

Bangladesh needs affordable 4G now

BRETT TARNUTZER

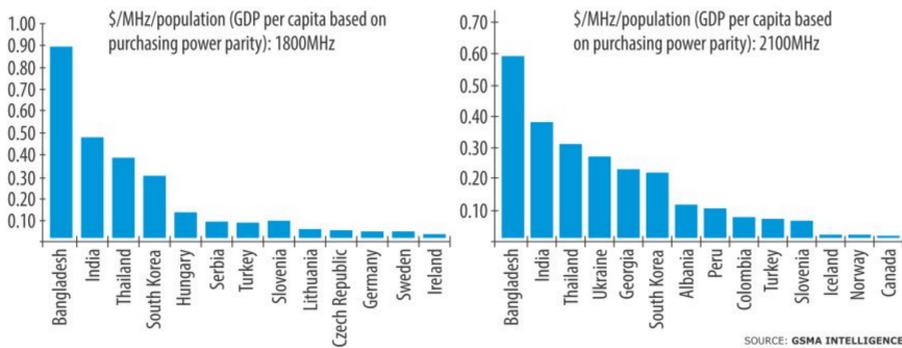
THE introduction of 4G will open the door to a whole new world of services to the citizens of Bangladesh. But the combination of high fees for the needed airwaves and the world's lowest average revenue per user threatens this bright future.

Mobile networks have become integrated with the everyday lives of over 5 billion people around the world. Mobile helps us keep in touch with friends and family, stay on top of work, monitor our health, manage our homes and businesses, conduct financial transactions, and so much more. Thanks to increasingly affordable smartphones, Bangladesh has a golden opportunity to get more people connected in more meaningful ways. And along with other countries in the region, including Pakistan and Vietnam, Bangladesh is expected to see rapid smartphone growth over the next few years.

But to go from expectation to reality, the government has an important role to play. It sets the rules and policies that govern access to a key ingredient of mobile networks, access to spectrum licences. These rules include setting the fees that mobile operators must pay for licences.

The Digital Bangladesh vision bets on digital technology to bridge developmental gaps through improved productivity

PROPOSED BASE PRICES



and financial access for SMEs, agricultural businesses and rural enterprises. Spectrum fees that are unduly high, however, put Digital Bangladesh at risk. The GSMA recently published a research report titled 'Effective Spectrum Pricing' that analyses 325 spectrum auction awards between 2000 and 2016 across 60 countries and provides evidence that links high spectrum prices with lower quality networks and more expensive mobile broadband services.

While the government of Bangladesh is taking the important step of allocating spectrum that will enable 4G services available, unfortunately, it is proposing to set the fees so high that it may stall these services before they will be launched. In fact, the proposed base prices (shown in dollars per

megahertz per population normalised for GDP per capita based on purchasing power parity [PPP] of each country) for the spectrum auction outpace those in all other countries that have made this spectrum available in recent times.

These prices are on top of other proposed fees that will make the business case for purchasing the right to use this spectrum a challenging one. If this spectrum goes unsold it means it would not be used to connect anyone, which would be awful waste.

But the government of Bangladesh has the opportunity to do the right thing and set modest auction reserve prices and fair annual fees that would give mobile operators a chance to invest in networks as well as pay for access to spectrum.

The spectrum in the proposed

auction will help operators provide mobile coverage and deliver higher speeds and an overall improved experience along with services such as video streaming. The services stand to have a profound impact on the citizens of Bangladesh.

But these amazing new services can only be offered when the key objective is to provide connectivity. There is little doubt the government understands the importance of mobile broadband, and its Digital Bangladesh and draft NTP plan shows that. But in order to make those dreams come into reality, action is needed to secure the future of mobile broadband in Bangladesh.

Brett Tarnutzer is the head of spectrum, government and regulatory affairs, GSMA.

Apple sets course for China policy minefield

REUTERS, Hong Kong

APPLE risks overstaying its welcome in China. The \$800 billion iPhone maker has enjoyed massive success in the People's Republic compared to foreign peers. But as it pushes into cloud, payments and services, it confronts the same unpredictable regulators and local competitors that drove out the likes of Facebook and Uber.

It's no secret that China favours home-grown champions over foreign businesses, for economic and national security reasons. Yet the People's Republic brought in over a fifth of Apple's total revenue in the last fiscal year, and a quarter of its \$60 billion in operating profit, according to analysts at Bernstein. To compare, China accounted for just a fraction of total revenue at IBM, Oracle, and EMC. And unlike chipmaker Qualcomm, which was slapped with a record \$975 million anti-trust fine two years ago, boss Tim Cook has steered clear of Beijing's wrath so far.

