

# ***Performance Analysis of Biman Bangladesh Airlines Ltd.***

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**October 10, 2011**

Dr. Md. Abbas Ali Khan  
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**Subject: Submission of Internship Report.**

**Sir,**

I have the pleasure to submit herewith the internship report titled “Performance Analysis of Biman Bangladesh Airlines Limited” which is an integral part of the BBA program.

I have put my best endeavor to gather relevant information available in order to prepare this report. The entire report is based on pragmatic experiences during the internship period at Biman Bangladesh Airlines Limited, Balaka (Head Office), Dhaka-1229.

I shall be highly encouraged to adopt this report and shall be available for any clarification regarding the report, if required

Sincerely

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## Acknowledgement

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Nothing can be accomplished alone. Without the help of the number of persons the success remains silent. I am very much fortunate to get the sincere guidance and supervision from a number of people.

First, I want to pay my gratitude to almighty Allah for the preparation of the report successfully. Then, I thank my supervising teacher Md. Abbas Ali Khan for providing me an overall concept on the process of preparing the internship report.

In preparing the report, I received active-co-operations from the GM, Managers and Junior Officers of Biman Bangladesh Airlines Limited. I sincerely express my heart-felt gratitude for their co-operation, which help me to conduct and complete this report. I also like to thank the entire departmental heads and staffs who helped me in various ways. The members of the management of Biman Bangladesh Airlines Limited were very co-operative and helpful to me from top to bottom level. They helped me by supplying various data, guidelines and direction.

My friends and senior brothers also assist me by providing the ideas, documents and possible guidelines for completing this report in full fledge. So it is worthwhile to show my gratitude to them for their unconditional assistance.

## Preface

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Being a competitive as well as an essential program, an internship familiarizes students to the working environment of the real world. In fact, it is the best opportunity for students to improve their interpersonal as well as managerial skills. Further, it enables to students to apply theoretical concepts to real life situation. As they are exposed to the diver's world, students also get access to further networking opportunity after graduation edge a leading edge in the job market. Finally, it helps the internees to polish their strengths and weakness for greater leadership ability.

In this report, I have endeavored first to achieve and collect theoretical knowledge, second to gather operation and practical knowledge is different areas of airlines industry. It provides me rational analysis and special knowledge on airlines industry.

As far an internship program is concerned, it is a prerequisite for the BBA degree, at The Dhaka University. Further, the program consists of an organization attachment for 2 months and the submission internship report.

## Executive summary

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Biman is the national flag carrier, which is fully owned and operated by the Government of Bangladesh. The corporate body of Biman, namely 'Bangladesh Biman Corporation, is doing business as Biman Bangladesh Airlines under the Ministry of Civil Aviation and Tourism. Biman was established as a corporation on 27 October 1972 with a vision to protect Biman Bangladesh Airlines Ltd. in the aviation market as a world-class airline.

Biman has experienced man power that it is really a good strength though the management of Biman cannot work independently because of government intervention. At the same time considering the global standard of International Airlines, Biman is lagging behind. The labor passengers have an extreme attraction for the national flag carrier for its home like hospitality.

The corporate background of Biman, its history of inception when it first starts its journey to the international route, the company's management structure, its vision, mission and goals clearly summarized here. Fleet details, executive directors and present manpower situation of the company are enumerated to give pragmatic information of Biman.

The main business of Airlines Company is to provide services to its valuable customers. Biman involves providing two types of services such as passenger service and cargo services. It operates its flight both in domestic and internationally. It provides various services such as hajj flight to Saudi Arabia, ground handling operator, e-ticketing and passenger Intelligence Services to customers.

Biman has some profitable subsidiaries such as BFCC and BPC. These subsidiaries provide catering services its own and other local and foreign airlines companies. Biman has its own training center that provides training employees to a greater extent.

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## **Chapter One**

### **INTRODUCTION TO THE REPORT**

## **1.1 Origin of the Report:**

As a mandatory part the BBA Program, all the students of the faculty of Business Studies, University of Dhaka have to undergo two months long internship program with an objective of gaining practical knowledge about current business world. After this internship program each and every students have to submit an internship report mentioning their activities during the internship program.

I've started my internship at the Biman Bangladesh Airlines Limited, Head Office, Dhaka, on 10<sup>th</sup> July 2011 and at the end of the program I am submitting my internship report focusing on the overall performance of Biman's services.

## **1.2 Objective:**

### ***Broad Objective***

The main objective of this report is to know about the airlines business of Bangladesh especially that of Biman Bangladesh Airlines.

### ***Specific Objectives***

The specific objectives of the study are to-

- Present a profile of Biman Bangladesh airlines
- Examine the activities of the company
- Asses the financial position of the company
- Identify the Biman's strengths and weaknesses
- Suggest some measures for improving the performance of the company.

## **1.3 Scope of the Report**

Biman Bangladesh Airlines Limited is one of the renowned airlines in Bangladesh. The scope of the study is to evaluate the overall performance of the Biman. The report covers the organizational structure, background, functions and the performance of the company.

## 1.4 Methodology

In order to conduct this internship report both primary & secondary data have been utilized. The sources of data are-

### ❖ Primary source of data

- Face-to-face conversation with the respective officers and staffs of the head office.
- Practical work experience in the different desk of the department covers.
- Relevant field study as provided by the officer concern.

### ❖ Secondary source of data

- Annual Report of Biman Bangladesh Airlines Limited, 2011.
- Website of the Biman Bangladesh Airlines Ltd
- Various books, articles regarding general airlines functions, and management.
- Relevant information published in various newspapers
- Biman's employees service manual.

## 1.5 Constraints:

The constraints of the report and the study are follows:

- The report has been conducted within a short time frame.
- The study is self financed.
- The study was limited within the head office.
- The vital limiting factor is lack of experience and sound knowledge for such research works.
- Necessary data and information are neither adequate nor well furnished
- The study was conducted by one person there is chance of having error in any stage of data collection, data entry, data organizing, data presentation, interpretation of result, etc.



## Chapter Two

### OVERVIEW OF THE ORGANIZATION: BIMAN AIRLINES

#### 2.1 Corporate Profile:

**Biman Bangladesh Airlines** (Bengali: বিমান বাংলাদেশ এয়ারলাইনস) is the flag carrier airline of Bangladesh. Its main hub is at Shahjalal International Airport in Dhaka, and also operates flights from Shah Amanat International Airport in Chittagong, earning revenue from the connecting service to Osmani International Airport in Sylhet. Biman's operations are assigned the IATA airline code *BG* and the ICAO airline code *BBC*, while its call signs is *BANGLADESH*. The carrier provides international passenger and cargo service to Asia and Europe, as well as major domestic routes. It has air service agreements with 42 countries, but flies to only 18.

The airline was wholly owned and managed by the government of Bangladesh until 23 July 2007, when it was transformed into the country's largest public limited company by the Caretaker Government of Bangladesh. The airline's headquarters, *Balaka Bhaban*, is located in Kurmitola, Dhaka.

Created in February 1972, Biman enjoyed an internal monopoly in the Bangladesh aviation industry until 1996. Presently Biman has two 737-800, four DC10-30, three A310-300 and three F28-4000 aircraft in its fleet. Biman is in the process of procuring more new generation aircraft such as Boeing 777-300ER, 787-8 and 737-800 for its fleet.

Biman operated flights to 29 international destinations as far away as New York City to the west and Tokyo to the east. The airline has suffered heavy financial losses, and has a reputation for poor service because of regular flight cancellations and delays caused by its ageing fleet. Annual Hajj flights, transporting non-resident Bangladeshi workers and migrants, and the activities of its subsidiaries, form an important part of the carrier's business.



Under Skytrax's five-star rating systems, Biman merits two stars. The carrier is currently facing competition from local private airlines & some international carriers, which offer greater reliability and service standards, which is experiencing an 8% annual growth rate, owing to a large number of non-resident Bangladeshis.

Since becoming a public limited company, the airline has reduced staff and begun to modernize its fleet. Biman has made a deal with Boeing for 10 new aircraft, along with options for 10 more.

The airline's Reservation and Departure Control System and other communication systems are fully computerized. Biman is now striving to make the airline more attractive to its valued passengers by fixing priority on providing more comfort and maintaining schedule regularity.

Biman does entire maintenance work on its F-28 aircraft. Biman is also doing C-check, D-check on DC10-30 and A310-300 in its hangar complex at Dhaka. Checks, repair and maintenance of one DC10-30, one wide bodied Boeing and two F-28 aircraft can be done simultaneously there.

In addition to its own aircraft, Biman's ground-handling unit also provides support to Singapore Airlines, Thai Airways, Malaysia Airlines, Qatar Airways, Emirates, Kuwait Airways, Oman Air, Saudia, Gulf Air, PIA, Indian Airlines, Dragon Air, Druk Air, etc.at Hazrat Shahjalal International Airport, Dhaka.

