

International Business News

Tata Indian Hotels profit plunges 96pc

AFP, Mumbai

Tata Group's hospitality arm Indian Hotels Company Ltd. said Friday its annual net profit plunged 96.4 percent, hit by last November's militant attack on its landmark Taj Mahal hotel.

The subsidiary said consolidated net profit for year ending March fell to 124.6 million rupees (2.62 million dollars) from 3.54 billion rupees a year earlier.

Turnover for the year slipped nine percent to 27.82 billion rupees, the company said.

The performance was affected by the impact of the attacks and also the US slowdown.

No adjustments were made to reflect the value of damage to the hotel, as it was "adequately insured for property restoration," the company said in a statement.

The century-old Taj Mahal Palace and Tower were extensively damaged in the three-day killing spree by 10 Islamist gunmen which left 166 people dead in Mumbai, India's financial hub.

New Delhi blames a Pakistan-based Islamic militant group for planning and launching the assaults.

"The performance of the industry was impacted by the terror attacks in November, which slowed down the business in all key markets," company managing director Raymond Bickson told reporters.

Taiwan passes major green energy bill

AFP, Taipei

Taiwan has passed a bill on renewable energy in a move which is expected to attract 30 billion Taiwan dollar (937 million US) worth of investment, the government and reports said Saturday.

Parliament on Friday approved the bill, which is aimed at adding between 6,500 and 10,000 megawatts of installed energy from renewable sources over the next 20 years, said the economics ministry.

Currently, Taiwan has only 2,278 megawatts, or 5.8 percent of installed capacity, from renewable sources, according to the state-run Taiwan Power Co.

The government will offer incentives and loosen regulations on renewable energy providers, and create a pricing mechanism for various sources of renewable energy, such as solar or wind.

Previously, providers had to sell electricity to Taiwan Power at two Taiwan dollars per kilowatt-hour, compared with eight dollars they recommended.

The bill was welcomed by industry watchers and is estimated to spur at least 30 billion Taiwan dollars in investment in the first year and create more than 10,000 jobs, the United Daily News reported.



Two Chinese shoppers pose with the performers at Lane Crawford shopping mall in Beijing on Friday. China's May industrial output and retail sales both grew at a faster pace than in previous months, the government said Friday, as massive stimulus measures introduced since last year kicked in.

World banks must act against toxic assets: China

AFP, Beijing

The US government and global financial authorities need to remove toxic assets from their banking systems to restore world economic stability, a top Chinese banking regulator said Friday.

Actions taken by governments worldwide to stabilise the financial sector "have gradually eased the panic," Liu Mingkang, chairman of the China Banking Regulatory Commission, told a forum.

"But from the flip side of the coin... I should say it's not enough and all these are not... working," given the massive losses incurred by toxic assets still lingering in banking systems around the world, he said.

"Toxic assets must be immediately resolved worldwide," he said, adding "the foundation of stability still lies in the US."

Separately, Liu said China's economy was expected to grow seven to eight percent this year despite the impact of the crisis.

"China too is dealing with the sharp downturn in business prospects driven by the global macro-economic slowdown," he said.

Zimbabwe could grow at 4pc in 2009: Minister

AFP, Cape Town

Zimbabwe's Finance Minister Tendai Biti said Friday the economy could grow by 4.0 percent this year after being battered by years of hyperinflation and economic contraction.

"We do have the vision and I think we should easily, easily achieve a growth rate of 4.0 percent this year, which is way above the expected African growth rate of 1.9 percent in 2009," Biti said.

He was speaking at the World Economic Forum on Africa in Cape Town, where he discussed challenges to recovering from Zimbabwe's economic crisis, which has been compounded by a year of political turmoil following failed elections in March 2008.

Prime Minister Morgan Tsvangirai, a member of a power-sharing government with long-ruling President Robert Mugabe, is set to hold talks on Friday with US President Barack Obama as part of a world tour to rally for financial assistance to rebuild the country.

BUDGET

A document to appease all

SYED MUNIR KHASRU

The budget for fiscal 2009-10 has three major objectives: macroeconomic stability, GDP growth and poverty reduction. Several priority areas are identified: employment generation, enhancement of social safety net, reduction of regional disparity, emphasis on agricultural development, power generation, acceleration of industrialisation and building infrastructure for "Digital Bangladesh". Let's have a quick look at some of the major socioeconomic parameters.

Inflationary pressures on both the domestic and international front are expected to ease in the coming year (6.5 percent expected). This is due to record crop harvest as well as falling prices of international commodities. Falling domestic agricultural prices need to be addressed to protect farm incomes and to secure a good harvest next year. Economy is expected to grow by 5.5 percent in FY 2010. However, public expenditure is set to grow by 14 percent increasing fiscal deficit to 5 percent of GDP. This significantly increased government expenditure is proposed to be financed from several sources some of which are discussed.

