International Business News

ArcelorMittal's takeover of Chinese steelmaker on hold

AFP, *Beijing*

China Oriental said Monday a takeover of the firm by ArcelorMittal had stalled after Chinese regulators failed to give the green light to the proposed deal in the strategically key steel sector.

China's anti-trust regulator failed to approve the deal for ArcelorMittal to take a stake of more than 70 percent in Oriental before a May 9 deadline, and the bid had been put on hold, a spokesman for the firm said.

ArcelorMittal chairman Lakshmi Mittal told the Financial Times that the Chinese government did not want a foreign steelmaker controlling a leading domestic steel firm, adding he would have to settle for a 30 percent stake.

"We may have to accept less than we wanted," the Indian billionaire and majority shareholder in ArcelorMittal, the world's biggest steel producer, was quoted as saying in the report.

"If this happens, I will be disappointed. But a stake in the company of 30 percent or so still is very useful for us," he told the newspaper.

The development could be seen as a set back for his push into China, the world's biggest steel market, but the Chinese firm's spokesman said there had been no talk yet on ditching the move for a higher stake.

Murdoch plans six new Indian regional TV channels

AFP, *Mumbai*

Media mogul Rupert Murdoch on Monday announced plans to launch six new regional television channels in India, where the media is expanding at a frenetic pace.

Murdoch has a strong television presence in Asia's third-largest economy through leading broadcaster Star, a wholly owned subsidiary of the tycoon's News Corp.

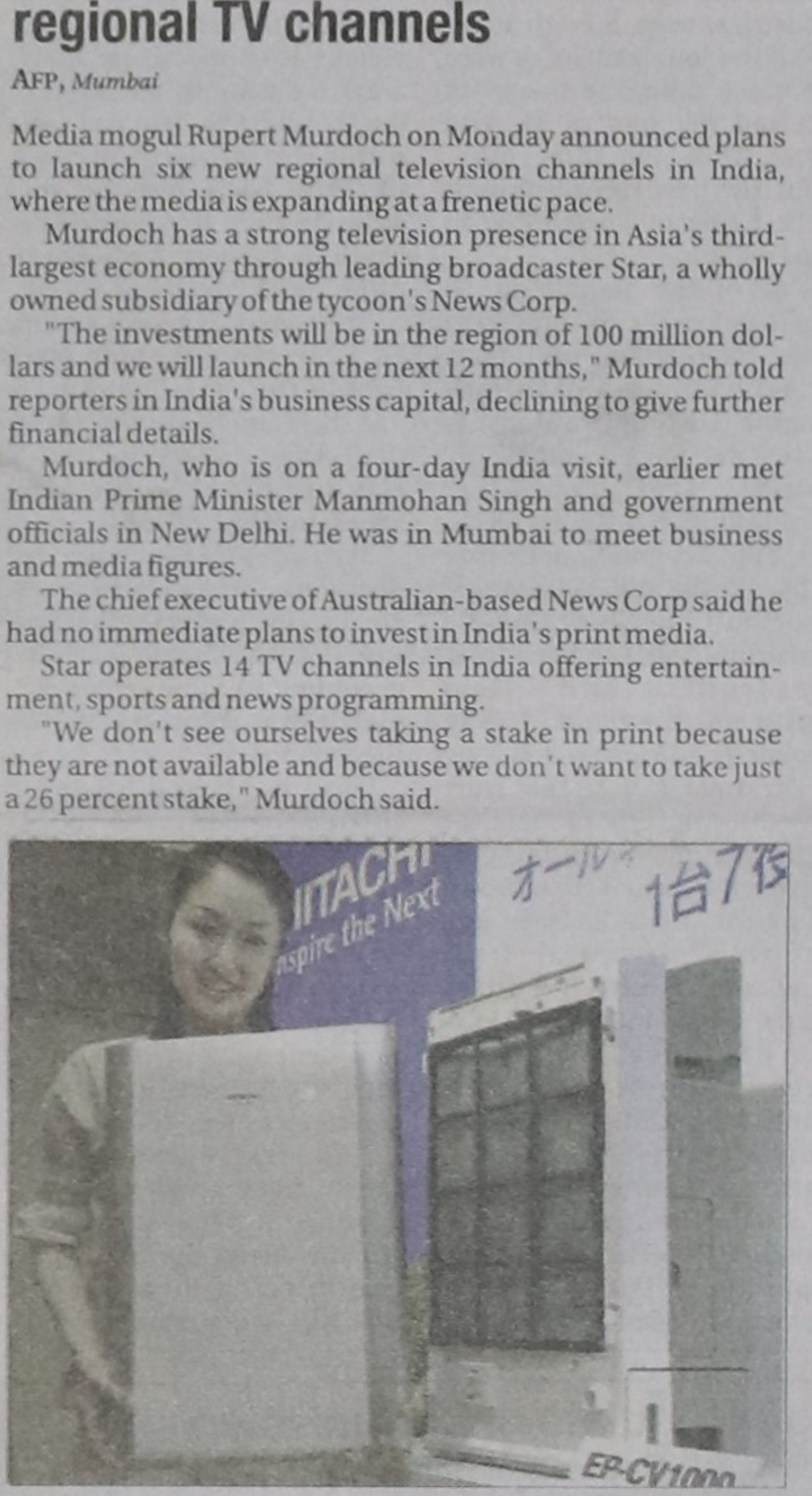
"The investments will be in the region of 100 million dollars and we will launch in the next 12 months," Murdoch told reporters in India's business capital, declining to give further financial details.