Biman Flight Catering Center (BFCC) has the capacity of producing 8500 meals a day and is providing cuisine not only to Biman but also to Saudia, Etihad, Malaysia Airlines, Thai Airways, Emirates, Dragon Air and China Southern Airlines.

Biman Bangladesh Airlines Training Center (BATC) has been training its ground, flight service and technical personnel to meet the growing needs of Biman's manpower,. The center has also been turned into a seat of training and technical seminars for local travel agents and some foreign airlines.

Biman Poultry Complex, a subsidiary of Biman was formed in 1976 and was put into operation in November 1980 to create a profit earning concern to augment the cash flow of Biman. The complex is situated 40 km north-west away from Dhaka City over 75 acres of land at Ganakbari, Savar, Dhaka.

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## Biman Bangladesh Airlines

বিমান বাংলাদেশ এয়ারলাইনস



<b>Founded</b>	January 4, 1972
<b>Commenced</b>	February 4, 1972
<b>Hubs</b>	Hazrat Shahjalal International Airport
<b>Secondary hubs</b>	Shah Amanat International Airport Osmani International Airport
<b>Subsidiaries</b>	Biman Flight Catering Centre Biman Poultry Complex Biman Airlines Training Center
<b>Fleet size</b>	12 (+ 12 orders)
<b>Destinations</b>	18
<b>Company slogan</b>	আকাশে শান্তির নীড় (English: <i>Your home in the sky</i> )
<b>Headquarters</b>	Dhaka, Bangladesh
<b>Key people</b>	Air Mshl (Retd.) Jamal Uddin Ahmed (Chairman)
<b>Website</b>	<a href="http://www.biman-airlines.com">www.biman-airlines.com</a>

### 2.2 History:

Biman Bangladesh Airlines was established on 4 January 1972 as Bangladesh's national airline under the Bangladesh Biman Ordinance. The initiative to launch the flag carrier was taken by 2,500 former employees, including ten Boeing 707 commanders and seven other pilots of Pakistan International Airlines, who submitted a proposal to the government on 31 December 1971 following the independence of Bangladesh. The airline was initially called Air Bangladesh International but was soon changed to its current name.

In modern Bengali, the word *biman* refers to "aero plane", originating from the Sanskrit word *vimāna*, a name given to a flying machine mentioned in ancient Vedic literature. The logo, painted on the tail, is a stylized white stork inside a red circle.



The initial livery was a dark blue line extending across the aircraft along the windows and covering the tail section. In 2010, Biman went through a rebranding exercise and unveiled a new logo and livery which was applied to its first leased Boeing 777 aircraft. However, following elections later that year, Biman was forced to revert back to the original branding as the new brand image was not endorsed by the incoming government. The *bôlaka* has also given its name to the Biman headquarters, the *Balaka Bhaban*.

On 4 February 1972, Biman started its domestic service on the Dhaka–Chittagong, Dhaka–Jessore and Dhaka–Sylhet routes with a World War II vintage Douglas Dakota and Douglas DC-3, both gifts from the Bangladesh Air Force. On 4 March 1972, Biman started its international operations with a weekly flight to London using a Boeing 707 chartered from British Caledonian. The short haul fleet was supplemented by a Fokker F27 from India on 3 March 1972; the aircraft was employed on a daily scheduled flight between Kolkata and Dhaka on 28 April 1972.

In 1983, three Douglas DC-10s joined the fleet and the airline started to phase out the Boeing 707s. The flight network expanded further to include Baghdad (1983), Paris (1984) and Bahrain (1986). On 4 August 1984, Biman faced its worst accident when a Fokker F27 flying in from Chittagong crashed near Dhaka, killing all 49 on board, including Captain Kaniz Fatema Rokhsana, the airline's first female pilot. The long haul fleet was then supplemented by the purchase of two new Airbus A310s in 1996, followed by the addition of two more in 2000, from Singapore Airlines and Air Jamaica, and another in 2003. In the 2005–06 fiscal year, Biman carried 1.15 million passengers, a growth of 70% over the previous decade. With the rise of private domestic carriers in Bangladesh, however, Biman's market share for domestic passengers dropped by 35% over the previous ten years' average.



## 2.3 Vision

To establish Biman Bangladesh Airlines Limited in the aviation market as a world-class airline.

## 2.4 Mission

To provide safe, reliable, efficient and economical air transport services and to satisfy customers' expectations while earning sustainable profit and continuing to be a caring employer.

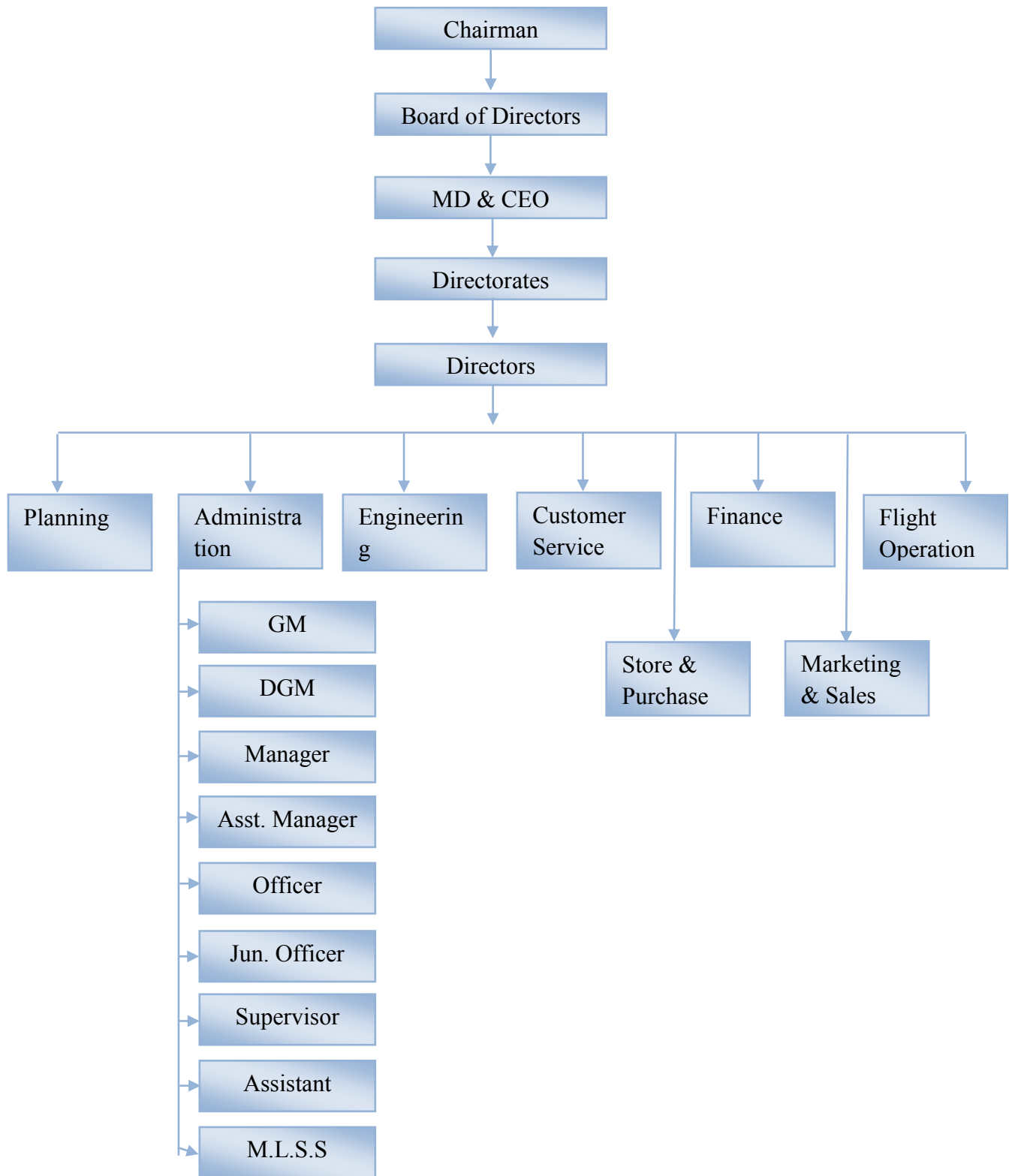
## 2.5 Objectives

To provide and develop safe, efficient, adequate, economical and properly coordinated air transport services, internal as well as international.