Increased tax receipts in the tune of Tk 16,560 crore seem achievable if necessary NBR reforms are done. Widening of tax net, removing tax holidays and replacing them with lower tax rates would help achieve this target. Despite global slowdown, exports are likely to grow but at a slower pace. Most of the factories that are faced with threat of closure are small factories that can quickly start up operation when recovery happens. This would keep corporate tax base relatively similar. From the perspective of consumers, an increase in indirect taxes is not expected to have significant inflationary pressures but may reduce consumer spending. Regressive nature of indirect taxes is likely to increase the rich-middle income gap further. This is especially true for "social needs" goods such as mobile phones, automobiles, air-conditioners, all of which are being taxed at higher rates.

Government borrowing from the financial sector is set to be in excess of Tk 20,000 crore (bank and non-bank borrowing). Increased government borrowing from banks may not be very worrying due to a recent decline in private investment resulting in excess liquidity of banks by over 80 percent over last fiscal year. Increased government borrowing may in fact improve bank profitability and financial sector stability, particularly in the first half of FY2010. However, with the US economy expected to start recovering next year, it may increase demand for private investment, particularly in RMG sector as exports pick up in the later part of the FY2010. Hence the government has to be prudent in its domestic borrowing practices.

Government has allocated over Tk 2,379 crore in the ADP (7.8 percent) for agricultural sector and Tk 3,600 crore in subsidies. However, price support for farmers (under the recent procurement drive) and agricultural subsidies (in fertiliser and equipment)



Falling domestic agricultural prices need to be addressed to protect farm incomes and secure a good harvest next year.

have been largely ineffective in protecting farm incomes. Increased development expenditure will be directed mostly towards reducing costs of production which should benefit farmers. The government needs to streamline agricultural procurement and value chain development programmes to better aid farmers.

Budget proposes widening of social safety net to the elderly, destitute women, freedom fighters, poor mothers, acid victims, returning workers and other minority groups. Continued rehabilitation activities of Sidr and also the recent Aila, is essential to protect livelihoods of poor rural communities. Poverty alleviation should be boosted through increased emphasis in employment generation for the hard core poor with an allocation of Tk. 1,176 crore for development programs.

The massive Tk 30,500 crore Annual Development Programme (ADP) is extremely ambitious indeed. ADP is still only at 4.4 percent of GDP. Ambition will not become reality unless there is concerted effort to remove the significant infrastructural shortages and bottlenecks

that currently exist. As before, concerns lie in actual implementation of ADP. Underachievement in ADP implementation, including in key sectors like energy, has severely constrained the investment environment required to stimulate employment generation and accelerate poverty reduction.

For the first time is a proposal for Public Private Partnerships with an overall allocation of Tk 2,500 crore. While PPP has proved to be successful in many developing countries, significant constraints need to be addressed before PPP can be viable in Bangladesh. These include capacity building for different government ministries to conceptualise, develop, and implement PPP projects. Also critical are determining financial viability and establishing an efficient legal structure. While the government has been quite successful in PPPs, government willingness to push through reform for PPP is yet to be seen. A word of caution would be to not let unscrupulous investors use it as a conduit to access public investment without performing the due diligence of good business practices.

Success of PPPs has encouraged the government to allocate only 14 percent of ADP to the power and energy sector indicating government's dependency on private investment. This measure should be met with some scepticism, considering the inability of PPPs to meet the required demand in recent years.

The education sector continues to be one of the highest recipients of development expenditure, with Tk 4,105 crore or 13.45 percent of ADP, which is slightly lower than last year. Its share of total government expenditure has remained constant at about 12 percent. With government's initiative to develop human resources as outlined under its IT plan, proposed allocation is likely to be insufficient. Despite promise of a "Digital Bangladesh", the government has not introduced any significantly new policy measures but rather continues with the existing. Development of human resources has received some attention through target of producing 4,000 ICT graduates a year. However, essential component of IT growth is internet infrastructure which remains ignored with bandwidth charges 150 times than in neighbouring India.

Rural development is perhaps the most disappointing with 23 percent of ADP compared to 22.75 percent previous year. Even though, in absolute terms expenditure has increased by 23 percent there is little change in its share of ADP. This might hamper government efforts in developing rural community and livelihoods. The healthcare sector's share of total expenditure (10 percent) and development expenditure (6 percent) is unchanged. An increase in this sector was expected considering the effective implementation of the HNPSP programme.

Public services expenditure allocation has doubled compared to the revised budget for FY2009. This may not bode well in terms of the government's debt burden as well as costs incurred in running various ministries. A 97 percent increase in public services expenditure has been allocated for non-development purposes largely due to the new pay scale, PPP initiatives, and stimulus package to counter the effects of global recession. With worsening law and order situation in the country, reinforcement of public safety institutes was expected which have seen their budgets go up by a nominal Tk 200 crore.

