

India lifts ban on Airbus A380s

REUTERS, New Delhi

India lifted a landing ban on Airbus A380s on Monday, enabling carriers such as Singapore Airlines and Emirates to fly their superjumbos into the world's second-most populous nation.

A380s will be allowed to land at the country's four main airports - New Delhi, Mumbai, Bangalore and Hyderabad - which are equipped to handle the planes, a decision welcomed by foreign carriers looking to tap India's fast growing air travel sector.

"The operation of A380s will help airports to generate more revenue, give more comfortable and luxurious travel to passengers, (and will) liberalise the civil aviation milieu in India," the civil aviation ministry said in a statement.

The ban on A380s was imposed due to concerns that foreign airlines could grab a high share of international traffic, hurting state-run Air India AIN, UL.

Air India could not be reached for comment.

The A380 can carry more than 800 passengers in a single-class configuration and more than 500 passengers in a three-class set up.

The aviation ministry said Singapore Airlines, Emirates and Lufthansa had all expressed an interest in operating A380s in India on various international routes.

"We will be reviewing our existing operations, and look forward to serving Indian travellers with our flagship aircraft in the near future," an Emirates spokesman said, adding a decision would depend on passenger demand.

A Lufthansa spokesman said the carrier would look at the

possibility using A380s on flights to India, but had no plan at the moment. Germany's largest airline has 10 A380s.

Singapore Airlines, which is setting up a full-service carrier in India in a joint venture with Tata Group, said it would consider flying A380s into India.

The rule change will also benefit British Airways BAYpref.LU that operates the superjumbo and flies to India, as well as A380 customers like Etihad and Qatar Airways who have yet to take delivery of the aircraft.

Etihad last year bought a 24 percent stake in India's Jet Airways and the two carriers are expanding flights.

Rising income levels are seeing more Indians fly in the country of 1.25 billion. India's overall passenger traffic is expected to triple to 452 million by 2020.

India has consulted ground handling and immigration officials before changing the laws on the A380, Aviation Minister Ajit Singh said this month.

His ministry said Monday's decision was taken after consulting the aviation regulator, Air India and the state-run airport operator Airports Authority of India.

The state-run airport operator manages 125 airports in the country. The four airports equipped to handle A380s are managed by private sector companies.

Amber Dubey, head of aerospace and defence at KPMG's Indian unit, said the A380s would help bring down fares and improve the competitiveness of Indian tourism sector, adding it would also boost the efficiency of airports.

None of the Indian carriers have A380s on order. Airbus recently said it cancelled A380s ordered by grounded Kingfisher Airlines.

Govt to buy wheat from Phoenix

STAR BUSINESS REPORT

A cabinet panel yesterday approved the Directorate General of Food's proposal to import 50,000 tonnes of wheat to increase food stock.

The meeting held at the Cabinet Division, chaired by Finance Minister AMA Muhith, awarded the contract to British Virgin Islands-based Phoenix Commodities Ltd, the lowest bidder, for \$305.6 a tonne.

The purchase committee also green-lighted a proposal for appointing five berth operators at Chittagong Port for three years.

The five companies are: Fazlisons Ltd, Bashir Ahmed, A&J Traders, Everest Enterprise and MH Chowdhury Ltd. The government will pay them about Tk 90 crore in three years.

Besides, Bangladesh Inland Water Transport Corporation will buy four container ships from Khulna Shipyard Ltd and Chittagong Dry Dock Ltd at a cost of Tk 151 crore.

BB aims to lift economy but tame inflation

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The central bank slightly revised up its forecast for the growth in gross domestic product (GDP) to 5.8 percent-6.1 percent for the current fiscal year, from 5.7 percent-6 percent earlier.

It said, due to sluggish services and construction sectors and negative growth in remittances resulting in lower aggregate demand, the economy will grow by closer to 6 percent in the current fiscal year if there is no major disruption in the remaining months.

Though the government had targeted a 7.2 percent GDP growth at the beginning of the current fiscal year, Finance Minister AMA Muhith has recently hinted to bring down the target to 6.3 percent.

To achieve the desired GDP growth, the BB has set a target for private sector credit growth at 16.5 percent, though the growth was 11.1 percent in November.

"This level is sufficient to accommodate any substantial rise in investment and trade-finance over the next six months."

"BB views these figures as indicative ceilings -- banks continue to be advised to lend only to creditworthy clients for productive purposes and whether this ceiling is reached or not depends ultimately on investor appetite and the bank's assessment of project viability."

The monetary policy also aims to further consolidate the country's external sector stability.

The central bank anticipates further

build-up in foreign reserves in the second half of the current fiscal year though at a more moderate pace than the first half due to the balance of payments assumptions.

While the decline in remittances will not adversely affect external stability, it is imperative that manpower exports resume its growth, so that remittances can be an important part of medium-term external balance.

The BB will continue to support a market based exchange rate while seeking to avoid excessive foreign exchange rate volatility.

Average inflation rose from 6.99 percent to 7.53 percent in the second half of the fiscal year driven by higher food prices.

Domestic retail interest rates declined during the first half due to lower cost of funds for banks, lower demand for credit as well as due to increasing competition from overseas lenders whose lending rates are in single digits.

The central bank also said it would continue to collaborate with Bangladesh Securities and Exchange Commission to stabilise the stockmarket.