## 2.6 Executive Directors

<b>Position</b>	<b>2009-10</b>
<b>Managing Director &amp; CEO</b>	Air Commodore Muhammad Zakiul Islam ndu acsc(Retd.)
<b>Director, Customer Services</b>	A.K.M. Mazharul Haq Chowdhury
<b>Director, Store &amp; Purchase</b>	A.M. Mosaddique Ahmed
<b>Director, Engineering</b>	Wg. Cdr. M M Asaduzzaman (Retd.)
<b>Director, Flight Operations</b>	SK. Naseer Uddin Ahmed
<b>Director, Finance</b>	Kamal Uddin Ahmed, FCA, FCMA
<b>Director, Planning</b>	Capt. Sarkar Kamal Sayeed
<b>Director, Marketing &amp; Sales</b>	Mohammad Shah Newaz
<b>Director, Administration</b>	Rajpati Sarker

## 2.7 Organogram



## 2.8 Manpower:

Manpower status of Biman Bangladesh Airlines Ltd as of June 2010 is given below-

Employee Level	Permanent	Contractual	Casual	Total
MD & CEO	--	01	--	01
Executive Director	03	03	--	06
Cockpit Crew	132	14	--	146
General manager & Equivalent	13	01	--	14
Dy. General Manager & Equivalent	30	01	--	31
Manager/Asst. manager/officer & Equivalent	701	25	--	726
Staff	1945	336	--	2281
<b>Total</b>	<b>2824</b>	<b>381</b>	<b>--</b>	<b>3205</b>

## 2.9 SWOT Analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>● Experienced and skilled manpower</li> <li>● Have a good brand image in the mind of Bangladeshis</li> <li>● Excellent hospitability</li> <li>● Huge operational investment</li> <li>● It provides both passenger &amp; cargo services</li> </ul>	<ul style="list-style-type: none"> <li>● Complex bureaucratic system</li> <li>● Political influence</li> <li>● Unsatisfactory promotion system</li> <li>● Dissatisfaction among employees</li> <li>● Less innovation</li> <li>● Back dated airbus</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>● It provides two types of services- passenger &amp; cargo</li> <li>● Large market of cargo service</li> <li>● Low price of air tickets</li> </ul>	<ul style="list-style-type: none"> <li>● Local &amp; foreign airlines competitors</li> <li>● Rising fuel price</li> </ul>

## 2.10 Fleet Information

On 4th January 1972, Biman Bangladesh Airlines made its journey with a DC-3 aircraft. After procured two-F-27s, Biman finally took-off on March 7, 1972 with domestic flights to Chittagong and Sylhet from its base in Dhaka. Shortly afterwards, a Boeing 707, joined the airline's fleet, allowing Biman to begin international flights. By the end of the seventies, Biman had a fleet of 8 F27 and 5 Boeing 707. Biman was serving 7 domestic and 18 International destinations.

Biman made purchase of two new Airbus 310-300 in 1996. These were two of the last few 310s manufactured by Airbus. The airline operates its own ancillary and maintenance facilities at Shahjalal International Airport, where it carries out all maintenance work on its F28s, and C-Checks on DC-10-30s and A310-300s.

### Current

Biman Bangladesh Airlines fleet includes the following aircraft (as of 02 February 2011):

TYPE	REGN. NO.	CONFIGURATION		DATE OF ACQUISITION & Remarks
		J	Y	
DC-10-30	S2-ACO	–	314	September 23, 1983 (Own)
DC-10-30	S2-ACP	–	314	August 16, 1983 (Own)
DC-10-30	S2-ACQ	–	314	December 31, 1983 (Own)
DC-10-30	S2-ACR	–	314	January 06, 1989 (Own)
DC-10-30	S2-ACS	25	274	December, 1996 (Lease)
A310-300	S2-ADF	25	196	August 19 , 1996 (Own)
A310-300	S2-ADK	25	198	February 24, 1999 (Lease)
A310-300	S2-AFT	26	197	March, 2010 (Own)
F-28	S2-ACV	–	80	February 24, 1999 (Own)
F-28	S2-ACW	–	80	April 12, 1999 (Own)
F-28	S2-ADY	–	80	May 25, 2004 (Own)
B737-800	S2-AFL	12	150	January, 2010 (Own)
B737-800	S2-AFM	12	150	January, 2010 (Own)
B 777-200ER	CS-TFM	30	293	January 2010 ( Lease)



## **Chapter Three**

# **FUNCTIONS OF BIMAN BANGLADESH AIRLINES LTD**

### 3.1 Service Values:

**Trusted:** It starts with a commitment to personal and corporate integrity.

*Attributes* are honest, fair, dependable, responsive and consistent.

**Collaborative:** Teaming with co-workers and its customers to provide services that are better than what can do individually.

*Attributes* are respect, listening, learning, contributing, customized, and scalable, robust.

**Innovative:** Applying technologies, processes, and methods in new ways to provide quality services.

*Attributes* are creative, unique, relevant, practical, proven and valuable.

**Efficient:** A focus on improving its own efficiency without decreasing the strength of its relationship and commitment to our customer.

*Attributes* are streamlined, economical and friendly.

**Global/ Local:** The people and facilities that support the customers' worldwide operations- global, regional and local.

*Attributes* are networked, coordinated, responsive and familiar.



### 3.2 Products/Service Offering:

An airline company mainly sells service. It carries passenger or cargo or both from one point to another point. Biman Bangladesh offers 16 Domestic and 102 International flights through its 13 local and 28 worldwide branch offices. From the last 2 decades Biman carried its passengers by using the following four types of aircrafts:

- McDonnell Douglas Dc-10-30 11
- Airbus Industries A310-300 series
- Fokker f-28
- British Aerospace ATP

Biman Bangladesh Airlines basically provides two categories of services:

- Domestic Flights
- International Flights

**Domestic flights:**

Currently Biman has the following domestic flights:

- ❖ Sylhet
- ❖ Chittagong
- ❖ Cox's bazaar



Figure: Domestic Destinations

**International flights:**

Bangladesh Biman provides 51 departure and 51 arrival flights per week. It has the following International flights from Dhaka to:

Abu Dhabi	Bahrain	Hongkong	Singapore	Mumbai
Delhi	Bangkok	Dubai	New York	Frankfurt
Jeddah	Calcutta	Karachi	Doha	Kuwait
London	Katmandu	Kualalumpur	Paris	Tokyo
Riyadh	Rome	Brussels	Muscat	Yangoon



**Figure:** International Destinations

### 3.3 Flight Classes:

A two-class service (J and Y) is operated on Biman's wide-body airliners and a single class service is available on the smaller aircraft. The Maslin Executive Class cabin on its Airbus A310s is set up in a 2–3–2 configuration while the setup on the Douglas DC-10-30s is a more spacious 2–2–2 configuration. The economy class cabins are set up in a typical 2–5–2 configuration.



Biman continued to earn additional revenue through all-economy operation of its DC10-30 fleet enabling to increase its Economy class capacity by 15%. However, with re-branding initiative presently under process to enhance Biman's image, operation of DC10-3 fleet will be restricted to selected routes only in the coming daily.

### 3.4 Hajj Operation:

Biman is honored to have the opportunity to serve the Hajj operation. During the fiscal year, it successfully transported 31,700 hajj Pilgrims to Saudi Arabia through operation of 54 hajj flights and also 32 scheduled flights from Dhaka and Chittagong. During the previous year, Biman had transported 29,604 hajj Pilgrims through 40 Hajj flights from DAC-LHR-DAC by other airlines.



### 3.5 Cargo Service

Biman also operates a cargo service using the cargo holds of its passenger aircraft to ship freight to international destinations. It has established Cargo Village at Shahjalal International Airport where the cargo is packaged and labeled before being loaded onto its aircraft.

While the air cargo industry in Bangladesh grew by 16.5% in the fiscal year 2003–04, Biman's cargo operations remained stagnant when private operators such as Bismillah Airlines, Best Aviation and Air Bangladesh produced a 108% growth from the previous year. The private operators increased their share of the cargo market by 10.6% and were responsible for



handling 24% of the total 99,000 tonnes of cargo at the expense of both Biman and foreign airlines which saw a reduction in their shares by 4.6% and 6.0% respectively. Foreign airlines handled 47% of the total cargo with Biman taking on the remaining 29%.

Cargo rates have been improved on many sectors. The bulk carrier baggages ex-Hong Kong carried by Calcutta-oriented passengers and the huge house-hold console shipments from London destined for Sylhet poured huge revenue in Biman's exchequer.

### 3.6 Direct Service Dac-Lhr-Dac:

Biman has introduced dedicated direct flights on DAC-LHR-DAC route since March 2010. It may also be mentioned that there is no direct flights from DAC-LHR-DAC by other Airlines.

### 3.7 Network:

Biman had 22 destinations in its network including 02 domestic destinations. Due to continuous losses, operation on some destinations was suspended. This initiative decreased losses. With the introduction of additional aircraft, some of the suspended routes have been revived. Operation to New York is expected to resume soon.

### **3.8 New Marketing & Sales Team:**

As a part of the re-organization plan, restructuring of the Marketing Department has been undertaken to prepare the airline for the highly competitive market environment. The reorganized Marketing approach places emphasis on revenues from income streams of passenger, Cargo and other businesses.

### **3.9 Introducing Intra-Net and Office Management Software:**

With the cooperation of Boeing, Biman has established a PC based Intranet that would enable speedy decision-making. This state of the auto system would take help from different Office Management Software which will make routine decision-making very user-friendly.