Murdoch, who is on a four-day India visit, earlier met Indian Prime Minister Manmohan Singh and government officials in New Delhi. He was in Mumbai to meet business and media figures.

The chief executive of Australian-based News Corp said he had no immediate plans to invest in India's print media.

Star operates 14 TV channels in India offering entertainment, sports and news programming.

"We don't see ourselves taking a stake in print because they are not available and because we don't want to take just a 26 percent stake," Murdoch said.



AFP

An employee of Japan's Hitachi displays the new high-performance air purifier "Cleair", equipped with various sensors of dust, odor, humidity and temperature, yesterday. Hitachi will put the flagship model of EP-CV1000 on the market on September 12 with a price of 110,250 yen (1,030 USD).

Air traffic growth hits five-year low in June: IATA

AFP, *Geneva*

The number of people travelling by air grew at the lowest rate for five years in June as the global economic slowdown takes its toll on demand, the air travel industry body IATA said Monday.

Global passenger traffic grew by 3.8 percent in June, the lowest level since 2003 when the industry was hit by the SARS crisis, the International Air Transport Association said in a statement.

"With consumer and business confidence falling and sky-high oil prices, the situation will get a lot worse," warned IATA's Director General and Chief Executive Officer, Giovanni Bisignani.

Passenger load factors dropped to 77.6 percent in June, down 1.2 percentage points from the same month the previous year.

Freight traffic also fell, down 0.8 in June -- the first decline since May 2005 which the IATA attributed to several months of falling manufacturing sector confidence indicators.

Sony to invest 40 bln yen in batteries

AFP, *Tokyo*

Sony Corp. said Monday it will invest 40 billion yen (372 million dollars) to boost production of lithium-ion batteries amid growing demand for their use in mobile phones, cameras and other products.

The company aims to boost its monthly production capacity of lithium-ion batteries to 74 million units in 2010 from the current level of 41 million, investing in existing lines in Japan as well as in Singapore and China.

Lithium-ion batteries are used for a wide range of electronic appliances such as mobile phones, laptop computers, digital cameras and game consoles.

Other electronic manufacturers are also stepping up their focus on the same type of rechargeable batteries, while automakers see them as a potential way to boost the efficiency of electric and hybrid vehicles.

SMEs

Old Dhaka business hubs in misery

REFAYET ULLAH MIRDHA

In the early hours of the morning, dwellers of a dilapidated building slept peacefully, knowing little of their fate to come. It was June 10, 2004. A tragic collapse of the building claimed 18 lives and is still fresh in the memories of anyone who travels through the city's Shankhari Bazar area.

The building was among the 32 structures, built without architectural designs in Shankhari Bazar that Rajuk marked as being highly vulnerable.

Old Dhaka, an important business hub of the country, has survived hundreds of impediments that hamper the business activities of many thousands of small and medium enterprises (SMEs). On one side the city celebrates its 400th founding anniversary and it is of great historical importance as it is one of the oldest cities in South Asia. On the other side, ensuring civic amenities is still a far cry and the problems stem from the fact that the city was built in an unplanned way, displaying the short sightedness of the policy makers. As the city rejoices its 400 years, the stark problems of the city now stares back into their faces.