The BB is launching a new Tk 200 crore refinancing facility to stimulate entrepreneurship among low income rural households who have opened Tk 10 accounts. The initiative will be implemented by micro-finance institutions.

The central bank will increase the size of the Export Development Fund if the current \$1 billion fund is fully utilised, according to

BB spurs big firms to dip into stocks

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Only three big groups—Square, ACI and Beximco—have so far raised funds from the stockmarket.

Large groups such as Meghna, Akij, Abul Khair, Partex and S Alam are still fully dependent on banks for finance, making some banks vulnerable to risks.

"We want banks to diversify their businesses and risks. No bank should concentrate hugely on a few large corporate houses," said SK Sur Chowdhury, deputy governor of BB.

The central bank has recently taken steps to assess the risks to the banking sector from big exposure, while citing the case of over 20 banks which are now in trouble after the

group of Chittagong-based conglomerates they financed incurred huge losses for trading commodities.

Chowdhury, however, acknowledged that banks "feel good" doing business with big corporate houses rather than giving the amount to hundreds of small businesses. "May be it reduces their operating and supervisory costs."

Allah Malik Kazmi, a consultant of the central bank, said time has come for banks to diversify its lending to many businesses from a few big corporate groups to minimise risks.

"Failure of paying back a large loan can sink a bank, but there will be nothing if 10 small borrowers do

Biman ready to resume flights to New York

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The resumption of operations on seven routes is facing a further delay due to a failure to lease two turboprop aircraft, he said.

"Our last request for two turboprop aircraft was not successful, thus delaying the start of domestic operations until April at least."

"One of our aircraft faced some technical problems and the comprehensive repair will take another three-four days."

"Biman will be implementing even more customer service enhancements in the next couple of months."

It will implement a complete

new menu coupled with new cabin crew routines, duty-free products, pre-reserved seating, special meals and some new products and services, he said.

He ruled out the corruption allegations against himself and high officials of the airline.

"It is disappointing to note that a tiny percentage of the press are making slanderous accusations against myself for corrupt practices in the selection of GSAs (general sales agents), which are completely untrue."

"I wrote to the Anti Corruption Commission about some officials' corruption." However, he did not disclose any more.



UNION BANK

Md Belal Ahmed, vice chairman of Union Bank, attends the bank's business development conference at Regency Hotel & Resort in Dhaka on Saturday. Md Abdul Hamid Miah, managing director, was also present.

Cautious, conventional

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He said the emphasis on good credit is very time-befitting, as credit quality has fallen in the last four to five years.

"The credit quality is now at a worse stage, and it may go down further. So, we have to come out of this and we have to give emphasis on inspection and supervision and banks will have to be cautious."

About non-performing loans, he said the current situation is very high, as it was about 6 percent even a couple of years ago.

The current scenario does not reflect the true picture, as it does not include the losses incurred by investors in the stockmarket among others. "We are only getting the partial picture," he added.

Mansur said the economic activities are now at a standstill not because of higher interest rates but because of political uncertainty and safety concerns. "The government will have to address it by going beyond the monetary policy," he told The Daily Star.

Zahid Hussain, lead economist of the World Bank's Dhaka office,

termed the statement cautious, responsible and constructive.

"It is cautious because there is a risk that inflation might go up. So, there was a pressure to cut interest rates to increase investment."

But, interest rates are not the main barrier to reviving investment, he said. "Rather, it is uncertainty. Plus, there is also a lack of confidence."

If the central bank had given an expansionary monetary policy there was a risk of rising inflation, he said. "It would have made loans cheaper, and they would have flown to the unproductive sectors."

Hussain said the statement is reasonable from a sense that there is adequate liquidity in the banking system.

"The regulator could have given a signal to increase the public sector borrowing. But the central bank has not done so. Rather, it has given emphasis on keeping public sector borrowing within the budgetary target."

It is constructive as it has kept policy space in case the demand for credit in the private sector goes up.

Towfiqul Islam Khan, a research fellow of the Centre for Policy Dialogue, said the think-tank had hoped for an accommodative monetary policy.

"Rather, it is consistent and has not brought in major changes to the central bank's stance. We could have been more innovative to stimulate growth."

He, however, lauded the central bank's role in keeping the exchange rates stable.

About the central bank's indication that it would extend benefits to businesses and sectors affected by the recent disruptions, he said: "Many incentives are already in place, so there is nothing new."

Khan said they had hoped more specific incentives and dedicated funds for the small and medium enterprises and the agro-based industries hit hard by the unrest.

"The central bank has acknowledged the problems faced by the SMEs and asked banks to reschedule their loans case-by-case, if needed. But we have to keep in mind that SMEs are normally small clients and thus can't bargain with a

strong voice with the banks."

The CPD researcher also said the central bank needs to be cautious about allowing private companies to obtain external loans so the funds go to export-oriented industries and tradable goods.

He said he does not think that there would be any major uptick in private sector credit growth given the current political circumstances, adding that the target of 16.5 percent for the fiscal year is "too ambitious".

"Although there are some improvements in the political arena the condition for wooing investment is yet to be there."

About the target on gross domestic product, Khan said the economy would expand between 5.6 percent and 5.8 percent in the course of the fiscal year.

The economist also said it is not clear how the central bank would bring down the net foreign assets to 10 percent from over 30 percent when the statement says that it would target to further consolidate the external sector stability and anticipates further build-up in foreign reserves.

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