### **3.10 E-Ticketing:**

After implementing E-ticketing in 2007-2008, within the IATA deadline, Biman continued to achieve improvement in this area, through implementation of Departure Control System in RLIH, JD and CGP, travel with e-tickets from those station were made smoother. Interline E-ticketing Agreements were signed with 9 more airlines.

### **3.11 Internet Booking Engine (IBE):**

Biman introduced Internet Booking Engine (IBE) for the airline's reservations and ticketing system. By introducing IBE to the airline's ticketing system, passengers will now directly retrieve information about airline schedules and able to make booking.

Internet Booking Engine (IBE) is an application, which helps travel and tourism industry support reservation through the internet. It helps the consumers to book flights, hotels, holiday packages, insurance and other services online. This is a much needed application for the aviation industry as it has become one of the fastest growing sales channels.

With the introduction of Internet Booking Engine (IBE), the airlines, at long last, has been able to make direct exposure to customers, again IBE will help Biman to cut off extra expenses and to support instant booking and payment.

### **3.12 Non-Stop Services By B-77:**

Introduction of non-stop services by b-77 on DAC-LON-DAC and DAC-ROM-DAC sectors has helped Biman retain its ethnic markets in the face of stiff competition from other indirect operators. Biman strengthened its position in UK market, as this non-stop service has been proved very popular to the Bangladeshi ethnic community. Operation of B-77 to Singapore and Kuala Lumpur for 3 months in fiscal year 2009-10, before utilizing it on London and Rome sectors, helped Biman carry huge labour, tourist and business traffic from different points, specially from Kathmandu.

### **3.13 London- Dubai-Sylhet Direct Flight:**

In meeting the long demand of ethnic Bangladeshi passengers, the routing of one of the Sylhet bound flights as London-Dubai-Sylhet direct with Airbus aircraft with higher fares have earned Biman good revenue.

### **3.14 Abacus NMC Bangladesh:**

Biman through an innovative approach started GD marketing in Bangladesh- Biman and Abacus formed a National Marketing Company (NMC) for Bangladesh on 09 July, 2002. Certificate of Incorporation was issued by the Register of Joint Stock Companies on 23 July 2003. In Abacus NMC Bangladesh Biman holds 51% share. Abacus NMC Bangladesh business is generated from agents booking on Abacus for all the operating airlines in Bangladesh. It earned substantial profit in every year. During the financial year 2009-10 Biman earned dividend income from Abacus amounting to Tk. 16,524,000.

### **3.15 Migration of Reservation and SITATEX Services:**

Biman used Dumb Terminals for its reservation services for the last two decades. In addition, older version of SITAEX played an important role for messaging services. To upgrade the services, Biman entered into New Generation Network and replaced Dumb Terminals and older PCs for entire network. For doing so, we introduced IP-VPN (Internet Protocol- Virtual Private Network) for network side and replaced desktops by branded PCs. This migration results to access high speed data transfer. At present, it possesses a world standard reservation and SITATEX services.

### **3.16 Airlogica (Data Mining Technology):**

Working in partnership with GDS companies is very important. It is equally important to maintain GDS cost at a rational level. Biman has signed an agreement with AIRLOGICA. It uses sophisticated data mining techniques to assist airlines to fully appreciate Global distribution System costs by allowing the user to choose specific reports and perform ad hoc queries.

### **3.17 Billing & Settlement Plan (BSP):**

In 2008-09, Biman initiated efforts to bring its stations under BSP. By the end of 2008-09, all Biman stations have been brought under BSP except Rome due to local market scenario. BSP is a system designated to facilitate and simplify the selling reporting and remitting procedures of IATA Accredited Passenger Sales Agents, as well as to improve financial control and cash flow for BSP airlines. A truly worldwide system, at the close to 2008, there were 88 BSPs covering 160 countries and territories serving 400 airlines, while gross sales processed amounted to USD 239 billion. BSP simplifies total distributions burdens of the airlines as agents issue one Sales Report and remit one amount to a central point, airlines receive one settlement covering all agents and most importantly agents' sales are reported electronically.

### **3.18 Cargo Accounts Settlements Systems (CASS):**

Biman has also been among the pioneering airlines to introduce Cargo Accounts Settlement Systems (CASS), designed to simplify the billing and settlement of accounts between airlines and freight forwarders. It operates through CASS link, an advanced global web-enabled e-billing solution. CASS yields a twofold solution as it replaces:

- a) Airlines' traditional paper based invoicing,
- b) Agents' manual controlling of those invoices, while all benefit from the enhanced financial control and improved cash flow as the CASS rate of success in collecting funds is virtually 100%.

### **3.19 Passenger Intelligence Services (PaxIS):**

At the beginning of 2008 Biman took the initiative of implementing PaxIS, a powerful and essential market intelligence tool for air travel analysis, which was finally implemented during May 2009. PaxIS a product developed by IATA Business Intelligence Services, is the most comprehensive airline passenger market intelligence database available today, with more accurate, reliable and affordable data captured through IATA Billing & Settlement Plan (BSP). PaxIS reports issued ticket information from more than 400 airlines carriers covering 82 BSP offices. The product is presently being extensively used for Network planning; Fleet planning, Marketing planning and Agency monitoring and performance analysis.

### **3.20 Ground Handling:**

Biman- since its inception has been providing this very important and specialized service to all the airlines operating from Dhaka and Chittagong, both for passengers and cargo. In addition to handling its own flights, this strategic unit has been a source of substantial revenue. During the year Tk. 194.97 crore was earned from ground handling services. During the last year the figure was Tk. 179 crore. This is to mention here that during the year revenue from Cargo handling services to other airlines was Tk. 59.86 crore and from cargo warehouse demurrage charges was Tk. 45.73 crore.

A great change has come over in the Aviation Industry after 9/11. Diversified security requirements in passenger and baggage services have been imposed. IATA has also implemented global standards in the Aviation Industry. As such hundreds of standards have been set to which the Airlines are required to comply with to ensure safe and secured services. Biman naturally had to struggle to cope with this critical business environment with its limited resources.

Biman's ground handling services has been suffering due to inadequacy of Ground Services Equipments (GSE) and man power. Procurements of GSE is now in the pipeline. Additional man power has also been inducted. Taking into view the current business scenario the benchmarks have been formulated to raise the standard of service and all out efforts are being made to achieve the goal.

### **3.21 Market Liberalization/New Competition:**

Pressure from the private sector and the recognition of Biman's difficulties in effectively serving the aviation market, the CAAB (civil Aviation Authority of Bangladesh ) has begun to liberalize the aviation market in Bangladesh and to provide authority for new airlines to operate both domestically and internationally.

From the foreign carrier side Biman is facing tough competition in almost all sectors. Especially the mega carriers Saudia, Emirates, Gulf, Etihad etc are moving very fast to occupy the market share of middle east bound passengers. Whereas the Cathay Pacific, Dragon Air, Singapore Airlines, Thai Airways, Malaysian Airlines are the great hurdle for the market of ASEAN bound passengers. Even for the regional sectors the Jet Airways, Indian Airlines, Air India, King Fisher are also becoming big factors to push Biman out of race.

According to government policy some domestic carriers are also spreading their wings internationally. As a result the local market is rolling in triangle motion. The promising private local carriers' are-

#### ***GMG Airlines:***

GMG Airlines is a fully owned subsidiary of the GMG Group of companies and commenced schedule service in April 1998. Now it operates a fleet of 3 MD-82, 2Bombardier DASH8 Q100 and 2 Bombardier DASH 8 Q200 aircraft.

It operates domestic services at Dhaka, Barisal, Chittagong, Cox's Bazar, Jessore and Sylhet. It operates international services to Calcutta, New Delhi, Kathmandu, Kuala Lumpur, and Bangkok. It has two B767-200ER and one B777-300 on order and plans to introduce new international services to Karachi, Singapore, Hongkong, Dubai, Abu Dhabi and Muscat during late 2007 and 2008.

***BEST Air:***

Best Air is yet another start up airline and is planning to fly both domestically and Internationally (including flights to Bangkok- Suvarnabhumi, Chittagong ,Guanghou, Jaypur, Calcutta and Kunming). Best Air has been operating cargo services for a number of years.

***UNITED Airways:***

United Airways is a new start up airline that commenced service only in July 2007. It operates through Bombardier DASH 8-100 service from Dhaka to Sylhet and Chittagong and also started operation internationally for Bangkok and Kuala Lumpur.

***REGENT Airways:***

Regent Airways is a new airline formed in Bangladesh in 2010 by H.G Aviation Limited, a subsidiary of the habib Group. Regent Airways operates 2×Dash 8-300 domestically within Bangladesh.

***ZOOM Airways:***

Zoom Airways is a cargo airline based in Dhaka, Bangladesh. Formed in 2002 as Z-Airways and Services, the airline operates cargo charter flights in Bangladesh and in the South Asia region in 2005, the airline was renamed to zoom Airways.



## **Chapter Four**

# **PERFORMANCE ANALYSIS OF BIMAN**



## 4.1 Operational Performance:

The Directorates of Biman Bangladesh Airlines Limited observed that the company has made a consolidated loss of Tk. 80.14 crore during the year 2009-2010.

