

# Airline job cuts hit Europe

REUTERS, Chicago/Singapore

Airline job cuts spread to Europe Thursday in the wake of last week's hijacked aircraft attacks in the United States, as the US government debated the size of a bailout to help airlines stave off bankruptcy.

Europe's largest airline, British Airways Plc, announced sharp cutbacks in jobs and flights in the face of sharply falling demand, following nearly 100,000 job cuts announced by the US aviation industry.

"We face exceptional conditions which have forced us to take very tough decisions," British Airways Chief Executive Rod Eddington said in a statement that announced a 10 per cent cut in flights and 7,000 job losses.

In Washington, the airline industry and government officials were urgently trying to put together a rescue package. The White House proposed \$5 billion in direct aid, but industry officials said that would not be enough and loan guarantees of \$12.5 billion were essential for survival.

The package, which could come up for a vote in the House as early as Friday, would also draw \$3 billion to help pay for security measures from a \$40 billion disaster assistance measure already approved by Congress.

"I think there's a good bipartisan support," House Speaker Dennis Hastert, an Illinois Republican, told reporters. "I hope we can pass it."

The Sept. 11 attacks which saw hijacked airliners used to strike the World Trade Center twin towers and the Pentagon closed commercial aviation for two days, caused the introduction of costly new security measures and left many people too frightened to fly.

House Republican aides said about \$10 billion in loan guarantees were being discussed. Earlier, House Majority Leader Dick Armey, a Texas Republican, said the package could include \$12.5 billion to \$15 billion in loan support.

The airlines have been pushing for loan guarantees, saying they have been shut out of capital markets since the hijacks, but the White House dropped such guarantees from a plan unveiled late Wednesday.

European Union officials were also looking at relief for their airlines, which have been hit by fallout from the US attacks. After an emergency meeting in Brussels with top executives from leading European airlines, EU Transport Commissioner Loyola de Palacio said aid -- normally ruled out by EU competition laws -- might be permitted, but other measures should be considered first.

The airline industry's woes have also spread to the companies that make aircraft. Europe's Airbus said on Thursday it planned to freeze hiring in response to the attacks and could not rule out job cuts.

Boeing Co., the world's largest jet maker, said on Tuesday it would lay off between 20,000 and 30,000 workers up to 15 per cent of its work force by the end of next year in anticipation of a sharp drop in orders.

All but two of the top six US airlines have announced major job cuts. Of the remaining two, No. 4 carrier Northwest Airlines Corp. will announce on Friday an unspecified number of layoffs and a permanent 20 per cent flight-schedule reduction beginning Oct. 1, a source familiar with the matter said.

The US' No. 3 carrier Delta Airlines has not yet announced layoffs.

Regardless of the degree of government aid, some US airlines may file for bankruptcy protection in the wake of the attacks, aviation industry experts have said.

US Transportation Secretary Norman Mineta said that if Washington's Reagan National Airport was not reopened in 10 days, a major airline would "go under."

US Airways is the biggest airline that operates out of the airport that sits just across the Potomac River from Washington and has flight paths that go right by the White House, Pentagon and the State Department. National Airport is the only major airport to remain closed since the attacks.

Share prices of US airlines sank further on Thursday, along with a falling US stock market, as the government assistance package was seen as probably not enough to offset damage, analysts said.

## Congress, White House agree to give \$15b for US airline bailout

AFP, Washington

US lawmakers and the White House agreed Friday to give 15 billion dollars in cash and credit to the US airline industry in an effort to save the air transport system in the wake of last week's terrorist attacks, US media reported.

The measure significantly boosts a promise by US President George W. Bush to give five billion dollars in cash to the industry, which has announced more than 65,000 job cuts in the past five days.

The Knight-Ridder news service reported the White House agreed to an additional 10 billion dollars in loan guarantees after House of Representatives negotiators said they would set up an independent panel to vet credit requests.

The measure is expected to be put to the House and to the Senate later Friday for formal approval.

Apart from the 15-billion-dollar package, Bush has also earmarked three billion dollars from a separate 40-billion-dollar disaster relief fund already approved by Congress to be used to boost airline security.

"By balancing our networks in the Tokyo and Kansai (in western Japan) area, which are the two biggest economic zones in Japan, we will do our best as a super regional bank," Daiwa Bank managing director Akiyoshi Otani told a news conference in Tokyo.

Middle-sized lender Asahi Bank Ltd. will join the Daiwa Group -- Daiwa Bank Ltd., Kinki Osaka Bank Ltd. and Nara Bank Ltd. -- to form Daiwa Bank Holdings Inc., which will be based in Japan's second city Osaka, 400 kilometers west of Tokyo.

The new group, described as a marriage of weaklings by analysts, will slash its workforce by 26.8 per



PHOTO: AFP

A model holds up the world's smallest hand phone called Sewon Lips, designed and built by the Sewon Telecommunication Company of Korea, at its debut launch in Kuala Lumpur Friday. It measures a mere 68.5X38.5X22mm and weighs only 70 grams. Users will not need to flip to open the phone, but can check out key information such as caller ID, reception strength, battery status and clock via the cover LCD.

