Novoair's fleet expansion stalled by lack of leasable aircraft

RASHIDUL HASAN

Despite plans to expand its fleet and international network, Novoair, a private airline in Bangladesh, has been unable to do so due to a global shortage of aircraft available for lease.

Since May last year, the airline has been working to lease three aircraft as part of its plan to expand its international routes to six destinations, according to Novoair Managing Director Mofizur Rahman.

Speaking to The Daily Star at his office in Dhaka yesterday, Rahman explained that the airline has been trying to expand its fleet with narrow-body aircraft.

Novoair celebrated its 12th anniversary yesterday, marking a significant milestone in its operations. Reflecting on the occasion, Rahman discussed the airline's challenges.

"While reaching 12 years of operation is an achievement, we have not yet fulfilled the expectations I had as managing director. Our fleet size and the number of international destinations should have been larger by now," he said. "I take full responsibility for not meeting these goals."

The managing director elaborated on the airline's fleet expansion strategy, stating that their original business plan was to expand the fleet with Airbus A321 aircraft.

"But due to the unavailability of this type, we revised our plan to add Airbus A320s instead. However, we still haven't been able to secure these aircraft for lease," he said.

He continued, "We then considered leasing Boeing 737s, but the global shortage of these aircraft has also hindered our efforts. Despite the challenges, we have continued our search since May last year."

Mofizur Rahman

Novoair also explored leasing aircraft through the ACMI (Aircraft, Crew, Maintenance, and Insurance) model, where one airline leases aircraft with a full crew and maintenance to another airline. However, Rahman pointed out the limitations of this approach.

"We realized that ACMI leasing is not commercially viable. Lessors are unwilling to provide aircraft for more than six months, and Civil Aviation Authority regulations also restrict the operation of leased aircraft under the ACMI model for more than six months."

He also noted the difficulties in securing leases due to competition from larger airlines.

"When an aircraft becomes available for lease, major airlines tend to grab it quickly, leaving lessors less willing to lease to smaller airlines," Rahman explained.

Prior to August, lessors were also concerned about Bangladeshi airlines' ability to make payments in foreign currency due to the country's US dollar shortage.

"They raised questions about how we would be able to make payments," Rahman said.

Looking ahead, Rahman estimates that it could take over a year to acquire the necessary aircraft to expand Novoair's fleet.

"Our initial plan is to add three aircraft. We are also working on upgrading our existing ATR 500s to ATR 600s. However, the availability of spare parts for ATR aircraft is a challenge, which impacts the operational efficiency of our existing fleet."

Novoair is also working on expanding its international network, with plans to launch services to six new destinations: Bangkok, Kuala Lumpur, Singapore, Dubai, Sharjah, and Muscat.

Since its inception, Novoair has invested more than $50 million in aircraft acquisition and an additional $10 million in infrastructure and support equipment. Before the COVID-19 pandemic, the airline was on a profitable trajectory. However, the pandemic caused significant losses, and ongoing price escalations due to the Russia-Ukraine war have continued to affect profitability. Additionally, the shrinking domestic market and reduced demand have compounded the challenges.

Novoair remains committed to investing between $25 million and $30 million in its expansion in the coming years.

"Our business philosophy prioritizes on-time flight operations and passenger safety above all else," Rahman said. "Novoair is dedicated to providing safe, timely, and high-quality service to its passengers."

Currently, Novoair operates daily domestic flights connecting Dhaka to Chattogram, Cox's Bazar, Sylhet, Jashore, Saidpur, and Rajshahi. While international flights to Kolkata are temporarily suspended, the airline plans to resume them soon.

Since launching its operations on January 9, 2013, with flights between Dhaka and Chattogram, Novoair has completed over 100,000 flights and served more than 7.5 million passengers.

The airline has received several accolades, including the titles of Best Domestic Airline in 2014 and 2019, and Best On-time Performance Airline in 2022 and 2023, awarded by The Bangladesh Monitor.

Feud over container handling rates disrupts Ctg port operations

DWAIPAYAN BARUA

Container handling at six jetties of Chattogram port has slowed recently due to berth operators' non-cooperation in completing essential documentation.

The disruption stems from a long-standing conflict between shipping agents and berth operators over raising onboard container handling charges.

These berth operators have been managing the six container jetties at the port's oldest terminal since 2007, the General Cargo Berth (GCB), where geared vessels are handled.

Shipping agents currently pay Tk 559.53 per container as onboard container handling charge to these operators for loading and unloading activities.

Berth operators have proposed raising this fee for months, a move opposed by the shipping agents.

Syed Mohammad Arif, chairman of the Bangladesh Shipping Agents Association (BSAA), termed the proposed hike "illogical" in a letter to the member for harbour of the Chittagong Port Authority (CPA) on December 19 last year.

