International Business News

Vodafone warning deepens telecom clouds

AFP, *London*

British mobile phone giant Vodafone warned on Tuesday that full-year sales would disappoint the market, sending its share price tumbling one week before the exit of chief executive Arun Sarin.

Vodafone said in a trading update that annual revenues would be at the lower end of expectations because of difficult trading conditions, particularly in Spain.

In reaction, the group's share price plunged 14.3 percent to 127.50 pence in late morning trade on London's FTSE 100 leading shares index, which was down by 1.41 percent.

The telecoms sector was also dragged lower after Ericsson, world leader in mobile phone network equipment, reported a 70-percent collapse of net profit for the second quarter, citing a slowdown in western Europe.

The blizzard of negative news comes exactly one week ahead of the departure of boss Sarin, who will hand over to his deputy chief executive Vittorio Colao after five years in charge.

"The CEO would not have wished for these numbers as a swansong, nor the accompanying share price performance," said Richard Hunter, analyst at Hargreaves Lansdown.

Ericsson reports quarterly earnings collapse

AFP, *Stockholm*

Ericsson, the world leader in mobile phone network equipment, announced a 70-percent collapse of net profit for the second quarter on Tuesday and a two-thirds fall in operating margins.

And it warned of a weak 2008 outlook, sending its stock plunging.

The group said it had been hit by the slowdown in western Europe, weakness of the dollar and restructuring charges.

The Ericsson share fell abruptly, shedding 9.05 percent to 68.30 kronor in midday trading in a market down by 3.26 percent to 857.75 points.

Net profit fell to 1.9 billion kronor (201.3 million euros, 320.6 million dollars) from 6.4 billion kronor in the same period of last year.

But sales rose by 2.0 percent to 48.5 billion kronor, exceeding expectations by analysts who had forecast about 47.5 billion euros, a consensus poll by Dow Jones Newswires found.

The group, which has been restructuring its activities since the last quarter of last year, said that sales on a constant exchange rate basis had risen by 7.0 percent.

AFP

Japanese mobile communication giant NTT docomo displays Fujistu "health-care mobile phone" handset called the "Raku Raku phone V", equipped with various sensors, including a pulsemeter and pedometer, while enabling a user to connect a tonometer to display blood pressure, during the Wireless Japan Expo in Tokyo yesterday.

Pakistani transporters strike against oil prices

AFP, *Karachi*

Thousands of buses stayed off the streets of Karachi on Tuesday as transporters staged a strike against the Pakistani government's latest increase in petrol prices.

The government announced an increase in prices of between 14 and 17 percent on Sunday night, sparking anger among bus and truck companies in this normally bustling port city of 15 million people.

"Our buses and minibuses will stay off the roads until the government accepts our demand and withdraws the latest raise," Irshad Bokhari, president of the Karachi Transport Alliance, told AFP.

Bokhari's organisation controls around 20,000 buses and minibuses, the major mode of travel for Karachiites in the absence of any official public transportation system.

Star Business

JOIN THE DEBATE

Do you have views on what you read in Star Business? What do you think of the state of the economy? Should we be using more hybrid rice? Why do RMG workers riot? What are the new growth sectors?

So many issues, so little space. On every Wednesday Star Business runs a weekly letters column to make the space to hear your voice.

The new Star Business. Join the debate.

Write to:
Biz Letters
Star Business
The Daily Star, 19 Karwan Bazar, Dhaka-1215
Email: bizletters@thedailystar.net

ENERGY

In oil-rich Norway, petrol prices sky high

AFP, *Oslo*

In Norway, many motorists are up in arms over why they have to pay the highest petrol (gasoline) prices in Europe when the country is the world's fifth-largest oil exporter and a recent tax hike has done little to cool tempers.

"It is really strange: we have lots of oil and we're a rich country. Why do we have to pay so much?" asks Per-Arne Skjerpingstad, a 38-year-old hospital porter as he fills up the tank of his Peugeot 307 at an Oslo gas station for 750 kroner (94 euros, 148 dollars).

Diesel costs 14.23 kroner (1.78 euros, 2.82 dollars) a litre (quarter gallon) and 95 unleaded 13.84 kroner, putting it at the top of the European league, EU figures show.

And while many countries are discussing how to soften the blow of skyrocketing oil prices on consumers, Norway on July 1 increased its already heavy tax take by 0.05 kroner per litre on petrol and 0.10 kroner (0.1 euro cent, 0.2 dollar cent) on diesel.

Seven out of 10 Norwegians oppose the tax increase, according to a July poll by the daily VG.

"It's not the way to go. In a country like Norway, people need to have cars. I bought this car because I'm going to be a father soon," Skjerpingstad said.

Critics argue it is meaningless to increase taxation when oil prices have risen so much in the past months. And as the new tax increase is low, it won't significantly change drivers' behaviour.

Instead "we should lower tax because we are so fortunate to be an oil exporter," said Siv Jensen, the leader of the far-right Progress Party, the leading opposition group in Norway.

"We should give the money back to the people so they can enjoy it," she told AFP.

The tax increase is part of a wider government strategy to fight climate change by pushing Norwegians to leave their car at home.

"At a time when climate change is beginning to seriously impact the planet, and when Norway's carbon dioxide emissions are increasing, we politicians must take steps to meet these challenges," Finance Minister Kristin Halvorsen said.