# NY businesses unite to help troubled competitors

AFP, New York

Wall Street is known for its ruthlessness, but after the gruesome terrorist attack on the World Trade Center the cut-throat business world of New York has come together to help companies in need.

"In times of tragedy, people reach out. Corporations reach out," said a spokeswoman for Lehman Brothers, which saw its corporate headquarters flattened in the September 11 attack.

The firm relocated the 1,500 staff in its investment banking and research divisions to two Sheraton hotels in the heart of Manhattan, taking over 20 floors and replacing beds with conference tables.

Lehman Brothers gushed over the Sheraton's generosity, although it declined to disclose details of the deal's financial terms.

"We are an enormous amount of people and there is not one complaint from them. Sheraton went above and beyond," the firm's spokeswoman said.

The lobbies of the two hotels have been transformed into a buzz of corporate activity. Security guards are stationed in the reception area and businessmen can be seen clutching shiny leather briefcases and cell phones.

The business world's solidarity is not entirely driven by altruism -- Wall Street wants to keep afloat an already sluggish economy, which has been given another major jolt by

the attacks on the twin towers and the Pentagon in Washington.

"The sense I'm getting is corporations are trying to be supportive of each other because they want to show the world we have a strong economy," said Cheryl Kiser, director of marketing at Boston College's Center for Corporate Citizenship.

Many in the business community are also haunted by the thought they could easily have been in the WTC on the morning when two hijacked passenger jets packed with fuel were rammed into the buildings, causing them to collapse with more than 6,000 people trapped inside.

"All of our employees have worked at other places on the street. There is empathy," said an employee from a major US brokerage, asking to remain anonymous.

UBS Warburg, a Wall Street giant, is just one example of a company putting on a kinder corporate face.

Its offices in New York, New Jersey and Connecticut are playing host to 12 companies, including Cantor Fitzgerald, the ill-fated brokerage which lost nearly 700 of its 1,000 employees on several of the top floors of the northern tower.

"We have the space. We're not only the ones doing this," a UBS Warburg employee said, playing down the gesture.

City government officials also say they have noted an enormous amount of generosity within the corporate sector.



PHOTO: AFP

An employee helps a customer try out a new cosmetic product at the China Cosmopolitan Show in Shanghai Friday. China will honour its commitments to open up its markets including banking, insurance, telecommunications, trade and tourism following its accession to the World Trade Organisation this year.

## 4 Japan banks to merge

AFP, Tokyo

Four ailing Japanese lenders said Friday they would merge operations and slash 6,300 jobs by next March to create a "super regional bank" with a combined capital of 9.6 billion dollars.

"By balancing our networks in the Tokyo and Kansai (in western Japan) area, which are the two biggest economic zones in Japan, we will do our best as a super regional bank," Daiwa Bank managing director Akiyoshi Otani told a news conference in Tokyo.

Middle-sized lender Asahi Bank Ltd. will join the Daiwa Group -- Daiwa Bank Ltd., Kinki Osaka Bank Ltd. and Nara Bank Ltd. -- to form Daiwa Bank Holdings Inc., which will be based in Japan's second city Osaka, 400 kilometers west of Tokyo.

The new group, described as a marriage of weaklings by analysts, will slash its workforce by 26.8 per

cent or 6,300 people from a combined workforce of 23,536 and close 227 branches nationwide.

Daiwa Bank Holdings hopes the merger and restructuring will save 68 billion yen annually, which will help the group as it attempts to write off a mountain of bad loans.

"(The four) have reached a basic agreement today over management integration, pending approval of shareholders and affected government agencies," the banks said in a statement.

Japan's decade-long slump has already prompted four mega-banking mergers as lenders find profits elusive amid harsh economic conditions and rising bankruptcies.

The latest merger, involving the last independent major Japanese banks, completes a process that started in September 1999 when Fuji Bank Ltd., Dai-ichi Kangyo Bank Ltd. and Industrial Bank of Japan Ltd. joined forces to launch Mizuho Holdings Inc.

## Lufthansa rejects idea of state aid

AFP, Frankfurt

Lufthansa opposes the idea of the state throwing a financial lifeline to airlines struggling in the wake of the terrorist attacks in the US, the finance chief of Germany's main airline said in a newspaper interview published Friday.

"We're opposed to the idea of keeping companies alive artificially by way of subsidies," Lufthansa's chief financial officer Karl-Ludwig Kley told the daily Frankfurter Allgemeine Zeitung.

"That goes for the US as well. We believe subsidies are the wrong way. But we don't rule out compensation for some of the damage that has been done," he added.

Like many of its US rivals, Lufthansa has been badly hit by the troubles facing the industry in the aftermath of the suicide plane attacks which toppled the World Trade Center in New York and damaged the Pentagon on September 11.

Earlier this week, Lufthansa issued a profit warning for the current year and said it was delaying orders for 15 Airbus A380 superjumbos and four Boeing 747-400s as a direct consequence of recent events.