These days, Apple's biggest threat comes from local rivals. iPhone shipments tumbled 27 percent year on year in the first

quarter of 2017, as Huawei and OPPO gain market share, according to IDC. Weak sales of Apple's older, cheaper models, as well as premium customers waiting longer to upgrade to the next phone, have weighed on China revenue for the past few quarters.

So Apple wants to bring in more money from apps and services. The company said in July it was opening up its first local data centre with a partner to power its iCloud service. App store sales in China, though still small, are up 90 percent year on year in 2016, making the country the fastest-growing and highest-paying app market for the company.

Beijing is paying attention. Censors forced Apple to shut down its online book and film stores just six months after launching, the New York Times reported last year, citing sources. Tough cybersecurity laws on data surveillance and storage requirements add uncertainty to iCloud. Meanwhile, Apple will have to catch up to Alibaba, Tencent and Baidu, which already dominate in cloud storage, mobile payments, app stores and online content.



A person holds a red iPhone product at an Apple store in Nanjing, China.

As food prices slump in India, pressure grows for more interest rate cuts

REUTERS, Latur, India

A nearly 60 percent drop in prices of a popular type of lentil is hurting Indian farmer Sanjay Somwanshi, but it is doing wonders for the country's inflation - and piling pressure on a stubborn central bank to cut interest rates more aggressively.

Standing next to sacks of "pigeon peas" in Latur, an agricultural hub about eight hours from Mumbai by train, Somwanshi cuts a narrow slit in one and scoops out a handful of the red-coloured lentils.

He harvested them in February but delayed selling them because prices were too low. "For the last six months I have been waiting for prices to move up, but they have in fact gone down further," he said. "I can't wait more as I need money for fertilisers."

Falling prices for pigeon pea lentils have contributed to a slump for food that dropped annual consumer price inflation to 1.54 percent in June, the lowest since a new index was adopted in 2012.

There's been a reversal in food prices; in June, they dropped 2.1 percent from a year earlier, while in July 2016 they shot up by 8.35 percent, a two-year peak.



A farmer rests on a heap of harvested rice crop at a wholesale grain market in Chandigarh, India.

The change in food prices has prompted calls for the Reserve Bank of India to cut its main policy rate beyond the 25 basis points markets have priced in for Wednesday's policy meeting.

There might be tension with a government urging rate cuts to boost an economy that grew 6.1

percent in the January-March quarter, the slowest in more than two years.

Soumya Kanti Ghosh, State Bank of India chief economist, said the way "typically volatile" food inflation is expected to stay low "should give the RBI comfort to cut rates more than 25 basis

points beyond August".

Given a benign inflation outlook, "deeper rate cuts will be a just and correct assessment of the current situation," he said.

For years, India suffered double-digit increases in food prices, leaving monetary policy dependent on the vagaries of weather.

Proponents of further rate cuts believe India is in the midst of a sustained easing of food prices as the government has tamped them by keeping a lid on the minimum prices farmers can charge for their produce.

Furthermore, the government has also banned exports of lentils and put a tax on sugar exports while promoting imports of edible oils, wheat and some types of lentils in which India is not self-sufficient.

Arvind Subramanian, the finance ministry's chief economic adviser, has argued strenuously in recent weeks that inflation is on sustained easing trend, in part due to government measures.

Farmers and others in Latur agree government efforts are a key reason behind the food-price slump.

"The government is allowing cheaper imports despite record production. It hasn't lifted its ban on exports. These moves created oversupply in the market and pulled down prices," said Nitin Kalantri, a food processor.

Barclays estimates average food inflation was about 11 percent in 2009-2014 under the Congress-led government compared with around 5 percent under Prime Minister Narendra Modi's administration.

Audi targets 10b euros in cost cuts to fund electric-car push

REUTERS, Berlin

Audi aims to cut costs by 10 billion euros (\$12 billion) by 2022 to help fund a shift to electric cars as it seeks to move on after the emissions scandal, sources close to the carmaker said.

Audi, Volkswagen's main profit driver, plans to bring five new all-electric models to market in coming years, starting with the e-tron sport-utility vehicle (SUV) to be assembled from 2018 in Brussels.

Despite run-up costs for its electric-car programme, the luxury automaker wants to keep its operating profit margin at 8 percent a year at least, two sources close to Audi said. Its profit margin in the first half of this year was 8.9 percent. The bulk of the 10 billion cost savings would come from cutting research and development costs, the sources said.

A spokesman at Audi's headquarters in Ingolstadt, Germany, declined comment. German business daily Handelsblatt reported the cost-savings target and profitability plans earlier on Sunday.