During the financial year 2009-2010, Biman has earned a total revenue of Tk. 2,913.60 crore including revenue from hajj Operation of Tk. 290.1 crore. During the previous year 2008-2009, it was Tk. 3012.82 crore including revenue from Hajj operation of Tk. 298.82 crore.

Passenger revenue contributed about 77.87% of total operating revenue of the airline. Cargo and Express-Baggage contributed 8.22% and 1.27% respectively. It may be mentioned here that due to capacity constraints, Biman could not fully exploit the cargo market opportunity. Biman has brought cargo under automation, and other modern marketing mechanism has also been set to optimize revenue with the planned fleet enhancement.

Due to aged aircraft and fleet constraints even with leased aircraft during the 2<sup>nd</sup> half of the year, Biman failed to achieve satisfactory level of schedule regularly during the period under review. With a view to Fleet modernization, Biman has signed agreement in April & May 2008 with Boeing for procurement of 10 new generation fuel-efficient aircraft. Other strategies have been taken to overcome existing fleet constraint, efficiency enhancement and image building. One 777-200 aircraft are expected to join the fleet in January 2011

## 4.2 Key Performance Indicators:

<b>Available Seat Kilometer (ASK)</b>	<b>In Lakh</b>
• Domestic	503.05
• International	68,285.30
Total	68,788.35

<b>Revenue Passenger Kilometer (RPK)</b>	<b>In Lakh</b>
• Domestic	276.00
• International	49,995.91
Total	50,271.91

<b>Number of Passengers</b>	
• Domestic	113,813
• International	1,297,676
Total	1,429,489

<b>Cabin Factor</b>	<b>in Percentage</b>
• Domestic	55%
• International	73%
Total	73%

<b>Available Ton Kilometer (ATP)</b>	<b>In Lakh</b>
• Domestic	61.07
• International	10,531.60
Total	10,592.67

<b>Revenue Ton Kilometer (RTK)</b>	<b>In Lakh</b>
• Domestic	29.65
• International	6,690.24
Total	6,719.89

<b>Load Factor</b>	<b>In Percentage</b>
• Domestic	49%
• International	64%
Total	63%

<b>Cargo Carried ( CGO &amp; Mail)</b>	<b>In Ton</b>
• Domestic	96.96
• International	28,651.08
Total	28,748.04

<b>Number of Flights</b>	
• Domestic	2,222
• International	6,292
Total	8,514

<b>Block Hour</b>	
• Domestic	1,456.10
• International	29,823.41
Total	31,279.51

**Notes:**

1. *Revenue passenger-km = Number of passengers carried × distance flown (in km)*
2. *Available seat-km = Number of available seats × distance flown (in km)*
3. *Passenger load factor = Revenue passenger-km expressed as a % of available seat-km*
4. *Cargo load = Cargo & mail load (in tons) × distance flown (in km)*
5. *Cargo load factor = Cargo & mail load expressed as % of gross capacity*
6. *Gross capacity = Cargo capacity production × distance flown (in km)*
7. *Overall load = Total load carried (in tons) × distance flown (in km)*

### **4.3 OPERATING RESULTS:**

During the FY rear 2009-10, Biman Bangladesh Airlines Ltd has achieved the following operating results-

- Operating revenue: Tk. 29,136,061,492
- Non-operating revenue: Tk. 300,179,418
- Total revenue: Tk. 29,436,240,910
- Total expenses ( operating, non-operating & interest): Tk. 30,237,603,824
- Net profit/Loss: Tk. (801,362,914)

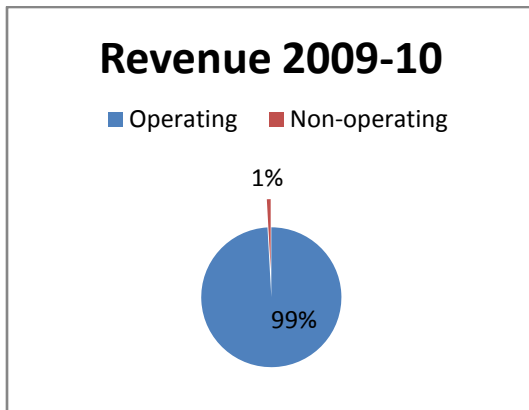
A statement showing the comparative Financial Results of FY 2009-10 and FY 2008-09 is summarized below-

Particulars	2009-10		2008-09	
	Tk. In Crore	% of Total Revenue	Tk. In Crore	% of Total Revenue
<b>A. Operating Revenue</b>	<b>2,913.6061</b>	<b>98.98</b>	<b>3,012.8213</b>	<b>99.12</b>
B. Non-operating Revenue	30.0180	1.02	26.8829	0.88
<b>C. Total Revenue</b>	<b>2,943.6241</b>	<b>100</b>	<b>3,039.7042</b>	<b>100</b>
<b>D. Operating Expenses</b>	<b>3,004.7588</b>	<b>102.08</b>	<b>2,967.6308</b>	<b>97.63</b>
D.1. Fuel cost	1276.3631	43.36	1346.7096	44.30
D.2. Maintenance, landing, parking, & aircraft handling	427.6874	14.52	490.6036	16.1398
D.3. Selling, administrative & other expenses	932.9248	31.69	1051.6198	28.50
D.4. Lease rent	287.0002	9.75	185.1619	6.09
D.5. Auditors' remuneration	0.0625	0.002	0.0590	0.002
D.6. Directors' remuneration	0.2869	0.006	0.0740	0.002
D.7. Depreciation expenses	80.5339	2.74	785648	2.58
<b>E. Non-operating Expenses</b>	<b>4.4965</b>	<b>0.15</b>	<b>32.6428</b>	<b>1.0</b>
F. Operating & Non-operating expenses (D+E)	3009.2552	102.23	3000.2736	987028
G. Operating Profit (A-D)	(91.1527)	(3.10)	45.1906	1.48
H. Non-operating Profit(B-E)	25.5215	0.86	(5.7600)	(0.18)
<b>I. Profit Before Interest &amp; Tax (G+H)</b>	<b>(65.6313)</b>	<b>(2.23)</b>	<b>39.4306</b>	<b>1.29</b>
J. Provision for Interest Expenses	14.5050	0.49	14.5050	0.47
<b>K. Profit Before Tax (I-J)</b>	<b>(80.1363)</b>	<b>(2.72)</b>	<b>24.9256</b>	<b>0.82</b>
L. Provision for Income Tax	0		9.3471	0.30
<b>M. Net Profit After Interest &amp; Tax (K-L)</b>	<b>(80.1363)</b>	<b>(2.72)</b>	<b>15.5785</b>	<b>0.52</b>
N. Dividend	0		0	
<b>O. Retained Earnings (M-N)</b>	<b>(80.1363)</b>		<b>15.5785</b>	

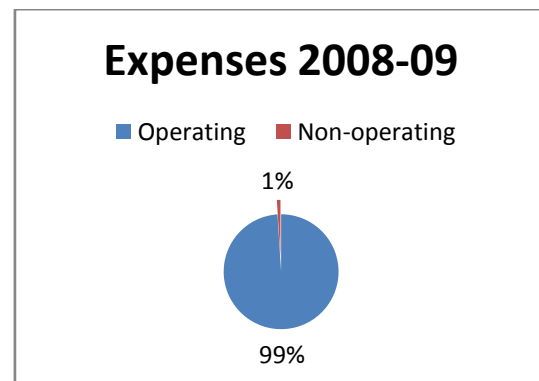
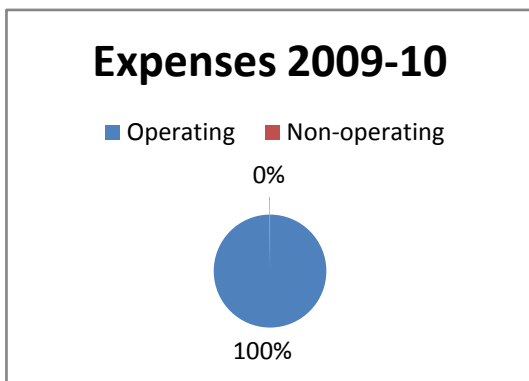
Table: 4.1

**Comment:** This table indicates the operating revenue and an expense during the FY 2008-09 was 99.12% and 97.63%, similarly during the FY 2009-10 were 98.98% and 102.08%. The profit before tax and the net profit after tax in FY 2009-10 showed downward trend.

Comparison of revenue income of Biman Bangladesh Airlines Ltd



Comparison of expenses occurs in Biman Bangladesh Airlines Ltd.