Media reports on Friday said that US lawmakers and the White House had agreed to give 15 billion dollars (16.3 billion euros) in cash and credit to the US airline industry in an effort to save the air transport system in the wake of the attacks.

# Terrorist attacks hit tourism in Cuba

REUTERS, Havana

Cuba's most important source of cash, tourism, was hit hard by last week's attacks in the United States, and the industry is bracing for more damage if war breaks out, industry officials and workers said this week.

"Events of the magnitude that occurred in the United States have a negative impact on tourism creating confusion, airline delays, reasonable fears at the moment, and that leads to cancellations," Tourism Minister Ibrahim Ferradaz said.

Ferradaz, in Cuba's first official comments on the crisis' economic impact for the Caribbean island, said it was too early to quantify the damage to tourism, but industry sources said it was already significant.

"Sales at the airport are down 70

per cent," said a manager at the firm supplying cafeterias and retail shops at Havana's Jose Marti International Airport, the country's largest.

Hotels in Cuba's capital were reported nearly empty, cabs idled waiting for customers, and restaurant managers said business was slower than normal.

"The hotel is almost empty. It is always slow in September, but this is worse. There are no tourists," said an employee at the Havana Libre Hotel, one of the capital's busiest.

The situation at the Varadero beach resort, some 90 miles (140 km) east of Havana and by far the island's most important destination after the capital, was similar, according to tourism workers interviewed by phone this week.

Tourism and related revenues had been expected to exceed \$2 billion in 2001, more than half of Cuba's hard currency earnings, while local industry was expected to supply more than 60 per cent of goods and services consumed by the leisure sector.

## Tough times seen for US labour market

REUTERS, Washington

Tough times loom for the already weakening US labour market after last week's attacks on the United States, but analysts say government spending programs to stimulate the economy, if passed, would likely make that suffering short-lived.

With nearly 100,000 layoff announcements made over the past week in the aviation industry alone, and confidence fast eroding among businesses and consumers, the employment picture over the next several months will likely be dismal.

"We could potentially see as many as a million layoffs before this is over, but the period of pain is likely to be minimised," said Anthony Chan, chief economist at Banc One Investment Advisors in Columbus, Ohio.

The US unemployment rate hit 4.9 per cent in August, its highest level in nearly four years, as firms cut 113,000 workers from their payrolls.

## Dubai gold sales drop as tourism wanes

REUTERS, Dubai

Dubai's gold market is depressed following last week's attacks in the United States, and jewellery shops report a big drop in sales as tourists stay away.

"Dubai is a very price sensitive market. We see no buying spree in Dubai," said Chandu Siroya, director of Siroya Jewellers, referring to the price rise.

"In London investment houses...take chances on gold. But Dubai is not a fund-based market it is physical gold," he added.

"I don't know how I am going to pay for my employees," said one Asian trader who owns several jewellery shops in Dubai, the Gulf's trading hub.

Dubai tourism, one of the pillars of the economy of the emirate and the key to gold sales, has suffered a slowdown following the attacks on New York and Washington.

## Weekly Currency Roundup

September 16 to September 20, 2001

Last week the local foreign exchange market was active. Demand for dollar was steady in the interbank market.

In the weekly Treasury bill auction held on Sunday, Bangladesh Bank accepted treasury bills worth of BDT 19.84 billion against a maturity of BDT 19.84 billion. Bangladesh Bank accepted treasury bills worth of BDT 19,250 billion for 28 days at 6.03 per cent, BDT 100 million for 91 days at 6.62 per cent, BDT 50 million at 6.98 per cent, BDT 270 million for 364 days at 7.19 per cent and BDT 170 million for 2 years at 7.96 per cent. Demand for overnight borrowing at call was steady during the week. The call money rate ranged between 6.25 and 7.50 per cent, closing the weekly average at 6.75 per cent.

In the beginning of the week, dollar gained ground against yen on the backdrop of Japanese monetary authorities intervention. The Japanese authorities bought dollar against yen for bolstering confidence in both US currency and global financial system.

The Fed cut the interest rate by 50 basis points on Monday, taking the dollar interest rate to 3.00 per cent from previous 3.50 per cent. The move was followed by European Central Bank, which reduced Europe's interest rate, by 50 basis points. Currently, the euro rate stands at 3.75 per cent. Bank of England also cut the interest rates by 25 basis point on Tuesday, and took the interest rate to 4.75 per cent.

In the middle of the week, dollar had some respite as Japan intervened in the market for the second time. The intervention was mainly to curb yen strength. A strong yen has a negative impact on the Japanese economy.

In the last part of the week, dollar moved just above recent multi month low as the prospect of further dollar buying intervention from Japan offset the concerns about the US economy. However, the overall market sentiment remains bearish about dollar. Dollar's near term fate depends on the fortunes of the US stocks, which is seen as the best indicator of consumer confidence.

At 1700 hours on Thursday, euro traded at 0.9236/41, pound sterling at 1.4645/47 against dollar and Japanese yen was at 117.50/55 against US dollar.

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