Audi also aims to free up funds for investments in zero-emission technology by developing a new production platform with Porsche, allowing both VW premium brands to save money by sharing components and modules.

Audi is grappling with car recalls, prosecutor investigations and persistent criticism from unions and managers over the diesel emissions scandal and its strategy post-dieselgate.

Sources told Reuters on Friday that four of the brand's seven top executives are earmarked for dismissal in the near future. On Sunday, sources said the dismissals were discussed by supervisory board members last Thursday but a formal decision has yet to be taken.

HSBC announces profit increase

REUTERS, Hong Kong/London

HSBC Holdings PLC on Monday said profit grew 5 percent in the six months through June and announced its third share buyback in a year, indicating continued progress in the six-year turnaround plan of Europe's biggest bank.

HSBC, like many global banks, spent the years up to the 2008 financial crisis expanding its empire with a string of acquisitions. Recent years have seen it cut jobs and sell assets worldwide to shrink the group back to profitability and maintain dividend payouts in

an era of stricter banking regulations.

The bank's Chief Executive Officer Stuart Gulliver and Chairman Douglas Flint are both retiring, leaving a legacy of improving revenue and returning more capital to shareholders, having focused on trimming the bank's empire and shifting focus to Asia.

The latest share buyback, of up to \$2 billion, comes as HSBC uses excess capital to offset the dilutive effect of shares paid out as dividends. It completed a previously announced \$1 billion buyback in April.

"The return of capital comes from the fact that the business is very accretive, very profitable ...

the dividend is 51 cents for the foreseeable future," HSBC Finance Director Iain Mackay told Reuters on Monday.

The buyback will, once completed, take the total of HSBC share buybacks since the second half of 2016 to \$5.5 billion.

HSBC's Hong Kong-listed shares rose as much as 3 percent after the announcements, extending gains from about 1 percent in morning trade, while the broader market was trading up 1 percent.

"In the past 12 months we have paid more in dividends than any other European or American bank and returned \$3.5 billion to shareholders through share buybacks,"

Chief Executive Gulliver said in HSBC's earnings statement.

HSBC has kept its dividend payout ratio higher than many peers in recent years, including last year when a slowdown in banks' earnings growth prompted rivals such as Standard Chartered PLC to withhold payments.

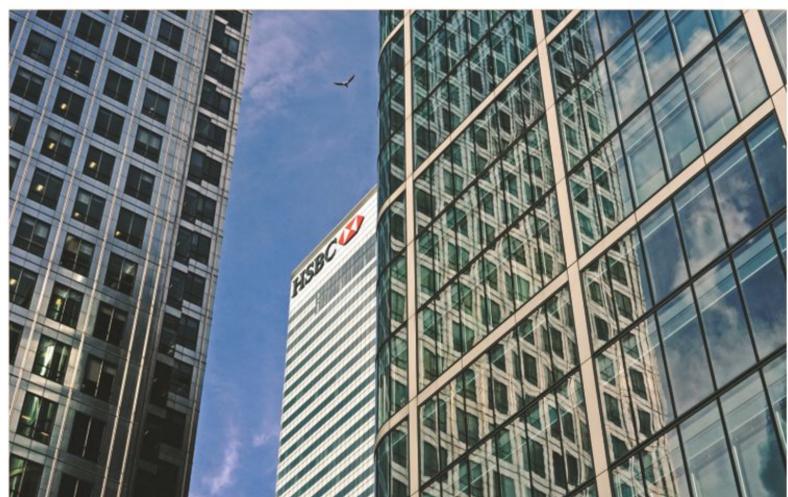
HSBC's dividends totalled \$10.1 billion in 2016, \$10 billion in 2015 and \$9.6 billion in 2014.

For the half-year through June, pretax profit rose to \$10.2 billion from \$9.7 billion in the same period a year earlier, a result that compared with the \$9.5 billion average estimate drawn from analysts polled by the bank.

The bank also said its common equity tier 1 ratio - a measure of financial strength - was 14.7 percent at the end of June, from 14.3 percent three months prior, and 12.1 percent in the year-earlier period.

The ratio is set to increase further as the bank repatriates about \$8 billion stuck at its U.S. subsidiary, following approval last year from the U.S. Federal Reserve.

The bank, which makes over half of its profit in Asia - the bulk in Hong Kong and China - said pretax profit in Asia rose 7 percent in the first half to \$7.6 billion, mainly helped by stronger wealth management and insurance revenue in Hong Kong.



The HSBC bank is seen in the financial district of Canary Wharf in London.