US companies vow to fight racism but face critics on diversity

REUTERS

In the past, US corporations have largely remained silent as protests erupted over killings of African-Americans by police officers. That changed with the May 25 death of George Floyd in Minneapolis, which has set off a flurry of corporate statements of solidarity with the black community along with pledges of more than $1.7 billion to advance racial justice and equity.

The unprecedented outpouring of support, however, has stirred up criticism along with praise. Many social justice advocates, corporate diversity experts and investors say companies also need to focus on equity in their own ranks, especially by hiring and promoting minority workers.

The tensions show the difficulty executives face in aligning their firms with popular social causes at a time of soaring wealth and inequality and growing pressure from some investors to show leadership on societal problems. Activists, along with some business leaders, also see an opportunity amid global protests to push reform on social justice issues well beyond police brutality.

The rush of corporate concern belies the reality of workforce inequity, said Natasha Lamb, managing partner of Arjuna Capital. Arjuna is a Boston-based investment adviser and frequent filer of shareholder resolutions pressing companies - with mixed success - to disclose more data on pay equity.

"If you take an honest look at corporate America, outside their glossy diversity reports, structural bias for women and people of color remains as entrenched as ever," she said.

Floyds death has sparked a movement with wide-ranging goals, said Fiona Ma, California state treasurer and a director for systems managing about $650 billion in state retirement assets. Its not just law enforcement at issue, she said, calling the protests a greater statement of today's values and holding people and companies accountable.

Leaders of major companies including Comcast Corp, Nike Inc and Warner Music Group Corp have announced major gifts to advance racial justice amid the protests over Floyd's death. Bank of America pledged $1 billion over four years to address economic and racial inequality. At least a dozen other big companies announced gifts between $1 million and $100 million for similar efforts.

Companies willingness to take strong stands could signal a substantive shift in the attitudes of corporate leaders, said Jim Paulsen, chief investment strategist for Leuthold Group, a research and asset management firm. Some is probably lip service, but I think it goes beyond that, and there's a realization that something needs to change, Paulsen said.

Companies were mostly silent during protests in 2014 following the death of Michael Brown, who was shot by a Ferguson, Missouri policeman, and Eric Garner, who died after being put in a chokehold by a New York City officer.

Today the demonstrations are bigger and more racially diverse. Companies also face increasing pressure from investors, consumers and workers to lead on issues from climate change to gun control to immigration policy and racial inequity.

Its good for their own employees to hear this, because especially their younger employees are part of a generational group that cares more about these issues, said Francis Byrd, a corporate governance consultant in New York.

The growing corporate involvement may also reflect a shift in public attitudes on race, said R. Paul Herman, chief executive of sustainable ratings agency HIP Investor. In the past, he said, companies avoided weighing in on racial controversies for fear of alienating customers. A Monmouth University poll released on June 2 showed the proportion of Americans who consider racial discrimination to be a big problem has increased from about half in 2015 to about 3 in 4 now.

On June 1, Facebook Inc Chief Executive Officer Mark Zuckerberg wrote on his personal Facebook page: To help in this fight, I know Facebook needs to do more to support equality and safety.

Facebook committed $10 million to groups working on racial justice, and Zuckerberg's private philanthropy has donated far more to the cause.

But the firm still faces pressure on workplace diversity. At its May 27 annual meeting, investors cast about 28% of votes, excluding shares held by insiders, in favor of a resolution sponsored by Arjuna that called for a breakdown of its median pay gaps by gender and race.

Facebook opposed the measure, saying it already discloses data showing that women and men are equally paid for similar work. A spokesman did not comment on whether it might add more pay disclosures but said the company is committed to workplace equity.

African-Americans make up less than 4% of Facebook's workforce and about 3% of its senior leadership, compared to 13% of the U.S. populace, according to company disclosures. Other major technology firms, including Google, Twitter Inc, Intel Corp and Microsoft Corp, have disclosed similarly low proportions of African-American workers and senior managers, relative to the population.

