

International Business News

ASEAN to prepare oil stockpiling roadmap

VNA, Bangkok

The ASEAN Ministers on Energy Meeting (AMEM) plus 3 (China, Japan, and the Republic of Korea) recently has agreed to jointly study how to prepare a regional oil stockpiling plan to prevent shortages and reduce impacts of oil price surges in the future.

Revealing results of the 26th AMEM being held in Bangkok, Thai Energy Minister Lt-Gen. Poonpirom Liptanlop said Thailand had pushed for a basic connection of energy sources under the ASEAN framework.

The project involves an international gas pipeline linkage from Indonesia's Nutuna gas field to Thailand, Singapore, Vietnam, and Malaysia, and a power transmission line connection, according to the Thai News Agency (TNA).

A signing of the agreement would take place at the ASEAN Summit to be hosted by Thailand late this year.

The Thai Minister said AMEM plus 3 approved the preparation of the regional oil stockpiling roadmap aimed at encouraging development of energy reserves to prevent a possible shortage and ease impacts of the oil price hike in the future.

It also agreed to conduct the energy demand outlook in ASEAN based the scenario analysis in 2005-2030.

China's power enterprises urge govt subsidy

XINHUA, Beijing

China Electricity Council, an organization of all China's power enterprises, urges the government to subsidize power enterprises to maintain their normal operation, reported Xinhua-run Shanghai Securities Journal.

The suggestion comes at a time when profit of China's power industry is squeezed by the capped electricity price and the coal price surge, leading almost all thermal power plants in the red during the first half.

Statistics show that total profit of China's power industry during Jan-May period nose-dived 70.83 percent on year to 17.276 billion yuan from 59.231 billion yuan in the year earlier period.

CEC suggests VAT cut or refund while increasing current working fund loans to power plants.

In the first half, power industry consumed 754.58 million tons of raw coal or 60.06 percent of the national total, up 3.39 percentage points over 2007. In June, however, electricity coal inventory was 21.74 million tons, able only to maintain for 11 days, six days less year on year.

It is also detected that coal quality turned worse along with price hike.



AFP

Colombian riot police stand guard during a protest on the eighth day of a trucker strike in Bogota on August 8, 2008. Hundreds of trucks rolled slowly through the city honking their horns demanding lower diesel prices.

Indonesian airline fires half of its workers

ANN/THE JAKARTA POST

Indonesian's state airline PT Merpati Nusantara has been forced to ax more than half its workers and receive a government bailout in a major restructuring programme designed to stave off a collapse.

The government stepped in to save Merpati with a 350 billion rupiah (US\$38.6 million) cash injection, also requesting the dismissal of 1,300 of its 2,590 workers to help boost efficiency, Indonesia's state minister for state enterprises Sofyan A. Djalil said Thursday.

"The President has approved the plan to invest the money in the hope that Merpati will be able to revive and run its operations normally," Sofyan said after a Cabinet meeting at the Presidential Palace.

"We have to take immediate action as the airline is suffering huge losses. The employees will receive their severance pay by the end of this month."

Severance pay will account for 220 billion rupiah (\$24 million) of the rescue fund.

Spain facing worse economic slowdown than expected

AFP, Madrid

The Spanish economy, long a motor of growth and job creation in the eurozone, is facing a deeper and faster-than-expected slowdown as the impact of the end of a property boom spreads to other sectors.

"The economy is decelerating sharply, the correction in the construction sector is still ongoing, and the outlook for the near to medium term is rather bleak," investment bank Morgan Stanley said in a report issued last week.

"We believe the deterioration of Spain is just in the beginning stages," it added, predicting "the bulk of the pain will be suffered in 2009."

Last month Economy Minister Pedro Solbes slashed the government's economic growth forecast for this year and the next from 2.3 percent to 1.6 and 1.0 percent respectively.

Spain has until recently had one of the world's fastest growing developed economies, posting an expansion of 3.8 percent last year.

TRANSPORT

Manila's public transport system shows the strain as prices soar

AFP, Manila

Belching thick clouds of black exhaust smoke, a dilapidated "jeepney" minibus brims with commuters jammed together like sardines during rush hour in Manila.

Crawling on to the next stop, and another long line of demoralised workers, it is but one vehicle that comprises the congested morning traffic here.

Commuting in Manila, a sprawling city of more than 12 million people, has never been easy.

Most of the city's public transport vehicles are second-hand, poorly maintained and in many other countries, would never be allowed on the road let alone to carry passengers.

The Philippine National Railway is old and dirty and during peak hours it is not uncommon to see people sitting on the roof or hanging off the sides of railway carriages and diesel engines.

The only modern part of the city's public transport system is the overhead Light Rail Transit (LRT) and the Metro Rail Transit (MRT). But they have reached maximum capacity and trains are said to be dangerously overcrowded during the morning and evening rush hour.

And on the back of high fuel prices the situation for commuters is about to get even more unpleasant. Those "lucky" enough to own a car are leaving them at home and instead joining the long lines of human traffic squeezing into the back of jeepneys, buses or trains.