**4.4 Financial Ratios & Highlights:**

Particulars	Ratio	
	30 June, 2010	30 June, 2009
Debt service coverage ratio	0.005:1	0.23:1
Return on equity (ROE)	(0.039):1	0.007:1
Return on Fixed Assets	(0.047):1	0.014:1
Debt to Equity Ratio	1.96:1	1.48:1
Average Collection Period	27 days	27 days
Current Ratio	3.47:1	2.38:1

Table: 4.2

## 5.5 Elaboration of Financial Performance:

### Biman Bangladesh Airlines Limited Financial Statement As at 30 June 2010

	Amount in Tk.	
	30 June 2010	30 June 2009
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>23,266,690,547</b>	<b>23,218,499,488</b>
Fixed assets less cumulative depreciation	17,212,053,288	17,564,668,507
Capital work in progress	22,369,916	20,969,916
Investment in shares	9,180,000	9,180,000
Intangible assets	5,556,167,338	5,556,167,338
Deferred expenditure	466,920,004	67,13,725
<b>Current assets</b>	<b>16,706,123,116</b>	<b>7,957,988,397</b>
Stores & spares	2,047,719,458	1,999,509,127
Sundry debtors	2,555,573,222	1,757,449,136
Advances, deposits & payments	10,338,128,756	1,511,182,801
Tax deducted at source	46,772,475	38,376,454
Accrued interest on FDR	26,905,789	15,613,076
Cash & cash equivalent	1,691,023,417	2,635,857,803
<b>Total Assets</b>	<b><u>39,972,813,663</u></b>	<b><u>31,176,487,883</u></b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>	<b>20,387,881,595</b>	<b>21,038,986,304</b>
Share capital	700	700
Equity of govt.	20,824,095,801	20,824,095,801
Retained earnings	(436,214,906)	214,889,803
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>	<b>14,776,120,896</b>	<b>6,789,374,212</b>
Long-term loans	12,782,261,443	4,813,543,075
Deferred loans	1,993,859,453	1,975,831,137
<b>Current liabilities &amp; provisions</b>	<b>4,808,811,172</b>	<b>3,348,127,367</b>
Accounts payable & accruals	4,276,116,586	2,296,802,237
Unearned transportation revenue	5,326,694,586	918,450,936
Provision for taxation	---	132,874,194
<b>Total Liabilities</b>	<b>19,584,932,068</b>	<b>10,137,501,579</b>
<b>Total Equity &amp; Liabilities</b>	<b><u>39,972,813,663</u></b>	<b><u>31,176,487,883</u></b>

Table: 4.3

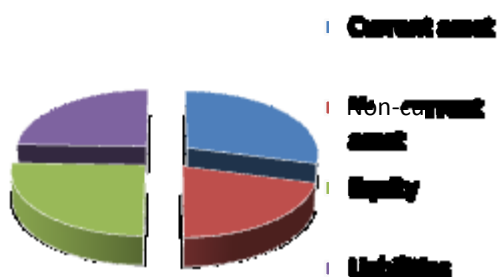


Figure: Financial position FY 2009-10

**Biman Bangladesh Airlines Limited**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2010**

	Amount in Tk.	
	2009- 2010	2008-09
Operating revenue	29,136,061,492	30,128,213,627
Operating expenses	(30,047,588,921)	(29,676,307,892)
<b>Operating profit/ (loss)</b>	<b>(911,527,429)</b>	<b>451,905,735</b>
Non-operating revenue	300,179,418	268,828,872
Non-operating expenses	(44,964,903)	(326,428,402)
<b>Non-operating profit/(loss)</b>	<b>255,214,515</b>	<b>(57,599,530)</b>
<b>Profit/(loss) before Interest &amp; Tax</b>	<b>(656,312,914)</b>	<b>394,306,205</b>
Interest expense	(145,050,000)	(145,050,000)
<b>Net profit/(loss) before Tax</b>	<b>(801,362,914)</b>	<b>249,256,205</b>
Provision for Taxation	--	(93,471,077)
<b>Net profit/(loss) after Tax</b>	<b>(801,362,914)</b>	<b>155,786,128</b>
Accumulated profit/(loss) brought forwarded	365,148,008	59,104,675
<b>Accumulated profit/loss transferred to balance sheet</b>	<b><u>(436,214,906)</u></b>	<b><u>214,889,803</u></b>

Table: 4.4

**Comment:** Comprehensive Income of Biman during the FY 2008-09 counted positive trends and during the FY 2009-10 showing negative trend.

**Biman Bangladesh airlines Limited**  
**Statement of Changes in Equity**  
**For the year ended June 30, 2010**

Particulars	Paid up capital	Government Equity	Accumulated Profit/Loss	Total
Balance at July 01, 2009	700	20,824,095,801	214,889,803	2,103,886,304
Correction of prior year	--	--	150,258,205	150,258,205
	<b>700</b>	<b>20,824,095,801</b>	<b>365,148,008</b>	<b>21,189,244,509</b>
Addition during the year	--	--	(801,362,914)	(801,362,914)
Balance at June 30, 2010	<b>700</b>	<b>20,824,095,801</b>	<b>(436,214,906)</b>	<b>20,387,881,595</b>

Table: 4.5

**Comment:** It can be said here that during the 2010 the Biman has incurred loss. For this reason the equity of Biman has changed negatively.

#### 4.6 Capital:

Tk. 150,000,000,000

#### 4.7 Authorized Capital:

The authorized share capital of the company is Tk. 150,000,000,000 divided into 1500,000,000 ordinary shares of Tk. 100 each as per Memorandum and Articles of this Association.

#### 4.8 Retained Earnings:

Retained earnings of this company include the net result of operational activities of Biman, BPC and BFCC.

Particulars	Amounts in Tk.	
	2009-10	2008-09
Opening balance	214,889,803	59,104,675
Correction of prior period error	150,258,205	--
	<b>365,148,008</b>	<b>59,104,675</b>
Net profit before income tax	(801,362,914)	249,256,205
Provision for taxation	--	(93,471,077)
<b>Retained earnings</b>	<b><u>(436,214,906)</u></b>	<b><u>214,889,803</u></b>

Table: 4.6



#### 4.9 Fixed Assets Less Depreciation:

	Amounts in Tk.	
	2009-10	2008-09
Biman Bangladesh Airlines (BBA)	15,803,855,303	16,154,051,948
Biman Poultry Complex (BPC)	1,215,958,206	1,214,724,483
Biman Flight Catering Center (FCC)	192,239,779	195,892,076
<b>Total</b>	<b><u>17,212,053,288</u></b>	<b><u>17,564,668,507</u></b>

Table: 4.7

#### 4.10 Investment Shares at Cost:

	Amount In TK.	
	2009-10	2008-09
<b>Abacus Bangladesh NMC Ltd</b>	9180,000	9180,000

Abacus Bangladesh NMC Ltd was formed includes under in 2003 and is incorporated in Bangladesh under the Companies Act 1994. 51% shares of the company is held by Biman Bangladesh Airlines Ltd and remaining 49% by Abacus International Pte Ltd. Assets and liabilities of the subsidiary are not consolidated as BBAL being a non-listed company is exempted from consolidation as per BAS-27.

#### 4.11 Intangible Assets:

	Amounts in Tk.	
	2009-10	2008-09
<b>Goodwill</b>	483,315,937	483,315,937
<b>Routes</b>	5,072,851,401	5,072,851,401
<b>Total</b>	<b><u>5,556,167,338</u></b>	<b><u>5,556,167,338</u></b>

Table: 4.8

## 4.12 Operating Revenue

	Amounts in Tk.	
	2009-10	2008-09
Biman Bangladesh Airlines (BBA)	28,944,561,918	29,946,678,294
Biman Poultry Complex (BPC)	77,187,090	33,944,471
Biman Flight Catering Center (FCC)	6,441,14,892	613,836,677
<b>Total</b>	<b><u>29,665,863,900</u></b>	<b><u>30,594,459,442</u></b>

Table: 4.9

## 4.13 Operating Expenses

	Amounts in Tk.	
	2009-10	2008-09
Biman Bangladesh Airlines (BBA)	30,044,275,410	29,682,256,618
Biman Poultry Complex (BPC)	453,035,061	425,169,816
Biman Flight Catering Center (FCC)	80,080,858	35,127,273
<b>Total</b>	<b><u>30,577,391,329</u></b>	<b><u>30,142,553,707</u></b>

Table: 4.10

## 4.14 Investment in Project at Cost (Fund Account):

	Amounts in Tk.	
	2009-10	2008-09
Investment Revaluation surplus-BFCC	184,444,136	184,444,136
Investment Revaluation surplus-BPC	1,434,141,400	1,434,141,400
<b>Total</b>	<b><u>1,618,585,536</u></b>	<b><u>1,618,585,536</u></b>