Twitter, Intel and Microsoft representatives said the firms have set ambitious goals to increase the proportion of underrepresented minorities in their ranks.

Google spokeswoman Jennifer Rodstrom said the company would need to work to expand the talent pool externally, and improve our culture internally, if we want to create equitable outcomes and inclusion for everyone.

Monica Hawkins, a Washington, D.C.-based management consultant, said many executives struggle to raise diversity in senior management because they know too few minorities. Leaders need to expand their social and business circles, she said, because referrals are a key source of important hires.

They need to open their network, she said. That's the work. You cant cut a check for that.

Proportions of African-American workers are much higher at firms with large numbers of relatively low-paid workers, such as retailers Walmart Inc and Amazon.com Inc, according to company disclosures. But the higher percentages don't extend to the senior management ranks of either retailer and remain well below the level of the U.S. population, the disclosures show.

A Walmart spokeswoman cited recent comments from its CEO Doug McMillon that its recruiting and development of African-American employees and other people of color will be even more of a priority going forward. Amazon says in a workforce report that it strives for better representation across our various businesses.

When Amazon expressed its concern in a May 31 tweet over what it described as the brutal treatment of black Americans, it faced immediate blowback over facial-recognition technologies it sells to police agencies.

REUTERS

Protesters defend the Nike store from looting yelling "peaceful protest" during nationwide unrest following the death in Minneapolis police custody of George Floyd, in Long Beach, California, U.S.

Cathay Pacific shares end down after surge at open

AFP, *Hong Kong*

Shares in Cathay Pacific ended lower Wednesday, having soared nearly 19 percent at the open, a day after the airline announced a multibillion-dollar government-led bailout plan.

The firm on Tuesday became the latest carrier to ask for government help to get it through the coronavirus crisis, which has hammered the aviation industry as passenger numbers evaporate, leaving fleets sitting on the tarmac and companies haemorrhaging cash.

The HK$39 billion ($5 billion) rescue will see Hong Kong's government pumping cash into Cathay in return for a six percent stake and two representatives on its board.

Trading in the firm's shares were halted Tuesday ahead of the announcement but they soared 18.73 percent to HK$10.46 on resuming Wednesday, before sharply retreating within minutes and ending 1.02 percent down at HK$8.72.

Traders said a rush to cover short positions was behind the brief surge, according to Bloomberg News.

The bulk of the capital will come from new shares issued to Aviation 2020, a company owned by the government, as well as a HK$7.8 billion bridging loan from the government.

Under the proposal, Cathay will raise about HK$11.7 billion in a rights issue, while preference shares will be sold to the government for HK$19.5 billion and warrants for HK$1.95 billion, subject to adjustment.

Cathay said its executives had also agreed to pay cuts, while all staff would be asked to take three weeks unpaid leave over the next six months -- a second time they have been asked to do so.

The airline was already under pressure after taking a hit from months of sometimes violent protests in Hong Kong last year that saw tourism battered.

It also found itself punished by Beijing last year when some of its 33,000 employees expressed support for Hong Kong's pro-democracy protests.

"Financially this gives them probably enough for a year to two years," Sobie Aviation's Brendan Sobie told Bloomberg Television on Wednesday. "This is just one step to survive the crisis." The bailout is the first time Hong Kong's government has directly injected money into a private company.

Finance Secretary Paul Chan said the move was to protect Hong Kong's status as a lucrative international transport hub, adding that the government saw the investment as temporary and one they hoped taxpayers would see a return on.

Before the pandemic struck, Cathay was one of Asia's largest international airlines and the fifth largest air cargo carrier globally.

Healy said Cathay went into the year with some $20 billion in reserves but it was now burning through $2.5-3 billion a month.

Its share price this year has fallen 22 percent.

It is not alone. Airlines are in line to make a combined net loss of more than $84 billion this year thanks to the coronavirus, the International Air Transport Association said Tuesday.

