradually fell, said Choo Heung-sik, the head of Bank of Korea's reserve management group.

"But the expected returns from bond investment will fall greatly in the future," Choo said. "How to deal with this structural change in investment environment is what all the central banks are agonising over."

US bond yields have already risen more than 100 basis points since May, when the Fed first indicated it is going to cut back on its \$85 billion per month asset purchases.

"We attach greater importance to safety and liquidity in managing foreign reserves," the Japanese official said.

"From that standpoint, we undoubtedly see US Treasuries as chief investment products with vast market size and high creditworthiness."

Investors broadly are however more fixated on the Fed's policy maneuvers than on the debt-ceiling debate. Many have scurried for cover by shifting to the short end of the market, which tends to see less volatility.

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