Table: 4.11

## 5.15 Sundry Debtors- BBA

	Amounts in Tk.	
	2009-10	2008-09
Credit sales	226,924,524	236,559,646
Provision	(345,515,763)	(62,462,344)
	<b>192,408,761</b>	<b>174,097,302</b>
Airlines receivables	210,050,753	261,389,787
Provision	--	--
	<b>210,050,753</b>	<b>261,389,787</b>
Agent Sales partly secured	2,343,619,871	1,625,362,870
Provision	(296,651,175)	(339,991,298)
	<b>2,046,968,696</b>	<b>1,285,371,572</b>
Miscellaneous receivables	6,281,291	12,324,188
Provision	--	--
	<b>6,281,291</b>	<b>12,324,188</b>
Other debtors	9,703,964	10,191,476
Dividend receivable from Abacus	39,474,000	--
Provision	(1,392,769)	(1,392,769)
	<b>47,785,195</b>	<b>8,798,707</b>
<b>Total</b>	<b><u>2,503,494,696</u></b>	<b><u>1,741,981,556</u></b>

Table: 4.12

## 5.16 Cash and Cash Equivalent:

	Amounts in Tk.	
	2009-10	2008-09
Biman Bangladesh Airlines (BBA)	1,254,733,002	2,225,150,812
Biman Poultry Complex (BPC)	3,202,789	3,146,864
Biman Flight Catering Center (BFCC)	37,174,438	396,856,590
Fixed Deposit (BPC)	256,000,000	238,710,200
Fixed Deposit (BFCC)	330,000,000	--
Bank credit balance	(190,086,812)	(228,006,663)
<b>Total</b>	<b><u>1,691,023,417</u></b>	<b><u>2,635,857,803</u></b>

Table: 4.13



## Chapter Five

# SUBSIDIARIES AND THEIR CONTRIBUTIONS

### **5.1 Biman Flight Catering Center (BFCC):**

Biman flight Catering Centre (BFCC) a wholly owned independent unit of Biman Bangladesh Airlines was setup in 1989. BFCC provides Biman's in-flight meals and is one of Biman's most profitable operations, regularly supplying food to Ethihad Airways. Air Afriqiyah and Cathay Pacific with casual orders from other airlines operating to Bangladesh. Saudi Arabian Airlines and China Eastern has started uplift of catering items and services form BFCC during the financial year 2009-10.

### **5.2 Biman Poultry Complex (BPC):**

The BFCC consumes 90% of the eggs and chicken from the Biman Poultry Complex (BPC), another profit-making subsidiary of Biman formed in 1976 and put into operation in November 1980 to rearing poultry at farms in Dhaka. Bird flu was detected at one of the farms in March 2007 which resulted in many livestock being culled. This was the first incident of bird flu in Bangladesh. Poultry industry in Bangladesh was partly pioneered by the Biman subsidiary in the mid-1970s, though the first poultry in Bangladesh was a private venture named *Eggs and Hens* established in 1964. The medium sized breeder set up by BPC eventually led to NGOs and the government coming forward to develop the sector in early 1990. 694 are employed at BFCC and 90 in Biman Poultry Complex at Savar, 40 km North-West of Dhaka City, on 75 acres (300,000 m<sup>2</sup>) of land including 5 acres (20,000 m<sup>2</sup>) poultry shed, 1-acre (4,000 m<sup>2</sup>) residential area and 69 acres (280,000 m<sup>2</sup>) of agricultural land.

During FY 2009-10, it supplied 3, 64,005 kilograms of boiler chicken. The complex is planning again for production of chicken from summer 2010 after long suffering of a setback when Bird Flu was detected in March 2007. A large number of livestock had to be being culled. Poultry industry in Bangladesh was partly pioneered by this unit.

### **5.3 Bangladesh Airlines Training Centre (BATC):**

Bangladesh Airlines Training Centre (BATC) began its journey as the Ground Training School in the Engineering Hangar at the old Airport in 1972 immediately after the war of Liberation and subsequently moved to Biman's own building at Frmgate.

In 1984 the Biman Management took advantage of an ICAO/UNDP offer to setup an apprentice training school and acquired land from CAAB to start the project at Hazrat Shahjalal International Airport. The UNDP/ICAO assistance to setup Apprentice Training School was much better utilized to actually build a proper and full-fledged training centre for the national carrier. This is BATC today.

BATC offers all ground training to Biman's own personnel and personnel of other airlines. It also offers training to travel and cargo agents in a regular basis. Its main objectives are skill development of personnel for development and generating services. Its main mission is to train personnel requisite to the needs of the airline, skill development of personnel for in-depth qualitative improvement of the airline service, attitudinal realignment of airline personnel for developing proper service-oriented mentality and management development for efficiency and long-term effectiveness.

BATC provides training in the faculty of Operation Technical, Management Development, Avionics Engineering, Aerospace Engineering, Customer Services, and Marketing & Sales. At present, 34 faculty members are serving the BATC. In 2009-10, BATC conducted 625 courses for 4,164 participants.

BATC is currently working towards European Aviation Safety Agency- 147(EASA-147) certification for the training centre as a pre-requisite to set EASA-145 certification for Biman's maintenance facility.

#### **5.4 Ethics:**

Biman Bangladesh Airlines showed its profound commitment to fundamental values of integrity, transparency and accountability by signing the partnering against corruption initiative (PACI). It puts Biman amongst the rank of enterprises committed to Anti-Corruption doctrines reflecting the fact that corruption and bribery have been recognized as corrosive to economic progress:

### **5.5 Biman's Corporate Social Responsibility (CSR):**

Biman's social responsibility is embedded in its mission and vision. In a disaster-prone country like Bangladesh here had been continuous flow of relief material. Biman on case to case basis, for such humanitarian relief gives exemption of handling and storage charge. Biman being sponsor of Biman Cricket Club is also contributing for the development of second most favorite sports of the country. During 2009 Biman Cricket Team won the runner up in the Premier division Cricket League of Bangladesh. Biman Chess Team became champion in the National Chess competition and also Biman Badminton Team won the championship title in the National Badminton Tournament.

### **5.6 Contribution to the National Economy:**

As a national flag carrier and the largest airlines service provider of the country, Biman has an important role in exporting manpower in the world market, through which it contributes in foreign exchange earnings. During the FY 2009-10, the company collected on behalf of the Government Tk. 48,460,189 as income tax, Tk. 12,424,582 as VAT and Tk. 9,27,864,900 as Domestic & foreign Air Travel Tax and deposited the same into the government treasury. During the period, Tk. 2,39,930,155 as salary tax was also deposited into the government treasury. It is also mention here that the tax deducted at source by different banks against Interest Income in the FY 2009-10 amounts to Tk. 8,396,021.



## Chapter Six

# FINDINGS & RECOMMENDATIONS



## 6.1 Findings of the Study:

- In the decision making process, Biman cannot working as independently because of having Ministerial influences. Sometimes emergency situation cannot meet immediately for complex bureaucratic system.
- Most of the executive directors of Biman are not involve in aviation industry. They have wanted of experienced and required skilled to run the Biman successfully and profitably.
- The available aircrafts of Biman are old-fashioned and are not fuel-efficient. These are causing high maintenance cost.
- Biman is obliged, by legislation, to priorities national interest over commercial ones, and not to be a purely commercial airliner. The government is exercising the power as given by the ordinance in its activities. In this context, the government is utilizing Biman to render services for the nation, e.g. operating government VVIP flights, relief flights and hajj flight, and carrying perishable items at cheaper rates.
- The Board is not accountable to a higher authority because the Minister of Aviation, who is the designated chief of the organization, is the Chairman of the Board himself. Therefore, the Board is neither directly accountable to any other body, nor is it under obligation to report to any other authority for its activities and performance.
- As a consequence of being a state-owned corporation, Biman has suffered from being politicized in many aspects. It has been politicized such as- operating domestic flights with wide bodied aircraft, political intervention in recruitment and promotions, decision-making under political influence.
- Corruption in different sectors of Biman is another significant barrier that is making it difficult for the organization to break away from loss making ways. Incidents of corruption are evident in purchase and leasing of aircraft, store and purchase of spare parts, in the tender process and in ticketing and reconfirmation.
- Its Man-Equipment Ratio (MER) at present is 1:367, while the international acceptable standard ratio is 1:200. Compared to other airlines, the number of Biman staff is fairly high but their remuneration is fairly low. Biman does not recruit any staff directly (i.e. from external qualified candidates) in officer level.

- The Biman does not maintain its flight schedule on time. It often delays flight schedules without showing any excusable reasons.
- The customer service quality of Biman is very poor because of lacking customization in providing service according to the level of customers.

## 6.2 Recommendations:

It is not unexpected to have problems in any organization. There must be problems to operate an organization. But there must be remedies to follow. The following recommendations are done on the basis of priority can be suggested to solve the above mentioned problems:

- Biman should be decontrolled from the government interference in decision making.
- Biman should operate by Biman people without any interference from the Ministry.
- It should purchase or lease the required number of new generation fuel-efficient aircrafts so that it can safely meet the demand of prospective customers.
- It should make a phased fleet renewal plan.
- It should abide by the current business methodologies as used in world-class airlines to make it successful and profitable.
- Biman should recruit staff with required qualification directly at officer level.
- Recruitment, transfer, and promotion on political consideration must be stopped.
- The promotion system of Biman should be based on the basis of both seniority and performance in lieu of conventionally seniority basis.
- Delay analysis should be undertaken as a routine process and necessary steps should be taken to maintain the schedule on time.
- Modern cost effective inventory control system should be introduced.
- Leasing and purchase process of aircraft should be made transparent.
- Punitive actions against corrupt staff of the in and out station of Biman must be taken.
- Biman's existing procurement rules should be appropriately amended so that Biman can take its own business decisions.
- Biman's existing procurement rules should be appropriately amended so that Biman can take its own business decisions.
- Biman should consult with expert people of reputed airlines companies to make it profitable.