Airlines hit wall of debt after COVID grounding

AFP, *Paris*

Their fleets grounded for months owing to the coronavirus, airlines have sought with varying degrees of success state assistance to avoid going under altogether.

But ahead of a return to normal service many carriers are weighed down by debt as they seek to take wing when mass demand finally takes off again.

The forecast is for exceptionally cloudy skies with the International Air Transport Association in April saying passenger demand had plummeted 94.3 percent over early 2019 and warning receipts will more than halve this year.

On Tuesday, IATA said its 290 member carriers were heading for a combined historic net loss of more than $84 billion this year after the world went into mass lockdown to limit the spread of COVID-19 and a further $15 billion next year.

Facing such losses, carriers have been queuing up for state support.

Governments have not turned a deaf ear, earmarking $123 billion to date, 67 billion of which will have to be reimbursed -- but the sector is set to burn through an estimated $60 billion of cash in the second quarter of 2020 alone.

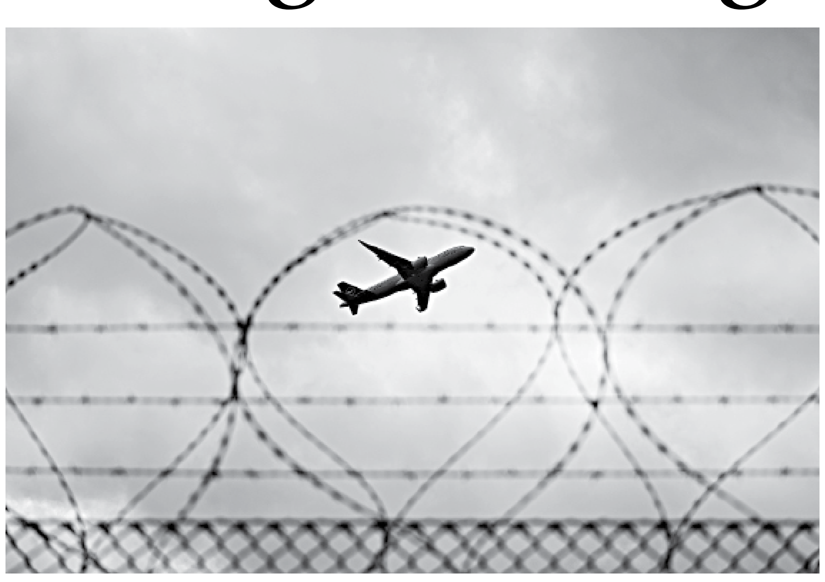
Although the support is more than small beer, IATA estimates the carriers' debt pile will hit $550 billion -- a rise of 28 percent compared with before the virus crisis broke and 92 percent of expected 2021 revenues.

Air France has obtained a 7 billion euro ($7.9 billion) loan package and Lufthansa an overall aid package worth 9 billion euros.

US carriers have won pledges of $50 billion support -- half of its loans -- while Hong Kong's Cathay Pacific is due for a $5 billion state-backed bailout.

Some airlines have filed for bankruptcy -- notably Latin America's two largest carriers LATAM and Avianca. Thailand's cash-strapped national carrier is seeking restructuring through the bankruptcy court, while Virgin Australia and South African Airways have fallen by the wayside.

"Where governments have not responded fast enough or with limited funds, we have seen bankruptcies. Examples include Australia, Italy, Thailand, Turkey, and the UK," notes IATA director general Alexandre de Juniac.



AFP

An Airbus A320 aircraft operated by German airline Lufthansa takes off at Berlin's Tegel airport.

"Government aid is helping to keep the industry afloat. The next challenge will be preventing airlines from sinking under the burden of debt that the aid is creating," de Juniac added.

"Today, there is a liquidity crisis being managed mainly by state loans and subsidies," say Bertrand Mouly-Aigrot, aviation expert with Archery Strategy Consulting.

"But this liquidity crisis is going to morph pretty quickly into a debt crisis and there are probably firms who won't be able to come back" under their debt burden weight, he told AFP.