Another discerning problem that this part of the city faces is the traffic congestion. Eating up the profitable working hours of the inhabitants of the city, the congestion has led to the loss of motivation and moving out of many businesses from the area. Building collapses, pitiful shape of the roads, water logging, haphazard location of structures, indiscriminate lining up the wires by different government and private agencies, big potholes on the roads, unplanned drainage and sewerage system, the list of problems is endless.

Old Dhaka has lost its traditional golden heritage of business. A typical sight of the once mesmerising city is its perennial traffic jams. The efforts of the inadequate traffic police deployed in old Dhaka go in vain as they have little to do in handling such entangled congestions.

Moulvi Bazar Babosayee Samity (MBBS) estimates that there are more than 5000 wholesale shops in Moulvi Bazar, Mokim Katara, Ali Hossain Khan Road and Begum Bazar alone. The total number of such enterprises would be hard to calculate, as the numbers are too massive.

The number of residents, shops and commuters has outpaced the capacity many years ago and the widths and lengths of such roads and thoroughfares could not be broadened due to scarcity of land.

Dhaka City Corporation (DCC) can hardly do anything to improve the situation, as shop owners, house owners, government and private offices have already occupied the land. The roads and streets were built years ago according to the demands of the then population of the city.

Spending only Tk 1 crore or a little more in the last 5 years was too little to improve the facilities of such an important business area, said Azizullah, commissioner of 67 Ward of the DCC.

The water logging in the rainy season is another permanent problem, but authorities have little to do with this problem due to fund crisis and bad shape of the age old infrastructures, he added.

Traders of different business organisations of old Dhaka complain of the goods laden vans and the queues of rickshaws and demanded a business conducive environment from the government to revive their businesses, as it is one of the most important trade hubs in the country.

"Nowadays, it is extremely difficult to make a business profitable in old Dhaka due to the mentioned impediments," said an executive member of MBBS.

The overall trade flow of old Dhaka has plummeted tremendously as the wholesale buyers are losing interest to do business with the traders of old Dhaka due to transportation problems, traders said.

A photo shows perennial traffic congestion in Old Dhaka. This important business hub of the country survives through hundreds of impediments that hamper business activities of the small and medium enterprises in the area.

Much to the frustration of business in old Dhaka, the retail traders do not have easy access to old Dhaka and they instead move to alternatives like Mohammadpur Agriculture Market, Jatrabari Wholesale Market and Karwan Bazar Market.

However, the situation improved slightly when the road from Lalbagh to Bakshi Bazar was broadened by at least 10 feet, said MBBS President Abdur Razzaque.

"If the Nazimuddin Road in front of Central Jail on Chak Bazar could be broadened a bit, the communication problems could be solved to a great extent," he added.

Traders of food items are shifting their businesses to other places aiming to be competitive.

Rickshaw-pullers and other light transport drivers take advantage of such problems and charge double the fares during the normal trading hours.

Wholesale markets are now mushrooming around the city and this is clear evidence that the importance of such old business hubs has been declining, said a wholesaler of stationery products at old Dhaka's Begum Bazar. Wholesalers can hardly deliver goods to customers on time, he said. But, old Dhaka is an essential place for life saving drugs and essential commodities including rice, pulse, edible oil and stationary items.

Having faced hurdles, many businessmen have already shifted their market places. "Now, I go to other market places instead of old Dhaka for buying stationary products, especially the cosmetic items," said Shahadat Hossain, a retailer from Narsingdi.

Talking to The Daily Star, Dhaka City Corporation (DCC) Mayor Sadek Hossain Khoka said DCC repairs the roads and streets of any area under its jurisdiction, whenever anybody or any organisation complains.

"We need specific complaints about the bad shape of roads and streets," Khoka said.

"But, it is true that the streets of old Dhaka are narrow and those needed widening as old Dhaka is a business area," he said.

Although DCC counts old Dhaka as a prioritised business area, it is not possible to widen the roads of this particular area due to scarcity of land, he added.

When asked about the bad sewerage system of the area, Khoka said maintaining a normal sewerage system in any area of Dhaka is a task of Water Supply and Sewerage Authority (WASA).

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ECONOMY

China's shipping industry in choppy waters

ANN/CHINA DAILY

Along Shanghai's North Bund near a strip of colonial-era buildings is a cluster of shipping service providers whose performance serves as a barometer for the shipping industry in the mainland's busiest port.