Finally, the budget for FY2008-09 was prepared as a "document to overcome crisis". But the budget for FY2009-10 is more of "document to appease all". The finance minister's task this year was not an enviable one, having to propose a set of measures to negate effects of global recession, while at the same time achieving government's election promises. Despite limitations, the minister has provided the country with a document that creates reasonably optimistic grounds to work upon and look forward to. However, actions speak more than words and implementation gives credence to a budget.

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ANALYSIS

Should the new GM start with a new name?

AP

ValuJet was reborn as AirTran. Philip Morris rechristened itself Altria. Blackwater became Xe.

Would a name change work for beleaguered General Motors?

It would mean casting aside a brand that stood for almost a century as a symbol of American industrial might, but some marketing experts say it might be just the thing to help the once-mighty automaker make a fresh start.

"If the goal is to try and put this company on a massive diet and just turn it into a smaller car manufacturing operation, I'm not sure there'd be that much harm in rebranding," said Jean-Pierre Dube, a University of Chicago marketing professor.

"The brand isn't in good shape," he said, "so they have little to lose."

With GM tarnished by its bankruptcy and its reputation for building cars no one wants, wise-ones have had no trouble coming up with new names.

There's Groveling Motors, after GM's appetite for federal bailouts. And General Moneypit. And, perhaps most popular, Government Motors - after the taxpayers' major ownership stake.

With GM still righting itself, "it's just too soon" to think about a name change, company spokeswoman Susan Garontakos said. But she acknowledged the idea is part of discussions within the company.

"We know we want to reinvent the company and want to build it so that it's something that will show that GM is going to be the

company of choice," she said.

In April, not long after taking the reins of GM from its ousted former leader, CEO Fritz Henderson was asked about the possibility and said it was "not something that's high on my list of things to do."

"Actually I haven't spent too much time worrying about the name of the company," he said. "We've only got so much time on our hands trying to get the brands right."

GM's misery has company among other big businesses that changed their names after tough times.

ValuJet, devastated when one of its planes crashed into the Florida Everglades in 1996, killing all 110 people aboard, took the name AirTran after buying that company's fleet a year later. It survives under that name today.

More recently, security firm Blackwater Worldwide, changed its name to Xe - pronounced like the letter Z - earlier this year to distance itself from its operations in Iraq, including a deadly 2007 shooting that killed several civilians.

Name changes often reflect how a company wants its business to be perceived. Philip Morris Cos. changed its name to Altria Group in 2003 because the company, which was also then the owner of food maker Kraft, wanted to shed its tobacco image.

But it's an effort not taken lightly. Experts warn that rebranding a corporate identity can take years and hundreds of millions of marketing dollars, drawing attention to how the

automaker is spending money under government control.

And such a colossal effort still might not win over drivers, or investors.

Although the company may want to distance itself from its past, its past is not all negative. GM used to be known by other names over the years, including Generous Motors - a nod to the company's benefits package for workers and retirees.

Of course, that generosity helped push the company under. Ballooning labor costs made GM uncompetitive against foreign automakers like Toyota and Honda.

GM is already starting to rename parts of its business. Its investment-management arm, General Motors Asset Management, is now Promark Global Advisors. The banking arm of auto finance company GMAC Financial Services last month changed its name to Ally Bank.

And, on paper at least, the "new GM" - separated from the "old GM" in the Chapter 11 bankruptcy process - is already operating under a different name in court filings: Auto Acquisition Corp.

In the meantime, GM is plowing ahead with its reinvention campaign. A new television ad called "Chapter 1" promises a stronger and leaner company. GM is looking to shed its Saturn, Hummer, Pontiac and Saab brands.

Allowing the GM name to take the heat makes it a kind of shield for its individual brands, such as Chevrolet, GMC, Cadillac and Buick, that are more closely associated with the company.

General Motors CEO Fritz Henderson

ciated with individual cars, Mike DiGiovanni, GM's executive director of global market and industry analysis, said during a monthly sales conference call in April.

"What we're seeing is the GM brand gets dinged big time in terms of considering a GM vehicle," he said. "But when you look at Chevrolet, Cadillac and our other brands, they haven't changed."

If it did opt for name change, GM could wait and pick a new name to highlight how its business is reshaping, said William Lozito, president of Strategic Name Development, a brand naming company based in Minneapolis.

That's what the electronics company known as Lucky Goldstar did in 1995 by changing its name to LG Electronics. The company kept the letters L and G but gave them new meaning - "Life's Good" - as it moved from making toasters to making televisions.

The Web site Automotive News offered other ideas in a poll - Chevy Inc., The Cadillac Motor Car Co., U.S. Motors and Renaissance Car Co., among others.

And then there's Lozito's suggestion for a name, with a nod to GM's small-car future: Great Mileage.