The situation escalated on January 4, when berth operators reportedly began non-cooperation in documentation processes, coinciding with the berthing of two vessels, MV San Pedro and MV JT Glory, at the GCB.

Local shipping agents for these vessels alleged that berth operators stopped sending export loading plans to private off-docks, processing import discharge and export permissions from the CPA's shipping section.

These actions disrupted operational activities, as off-docks require export loading schedules to send containers to vessels.

Subsequently, several other vessels reportedly faced similar issues.

Berth operators issued letters to shipping agents and vessel operators on January 6, demanding a $5 increase in the current onboard handling rate per container.

Fazle Ekram Chowdhury, president of the Berth Operators, Ship-Handling Operators, and Terminal Operators' Owners' Association, defended the fee hike proposal, adding that berth operators had not increased the rate since 2007, despite rising operational costs, wages, and other expenses.

He also said that while document processing is not part of the berth operators' official responsibilities, they have been performing these tasks for years on behalf of the shipping agents.

Ekram denied allegations of operational disruptions, saying that vessel handling operations continued smoothly and that berth operators were extending their usual services.

However, shipping agents claim otherwise.

They said they had deployed their staff to handle documentation processes amid the non-cooperation.

Bangladesh Shipping Agents Association (BSAA) Chairman Syed Mohammad Arif said berth operators have been increasing charges annually by 10 percent since 2016 on 40 percent of the total onboard handling charge.

EU imposed unfair trade barriers on Chinese firms

Beijing says

AFP, *Beijing*

China said Thursday that an investigation had found the European Union imposed unfair "trade and investment barriers" on Beijing, marking the latest salvo in long-running commercial tensions between the two economic powers.

Officials announced the probe in July after Brussels began looking into whether Chinese government subsidies were undermining European competition.

Beijing has consistently denied its industrial policies are unfair and has threatened to take action against the EU to protect Chinese companies' legal rights and interests.

The commerce ministry said Thursday that the implementation of the EU's Foreign Subsidies Regulation (FSR) discriminated against Chinese firms and "constitutes trade and investment barriers".

However, it did not mention whether Beijing planned to take action in response.

The two are major trade partners but are locked in a wide-ranging standoff, notably over Beijing's support for its renewables and electric-vehicle sectors.

EU actions against Chinese firms have come as the 27-nation bloc seeks to expand renewable energy use to meet its target of net-zero greenhouse gas emissions by 2050. But Brussels also wants to pivot away from what it views as an overreliance on Chinese technology at a time when many Western governments increasingly consider Beijing a potential national security threat.

When announcing the probe the ministry said its national chamber of commerce for importing and exporting machinery and electronics had filed a complaint against the FSR measures.

Beijing has consistently denied its industrial policies are unfair and has threatened to take action against the EU to protect Chinese companies' legal rights and interests

The 20-page document detailing the ministry's conclusions said their "selective enforcement" resulted in "Chinese products being treated more unfavourably during the process of export to the EU than products from third countries".

It added that the FSR had "vague" criteria for investigating foreign subsidies, placed a "severe burden" on the targeted companies and had opaque procedures that created "huge uncertainty".

EU measures such as surprise inspections "clearly exceeded the necessary limits", while investigators were "subjective and arbitrary" on issues like market distortion, according to the ministry.

Companies deemed not to have complied with probes also faced "severe penalties", which placed "huge pressure" on Chinese firms, it said.

The ministry said FSR investigations had forced Chinese companies to abandon or curtail projects, causing losses of more than 15 billion yuan ($2.05 billion).

The measures had "damaged the competitiveness of Chinese enterprises and products in the EU market", it said, adding that they also hindered the development of European national economies and undermined trade cooperation between Beijing and Brussels.

The EU's first probe under the FSR in February targeted a subsidiary of Chinese rail giant CRRC, but closed after the company withdrew from a tender in Bulgaria to supply electric trains.

A second probe targets Chinese-owned solar panel manufacturers seeking to build and operate a photovoltaic park in Romania, partly financed by European funds.

In October, Brussels imposed extra tariffs on Chinese-made electric cars after an anti-subsidy investigation under a different set of rules concluded Beijing's state support was unfairly undercutting European automakers.

Buoyant dollar keeps peers under pressure

REUTERS, *Singapore*

The US dollar charged ahead on Thursday, underpinned by rising Treasury yields, putting the yen, sterling and euro under pressure near multi-month lows amid the shifting threat of tariffs.

The focus for markets in 2025 has been on US President-elect Donald Trump's policies as he steps back into the White House on Jan. 20, with analysts expecting his policies to both bolster growth and add to price pressures.

CNN on Wednesday reported that Trump is considering declaring a national economic emergency to provide legal justification for a series of universal tariffs on allies and adversaries. On Monday, the Washington Post said Trump was looking at more nuanced tariffs, which he later denied.