But soaring oil prices, higher labor costs and the yuan's steady appreciation have the industry in choppy waters.

But Gu Jianming, general manager of SIPG Logistics Co, the city's largest provider of comprehensive logistics service, is optimistic about the company's profit in financially shaky 2008. However he admits he feels the pinch of rising fuel prices.

As a subsidiary of Shanghai International Port Group (SIPG), China's largest port and container transportation group, SIPG Logistics posted 2 billion yuan in sales revenue in 2007, with registered capital of 100 million yuan.

Its logistics services range from international freight forwarding, shipping, to multi-modal transportation and warehousing. Its road transportation and distribution services are hardest hit by rising gas prices.

China's gas prices have risen 20 percent this year. And if the 30 percent hike in labor costs is factored in, SIPG Logistics is likely to have a double-digit loss in its road transportation business by the end of this year, Gu says.

"We're confident of achieving 220 million yuan in profits in 2008, but it could be as high as 300 million yuan, if the oil prices and yuan appreciation weren't so high," he says.

Yang Hanbin, deputy general manger of China Sailing International Shipping Agency, agrees. He estimates that his company has lost "millions of yuan due to the rising yuan". China Sailing handles 10 percent of the market for vessels and containers volume of Shanghai port's shipping agencies and it handles an average of 80,000 billings per month.

A photo shows shipping port in China. Soaring oil prices, higher labour costs and the yuan's steady appreciation is having a negative affect on the country's shipping service providers.

The profit margin of the 90 Shanghai port shipping agencies may be trimmed to 20 percent this year from almost 50 percent, analysts say.

"We're not the hardest hit. Smaller players may have suffered more," Yang says. "The days when agencies could pocket fat profits are gone."

Official statistics show the container throughput of the Shanghai Port reached 2.43 million TEUs (20-foot equivalent units) this June from 2.22 million TEUS a year earlier. However, its growth rate of 9.5 percent is much lower compared to the over 19.3 percent in the same period in 2007.

Faced with this situation, SIPG Logistics says it will concentrate on serving Fortune 500 multinational, companies which have been less affected by China's slumping exporting industry and the rising yuan.

"We will focus on chemical logistics services, including dangerous materials warehousing and distribution," Gu says, adding that providing logistics services for large-scale engineering projects is another core strategy to differentiate itself from the other logistics companies on the Bund. "These services require a higher entry level, and that's where our edge is."

Foreign logistics companies are also taking initiatives to control risks brought by surging oil prices.

SIPG Logistics' cooperative partner, Copenhagen-based Maersk Line is the world's largest container ship operator, with a fleet of more than 500 container vessels and more than 1.9 million containers.

Its current strategy is cutting costs by adopting fuel-efficient measures. An executive from Maersk Line says the company will adopt more fuel-efficient solutions in order to cut energy consumption used for cooling up to 50 percent.

In addition, Maersk plans to reduce the speeds of vessels on selected trade routes. "Bunker consumption increases exponentially when vessels travel at higher speeds. Hence, reducing a vessel's speed from 24 knots to 20 knots reduces the bunker consumption by approximately 40 percent," the executive says.

The airline industry is also feeling the pinch.

Ram C Menen, divisional senior vice-president of Dubai-based Emirates SkyCargo, the largest carrier in the Middle East, says "fuel costs remained our top expenditure for the fourth year running, accounting for 30.6 per cent of total operating costs in 2007-08 compared with 29.1 per cent the previous year." SkyCargo's revenue of $1.8 billion contributed 19 percent to Emirate airline's total transport revenue in 2007.

SkyCargo generates 54 percent of its revenue from Asia-Pacific region, and China is the largest contributor.

The firm is working on a fuel risk management program, partly with a full time Texas-based oil industry specialist to look for the best possible jet fuel prices and terms. The program has helped save the company $242 million in the 2007-08 financial year, Menen notes.

DHL, a German-based international mail, express, logistics and finance company, has increased its fuel surcharge to 27 percent in July from 14.5 percent in the same period in 2007. DHL has to charge fuel fees from its customers due to soaring crude oil prices, the company says in a statement on its website.

For smaller players, it could be do-or-die.

"Our top priority now is how to survive the current gloom," Gu says.