S&P Global Ratings and Moody's ratings agencies have already downgraded the likes of Lufthansa, IAG group (owner of British Airways and Iberia), Aeromexico and Brazil's GOL to junk status.

The agency adds IAG debts are set to double by year end to 15 billion euros.

In contrast, the ratings agency noted low-cost carrier Ryanair flew into the crisis with strong liquidity and little debt.

In the United States, Boeing boss David Calhoun caused a stir last month when he judged it "very probable" the behemoth would go under.

CFRA Research cabinet says it is confident Delta and Southwest Airlines will survive the crisis but is less sure on the outlook for United and notably American Airlines, given the latter entered the crisis already heavily indebted.

"We don't recommend owning any airlines at the moment," said a May 28 CFRA note.

Even as traffic resumes post-lockdown, revenue flow will be limited. US and Chinese carriers hope for uplift from potentially vast domestic markets, which will likely take off first. But "domestic traffic does not have the same profitability, the same receipts potential, as long-haul," notes Mouly-Aigrot.

That will hit carriers primarily dependent on long-haul revenue such as Cathay Pacific or Singapore Airlines as well as carriers in the Gulf.

Industry experts do not expect traffic to return to 2019 levels before 2023.

"I am not optimistic that some of the carriers that are here today, that already have been significantly bailed out, will get through the next few months," said Tim Clark, head of Emirates, addressing the recent Arabian Travel Market, warning of "tough" months ahead.

As business cautiously begins to taxi anew along the runway Mouly-Aigrot says carriers will have to recognise they must budget for lower level activity and ward off renewed liquidity crises over the coming two years.

He added airlines need to "trim their size in order to reduce their cost base and thus to reduce their capacity," translating into the withdrawal of hundreds of planes and, inexorably, the loss of tens of thousands of jobs.

2019 fossil fuel subsidies nearly $500b: OECD/IEA

AFP, *Paris*

Climate crisis notwithstanding, governments subsidised fossil fuels in 2019 to the tune of nearly half-a-trillion dollars, two intergovernmental agencies have jointly reported.

Subsidies for fossil fuel consumption alone declined $120 billion, or 27 percent, compared to 2018 due mainly to lower oil and gas prices, according to International Energy Agency (IEA) figures.

Governments that heavily support the use of oil and gas include Iran, Saudi Arabia, China, Russia, Indonesia, Egypt, India and Venezuela.

At the same time, subsidies for fossil fuel production -- in the form of cash, tax breaks and other credits -- increased across 44 rich and emerging economies in 2019 by 38 percent to $55 billion, the Organisation for Economic Co-operation and Development (OECD) reported.

Combined subsidies for both consumption and production last year totalled $478 billion in 77 economies, an 18 percent drop compared to the year before, the IEA and OECD said in a joint statement, released at the end of last week.

"The fiscal burden of subsidies means that fewer resources can be potentially devoted to other public funding, be it for clean-energy research, innovation or to strengthen social safety nets," Nathalie Girouard, head of the OECD's environmental performance and information division, told AFP.

Burning oil, gas and coal -- which account for more than 80 percent of global primary energy use -- is the main source of the greenhouse gases that drive global warming.

Governments have long recognised the need to stop propping up fossil fuel production and use.

As early as 2009, G20 nations responsible for 80 percent of CO2 emissions pledged to gradually eliminate fossil fuel subsidies.

So far, however, they have failed to deliver on that promise.

"I am saddened to see some backsliding on efforts to phase out fossil fuel support," OECD Secretary-General Angel Gurria said in a statement.

"Subsidising fossil fuels is an inefficient use of public money and serves to worsen greenhouse emissions and air pollution."

Business leaders have also flagged the need to stop bankrolling the production and use of oil, gas and their derivatives.

In December, 631 institutional investors managing more than $37 trillion in assets endorsed the Paris climate treaty goal of capping global warming at two degrees Celsius and called on governments to "phase out fossil fuel subsidies by set deadlines".