The evolving threat of tariffs has led bond yields higher, with the yield on the benchmark 10-year US Treasury note hitting 4.73 percent on Wednesday, its highest since April 25. It was at 4.6628 percent on Thursday.

"Trump's shifting narrative on tariffs has undoubtedly had an effect on USD. It seems this capriciousness is something markets will have to adapt to over the coming four years," said Kieran Williams, head of Asia FX at InTouch Capital Markets.

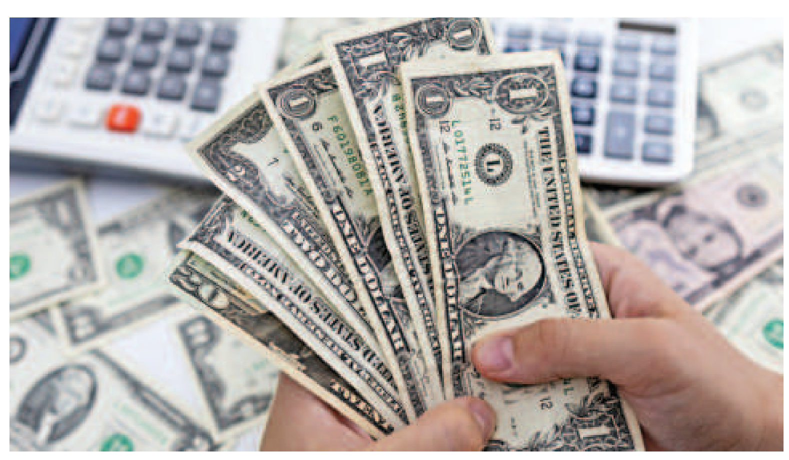

PHOTO: REUTERS/FILE

"While tariff talk is likely to support USD in the short term, they also introduce complexities with unknown implications."

The bond market selloff has left the dollar standing tall and casting a shadow on the currency market.

US stocks ended little changed on Wednesday with investors digesting conflicting sets of jobs data and a report that President-elect Donald Trump was mulling an economic emergency declaration on inflation.

The euro eased to $1.030475, lurking close to the two-year low it hit last week as investors remain worried the single currency may fall to the key $1 mark this year due to tariff uncertainties.

The pound slid nearly 0.5 percent to hit $1.2303 on Thursday, its weakest since April even as British government bond yields hit multi-year highs.

While the drop in both sterling and gilt prices were much sharper in September 2022 during the turmoil that followed former Prime Minister Liz Truss' "mini-budget", sentiment remains jittery.

China inflation hit nine-month low in December

AFP, *Beijing*

China narrowly avoided slipping into deflation in December with prices rising at their slowest pace in nine months, official figures showed Thursday, as Beijing struggles to kickstart consumer activity in the world's number two economy.

The tepid reading comes after the government unveiled a range of measures at the end of last year aimed at boosting consumption as well as providing support for the troubled property sector, including interest rate cuts.

However, data showed that has not yet filtered through, with the consumer price index (CPI), a key measure of inflation, easing to 0.1 percent last month, from 0.2 percent in November, according to the National Bureau of Statistics (NBS). The reading is the lowest since March.

A survey of economists had forecast 0.1 percent.

For the whole of 2024 prices were up 0.2 percent, the same as the previous year.

Sluggish spending -- combined with persistent woes in the property sector and local government financing strains -- has cast doubt on the feasibility of official growth targets.

China emerged from a four-month period of deflation in February, a month after suffering the sharpest fall in prices for 14 years.

While deflation suggests the cost of goods is falling, it poses a threat to the broader economy as consumers tend to postpone purchases under such conditions, hoping for further reductions.

A lack of demand can then force companies to cut production, freeze hiring or lay off workers, while potentially also having to discount existing stocks -- dampening profitability even as costs remain the same.

A customer browses through products at a supermarket in Lianyungang, in eastern China's Jiangsu province, yesterday.

PHOTO: AFP

"Recent economic data stabilised but the momentum is not strong enough to generate upward pressure on consumer prices yet," Zhiwei Zhang, chief economist at Pinpoint Asset Management, said in a note.

"The deflationary pressure is persistent," he said.

Low inflation may lead to an increase of real interest rates, said Yue Su, Principal Economist at The Economist Intelligence Unit.

"So monetary easing policy needs to be more proactive to really reduce the borrowing cost of enterprises, which is important for a broad recovery of the economy," she told AFP.

President Xi Jinping said last week that the country's economy is expected to have grown about five percent last year, in line with Beijing's official target.

Other projections suggest China's economy came slightly short of that goal, with the International Monetary Fund predicting growth of 4.8 percent last year.

The IMF has forecast overall economic growth in China will slow to 4.5 percent this year. China is expected to release its growth data for 2024 next week.