## Conclusion:

The Biman Bangladesh Airlines Ltd is the only national flag carrier airline in Bangladesh. It is first Airline Company which is providing low price air services to the people of our country. It has been converted into public limited in the hope of advancing as profitable organization in 2007 by the caretaker government. But it is still unable to make it as profitable company. The subsidiaries of Biman such as BFCC and BPC are performing profitable unit.

Biman Bangladesh airline is 100% owned by the Bangladesh government. Bangladesh Biman Corporation is a commercial venture of the Ministry of Civil Aviation. The chief of this government-owned organization is by designation the Minister of the Aviation Ministry. This corporation is operated through a Board of Directors. Usually, this Board of Directors is headed by a Chairman who is supposed to be accountable to a higher authority. Biman provides different types of services such as passenger service, cargo service, mail service, catering, and training for the Biman staff. Biman has two categories of passenger services, provided through domestic and international flights that it operates.

Biman Bangladesh Airlines was formed on 4 January 1972 with 2500 skilled and unskilled manpower without any capital and aircraft. Biman was established as of a corporation on 27 October 1972 with a view to ensuring better operation and development of air transport service. Over the last decades, Biman faced a number of problems. Information on mismanagement and corruption in the organization has trickled out in recent years. Such incidents include mismanagement in ticket confirmation and reconfirmation, poor passenger service, corruption in purchasing spare parts, alleged corruption on aircraft lease, lack of planning with regard to scheduling, fleet planning, and human resource management and so on.

Although Biman is one of the first choices for fly to many customers, in many aspects it lags behind. Therefore, the following recommendations are made to be considered for future improvement and development of sound operation system within Biman Bangladesh Airlines.

## Annexure-01

Biman Bangladesh Airlines Limited  
Details of Comprehensive Income

Particulars	Amount in Tk.					
	BPC	BFCC	BBA	Elimination	30.60.2010	30.06.2009
<b>Income</b>						
Operating revenue	77187090	644114892	28944561918	529802408	29136061492	30128213627
Non-operating revenue	25760916	52350606	222067593	--	300179418	268828872
<b>Total income</b>	<b><u>102948006</u></b>	<b><u>696465801</u></b>	<b><u>29166629511</u></b>	<b><u>529802408</u></b>	<b><u>29436240910</u></b>	<b><u>30397042499</u></b>
<b>Expenses</b>						
Operating expenses	80080858	453035061	30044275410	529802408	30047588921	29676307892
Interest expense	--	--	145050000	--	145050000	145050000
Non-operating expenses	--	--	44964903	--	44964903	326428402
<b>Total expenses</b>	<b>80080858</b>	<b>453035061</b>	<b>30234290313</b>	<b>529802408</b>	<b>30237603824</b>	<b>30147786294</b>
<b>Net profit/loss before tax</b>	<b>22867148</b>	<b>243430740</b>	<b>(1067660802)</b>	<b>--</b>	<b>(801362914)</b>	<b>249256205</b>
Income tax	--	--	--	--	--	93471077
<b>Net profit/loss after tax</b>					<b>(801362914)</b>	<b>155785128</b>
Accumulated profit/loss brought forwarded	42703442	464893046	(292706685)		214889803	59104675
Prior year adjustments	--	1547563	148710642	--	150258205	--
	<b>42703442</b>	<b>466440609</b>	<b>(143996043)</b>	<b>--</b>	<b>365148008</b>	<b>59104675</b>
<b>Accumulated profit/loss transferred to balance sheet</b>	<b>6570590</b>	<b>709871349</b>	<b>(1211656845)</b>	<b>--</b>	<b>(436214906)</b>	<b>214889804</b>

## Annexure-02

Biman Bangladesh Airlines Limited  
Details of Equities and Liabilities

Particulars	Amount in Tk.					
	BPC	BFCC	BBA	Elimination	30.60.2010	30.06.2009
<b>Equities</b>						
Share capital	--	--	700	--	700	700
Biman capital account	1434141400	184444136	--	1618586536	--	--
Equity of government	--	--	20824095801	--	20824095801	20824095801
Accumulated profit/loss	<b>65570590</b>	<b>709871349</b>	(1211656845)	--	(436214906)	214889803
<b>Shareholders' equity</b>	<b>1499711990</b>	<b>894315485</b>	<b>19612439656</b>	--	<b>20387881595</b>	<b>21038986304</b>
Long-term Liabilities	--	--	12782261443	--	12782261443	4813543075
Deferred liabilities	--	64099019	1929760434	--	1993859453	1975831137
<b>Total</b>	--	<b>64099019</b>	<b>14712021877</b>	--	<b>14776120896</b>	<b>6789374212</b>
<b>Current Liabilities</b>						
Account payables & accruals	20871743	88743473				
Unearned transportation revenue	--	--				
Current account with Biman	4137042	86481659				
Provision for taxation	--	--	--	--	--	132874194
<b>Total</b>	<b>25008785</b>	<b>175225132</b>	<b>5203474735</b>	--	<b>4808811172</b>	<b>3348127367</b>
<b>Grand Total</b>	<b>1524720775</b>	<b>1133639636</b>	<b>39527936268</b>	<b>2213483016</b>	<b>39972813663</b>	<b>31176487883</b>

**Biman Bangladesh Airlines Limited**  
**Details of Assets**

Particulars	Amount in TK.		
	BPC	BFCC	BBA
<b>Non-current Assets</b>			
Fixed assets less accumulated depreciation	121,5958,206	192,239,779	15803855303
Capital work in progress	--	--	2239369916
Investment in BFCC	--	--	184444136
Investment in BPC	--	--	1434141400
Investment in share			9180000
Intangible assets			5556167338
Deferred expenditure			466920004
<b>Total Non-current Assets</b>	<b><u>1,215,958,206</u></b>	<b><u>192,239,779</u></b>	<b><u>23477078097</u></b>
<b>Current Assets</b>			
Store & spares	11,289,432	15,779,807	2,020,650,219
Sundry debtors	18,525,680	537,831,625	2,503,494,696
Advance, deposit & repayment	548,303	1,252,708	10,336,327,745
Tax deducted at source	7,844,209	3,807,645	35,120,621
Fixed Deposit (FDR)	80,080,858	330,000,000	--
Accrued interest on FDR	11,352,155	15,553,634	--
Current account with BPC	--		4,137,042
Current account with BFCC	--		86,481,659
Cash at bank	3,187,789	37,174,438	1,254,733,002
Cash in hand	15,000	--	--
Bank credit balance	--	--	(190,086,812)
<b>Total Current Assets</b>	<b><u>308,762,568</u></b>	<b><u>941,399,857</u></b>	<b><u>6,050,858,171</u></b>
<b>Total Assets</b>	<b><u>152,4720,774</u></b>	<b><u>1,133,639,636</u></b>	<b><u>39,527,936,268</u></b>

## BOARD OF DIRECTORS

<b>Chairman</b>	<b>Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (Retd.)</b> Former Chief of Air Staff ( Since 26.01.2009)
<b>Directors</b>	<b>Dr. Mohammad Tareque</b> Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh ( Since 23.07.2007)
	<b>Mr. Molla Waheeduzzaman</b> Secretary, Prime Minister's Office, Govt. of the People's Republic of Bangladesh ( Since 26.05.2009)
	<b>Mr. Md. Shafique Alam Mehdi</b> Secretary, Ministry of Civil Aviation & Tourism, Govt. of the People's Republic of Bangladesh ( Since 19.10.2009)
	<b>Justice (Former) A. F. M. Meshbahuddin</b> Senior Advocate, Supreme Court Of Bangladesh. ( Since 26.05.2009)
	<b>Air Vice Marshal Abu Esrar, ndc, acsc</b> Assistant Chief of Air Staff (Operation & Training), Bangladesh Air Force ( Since 24.07.2010)
	<b>Maj. Gen. Hameed-Al-Hasan, ndc</b> Engineer in Chief, Bangladesh Army. ( Since 26.05.2009)
	<b>Mr. Abul Kashem Ahmed</b> Past First Vice President, FBCCI ( Since 26.05.2009)
	<b>Professor Iqbal Ahmad</b> Institute of Business Administration, Dhaka University, (Since 26.05.2009)
	<b>Mr. Shah Md. Zakaria Bhuiyan, FCA</b> Principal M/S S.M. Zakaria & Co., Chartered Accountants ( Since 26.05.2009)
	<b>Ex-officio Director</b>

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