The minimum jeepney fare, the backbone of the Philippine public transport system, has gone up twice since May from 7.50 pesos to 8.50 pesos (about US 16 cents to 18 cents) and volatile



AFP

Philippines commuters queue up to board a train at a Light Rail Transit (LRT) station in Manila. Most of the city's public transport vehicles are second-hand and poorly maintained. The only modern part of the city's public transport system is the overhead Light Rail Transit (LRT) and the Metro Rail Transit (MRT). But they have reached maximum capacity and trains are said to be dangerously overcrowded during the morning and evening rush hour.

world oil prices could see prices rise again.

Bus and taxi fares have also increased to keep pace with high fuel costs. Diesel, which is used in most public transport vehicles, has risen by 42 percent since the start of the year and 64 percent since June last year.

In May the government increased the minimum daily wage in Manila by 33 US cents to around eight dollars.

But in a country where 40 percent of the population live on less than a dollar a day and with inflation hitting double digits, transport costs have

not only impacted heavily on the lives of poor Filipinos. They have also dented the pockets of the middle class.

Tet Defensor, a public relations consultant, is from a two-car extended family in suburban Quezon City but with the rising cost of petrol, she no longer drives to work.

"We used to have two drivers now we only have one because we only use one car," she told AFP.

"My parents are too old to commute so they use the car," she added.

Roger Guzman a college professor now leaves his car at home and joins the grow-

ing army of people using public transport.

"We were a three-car family," he tells AFP. "Now we only use one."

"Each car once cost around 2,500 pesos a month in gas," he said.

"Now that's how much it costs a week. So, one car has gone from 2,500 to 10,000 pesos a month. Multiply that by three and you get 30,000 pesos... we just can't afford it anymore."

Popular Manila radio celebrity Joseph Javier better known as "Mojo Jojo" says that high petrol prices have also affected his lifestyle.

"My life is now being limited to a five kilometre (three miles) radius if I drive," he told AFP, adding that he has bought a motorcycle because "it's cheaper, just 100 pesos and you have a full tank."

With tickets costing 10 to 15 pesos the LRT and MRT are fast becoming the preferred mode of public transport for many commuters who don't mind the long lines and cramped conditions.

Quick and reliable, the overhead light rail can carry passengers across Manila without the congestion and constant changes of buses and jeepneys on the road.

According to the MRT, traffic on its line has increased almost 25 percent from 9.84 million passengers in April 2007 to 12.55 million in April this year.

The story is similar for the two LRT lines that cut across the city.

The surge in passenger numbers, however, is causing concern among light rail officials.

"Strain on the MRT line is approaching a critical level," said the MRT's general manager Roberto Lastimoso.

"We're already going over the maximum capacity," he admitted, but declined to give figures.

ANALYSIS

Oil prices risk new rises on supply shocks

AFP, London

World oil prices, which have plunged from recent record heights, could spike higher again should the market be rocked by new supply-side shocks, according to industry experts.

Prices sank lower last week on mounting concern that slower economic growth in the United States would translate into lower global energy demand.

The price of crude oil on international markets has shed about 20 percent in value since hitting record highs above 147 dollars per barrel in July.

Standard Chartered analyst Helen Henton said investors could send oil surging higher once more amid volatile trading conditions -- and ongoing supply threats such as the Iranian nuclear energy crisis.

"Overall, the picture is one of a still tight market with growing demand, vulnerable to supply risks," Henton said.

She added: "Upside risks remain. We... expect prices to range in a 110-130 dollar band for the next 18 months, while not ruling out investor-driven price spikes."

Meanwhile, a bullish report has predicted that oil could strike 200 dollars per barrel within ten years owing to tightening supplies and a lack of invest-

ment in new production.

Prices could surge past 200 dollars because of an impending global supply crunch, the Chatham House foreign affairs think tank said.

"The world will experience a serious oil supply crunch within five to ten years unless there is a collapse in oil demand," Chatham House said in a gloomy report entitled The Coming Oil Supply Crunch.

It added: "Given recent price experience, a spike in excess of 200 dollars per barrel is not infeasible."

However, other oil industry experts remain unconvinced about a return to record-breaking price levels.

Julian Jessop, at Capital Economics, believes the world will now face a sustained period of lower prices for oil and other commodities amid slowing economic growth in Western economies.

"We think that the recent sharp falls in commodity prices are more than just a temporary dip in an upward trend," Jessop said.

"Commodity prices are now much higher and affordability more stretched than they were a year ago, implying greater scope for further falls."

He added: "The global demand environment is clearly much weaker. The OECD (Organisation for



A file photo shows gasoline prices over 5.00 dollars per gallon at a Shell station in June in San Mateo, California. Industry experts' fear that world oil prices, which have plunged from recent record heights, could spike higher again.

Economic Cooperation and Development) economies grew by just over three percent in 2006, but many are now flirting with outright recession."

But Henton countered that strong demand stemmed from countries that were not within the region of the OECD.

Jessop said that "ever-

accelerating demand for commodities from emerging economies" could not be taken for granted.

He warned: "The trend among Asian countries

towards cutting fuel subsidies will increase the sensitivity of demand to higher global oil prices by ensuring that final consumers bear more of the cost."