The tax was agreed by all political parties, apart from the Progress Party, as part of the country's overall climate change policy.

But now supporters of the centre-left coalition government fear the tax increase will cost them dearly in the next elections, in September 2009.

"It's a very unwise political decision. The only thing it will accomplish is that the Progress Party will get even more votes," Labour MP Karita Bekkemellem told the daily VG in June.

A third of the population expect fuel prices to be the most important issue in the polls, according to a survey in Aftenposten, Norway's paper of reference.

Speculation has been rife over whether the far-right could come to power for the first time in the next election. Even Labour Prime Minister Jens Stoltenberg has acknowledged that the Progress Party could get into government.

Those living in rural and remote areas are particularly incensed about the tax increase as they are more dependent on cars than city dwellers who have access to public transport.

"This is a serious issue with many people I have spoken to and met in my region, (rural) Moere and Romsdal. Much more serious than for those who live in a small circle in Oslo and Gruenerloekka (a fashionable area in the capital) think," Bekkemellem told VG.

At the same time, there are those who think the protests are overdone since Norway is a rich country and should be able to afford high fuel prices in the service of a good cause.

Norwegian salaries are among the highest in the world and the government estimates an average industry worker here can buy twice as much petrol as his Spanish counterpart after working an hour.

"Of course petrol is expensive but it's okay. The standard of living is good here and salaries are high," said Stine Nore, a 28-year-old logistics manager as she filled up her black BMW estate.

"There have to be incentives for people to drive less. Driving is a luxury. People should only drive a car when it really is necessary," she told AFP.

AFP

Norwegian Per-Arne Skjerpingstad, a 38-year-old hospital porter, fills up the tank of his car at an Oslo gas station for 750 kroner (94 euros, 148 dollars) on Thursday. In Norway debate is raging over why consumers pay the highest petrol prices in Europe when the country is the world's fifth-largest oil exporter, and a recent tax hike at the pump has done little to cool tempers.

ANALYSIS

Experts warn S Korea may be headed for new oil price shock

ANN/THE KOREA HERALD

As international oil prices approach US$150 per barrel, some experts warn that South Korea may be headed for a new oil price shock that could be longer and more painful than those in the past.

Last week, the price of Dubai crude oil, Korea's benchmark, surpassed $140 per barrel, prompting the Korean government to come up with a set of contingency plans.

South Korean President Lee Myung-bak described the current situation as "a third oil shock", heightening a sense of crisis among local businesses and households.

"The current economic difficulties facing the country can be referred to as a third oil shock," he said, calling for national unity to overcome the crisis.

Dubai oil slipped below $135 this week, but analysts see this as a breather in the recent spike in global oil prices. Adding to the uncertainties regarding the future movement of oil prices is the escalating geopolitical tensions over Iran, the world's fourth-largest oil exporter.

"This is a very serious situation for Korea, which imports almost all of the oil it consumes," said Prime Minister Han Seung-soo, who announced a package of energy conservation plans recently.

According to the analysis of government officials, the current oil prices, if adjusted for inflation, have already exceeded those of the second oil shock in 1980. In April of that year, the average price of Western Texas Intermediate stood at $39.50 per barrel, which is equivalent to $104.10 today.

This, however, excludes key factors - the improvement of energy efficiency and the reduced dependency on oil for fuel during the past three decades.

Taking all this into account, the Korea Energy Economics Institute estimates that $150 per barrel in Dubai oil would be the onset of the third oil shock.

AFP

South Korean President Lee Myung Bak has called for national unity and belt-tightening to overcome difficulties triggered by soaring prices of oil and other commodities.

"On the surface, it looks like the same situation is being played out: Oil prices are rising sharply," said institute researcher Lee Dal-seong. "But if you look at what's driving the price increase, it is a very different story from the previous oil shocks."

Oil shocks in the past were driven by supply disruptions, such as the OPEC oil embargo in 1973 and the Iranian revolution in 1979.

Such events reduce the amount of oil available, which increases prices. Supply shocks raise the production costs of businesses that use oil, and cause them to curtail their output, perhaps enough to cause a recession.

This time, it is high demand for oil, driven by the rapid economic growth of China, India and others, not supply disruptions, that is driving the current price surge.

In other words, the recent hike in oil prices is being driven by the world economy's strength, which is why the situation is likely to persist for a while, Lee said.

"The past shocks had a temporary impact on the economy. Oil prices rose sharply in a short period of time due to supply disruptions. It resulted in a drastic economic contraction, as companies were forced to halt production," the Finance Ministry said in a report.

"But prices are rising gradually over a longer period of time and their impact on the Korean economy will be more far-reaching and lasting," it said.

A higher fuel burden may lead to worsening terms of trade for Korea in the global market, causing national income to shrink and inflation to rise, followed by contractions in spending, investment and production.

It took about four months for oil prices to double in the first oil shock in 1974, and eight to nine months in the second shock in 1980. This time, the prices doubled in the space of a whole year.

"The current oil price surge will have its most severe impact on consumer prices, and the longest on the country's current account balance," said Yang Jun-mo, a professor at Seoul's Yonsei University.

Korea is the world's fifth-largest importer of oil. It is expected to spend $111.2 billion to buy oil overseas this year, which accounted for nearly a third of the country's total exports in 2007. Its oil import bill last year stood at $60.3 billion.