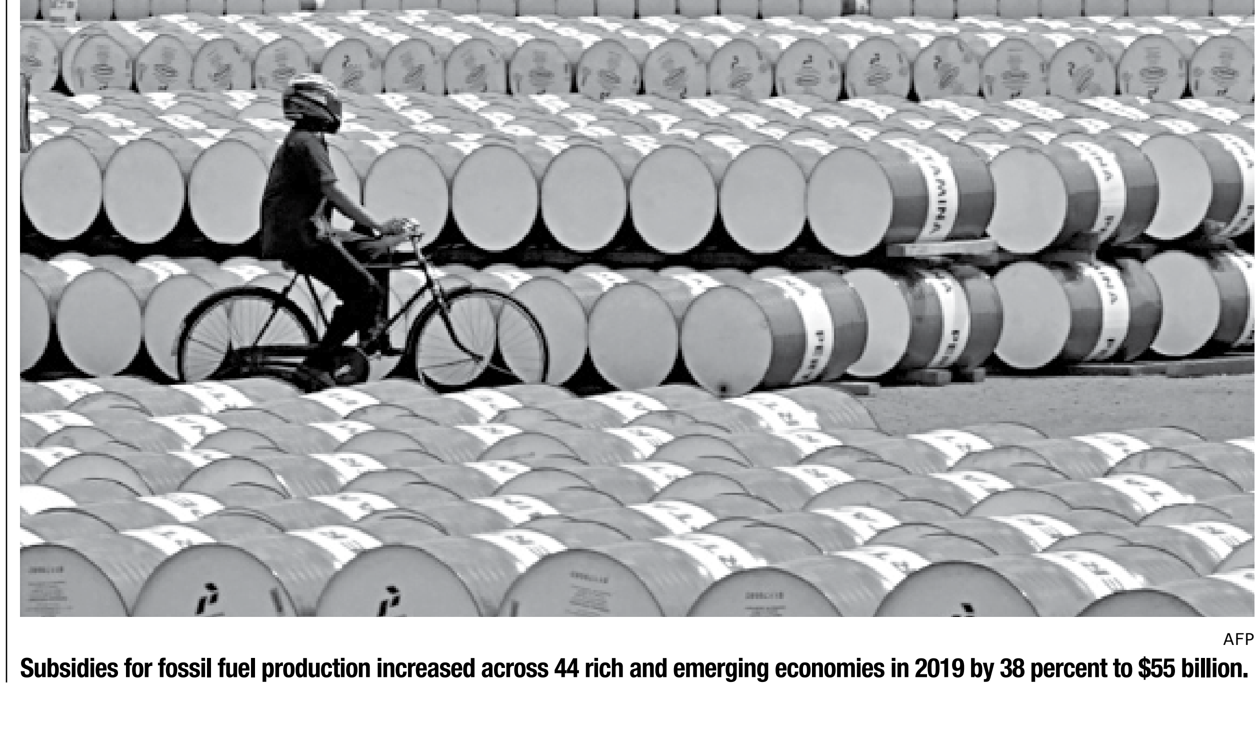
With oil, gas and coal prices dropping through the floor due to COVID lockdowns in the first part of 2020, governments need to support the energy needs of their least advantaged citizens while channelling the money freed up into a greener economy, said IEA Executive Director Fatih Birol.

"Today's low fossil fuel prices offer countries a golden opportunity to phase out consumption subsidies," he said.

"It is essential to avoid market distortions that favour polluting and inefficient technologies." Burning fossil fuels causes some 4.5 million premature deaths each year, according to the Centre for Research on Energy and Clean Air.

"Many subsidies are poorly targeted, disproportionally benefiting wealthier segments of the population that use much more of the subsidised fuel," IEA energy analysts Wataru Matsumura and Zakia Adam wrote in a blog last year.

"Such untargeted subsidy policies encourage wasteful consumption, pushing up emissions and straining government budgets."



AFP

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