International Business News

## Air India plans to slash staff costs by 15pc

AFP, *New Delhi*

India's national carrier Air India said Monday it plans to slash staff costs by more than 15 percent as it struggles to cope with a cash crunch.

A statement from the state-run carrier said it was aiming for a more than 100 million dollar reduction in annual employee salaries, from the 625 million dollars it currently spends.

The company has given an internal committee until mid-July to look at restructuring wage agreements and other bonuses linked to employee performance.

"Besides reduction in wage cost, Air India is also looking at improving productivity of employees, (the) elimination of restrictive work practices and reducing wasteful expenditure," the company said.

Spokesman Jitendra Bhargava said layoffs were considered a "last resort."

"We are not looking at layoffs at all at the moment," he said.

A combination of high fuel prices, fewer passengers and the global financial meltdown have left Air India with an estimated 800 million dollars in losses for the past year and debt of four billion dollars, according to the Centre for Asia Pacific Aviation.

Last week the airline asked its top managers to forgo one month's salary as part of efforts to survive the crisis, just days after delaying the payment of June salaries for regular employees.

## British insurer Aviva to sell Australian unit

AFP, *London*

British insurance giant Aviva on Monday said it has agreed to sell its Australian life and pensions business to National Australia Bank (NAB) for 452 million pounds (742 million US dollars, 535 million euros).

"The decision to sell ... is based on the belief that it would be challenging to reach a leading position in Australia in the foreseeable future in an increasingly consolidated market," Aviva said in a statement.

Aviva said it expected to complete the sale of Aviva Australia Holdings -- which also includes a wealth management arm -- in the third quarter of 2009 after passing regulatory hurdles.

Simon Machell, head of Aviva's Asia Pacific region, said the sale would allow the British group to "focus on the significant long-term growth markets of Asia, in particular, China and India."

"It was clear that growth to a leading market position from the small base we had in Australia would be challenging due to the competitive nature of the market," he said.

AFP

**Workers burn job offers at a mass meeting outside the Total refinery in North Killingholme, England, yesterday. Sacked workers, who have been offered new contracts, refused to reapply for their jobs in solidarity for those workers who had not been made a new offer. Workers form the neighbouring Conoco Phillips refinery also stopped work in support of their colleagues. A mass protest is planned for today with stoppages expected at many refineries and power plants across Britain.**

## Japan plans WTO complaint on S Korea battery rule

AFP, *Tokyo*

Japan said Monday it would complain to the WTO this week over a South Korean plan to tighten safety regulations on lithium-ion batteries, accusing Seoul of protectionism.

"We fear that if the new regulations are introduced, a trade barrier would be created against foreign companies," Economy, Trade and Industry Minister Toshihiro Nikai told reporters.

Nikai added that "the government of Japan plans to express its concern" at a World Trade Organization committee meeting on technical barriers to trade scheduled for Thursday and Friday in Geneva.

The fresh trade row came as Japanese Prime Minister Taro Aso and South Korean President Lee Myung-Bak prepared for a summit in Japan Sunday.

Japanese companies hold a 60 percent share in the global market of lithium-ion batteries, which are used in electronics including cellphones, digital cameras and laptops.

## Tea prices drag Sri Lanka exports

AFP, *Colombo*

Sri Lanka's exports in April were down 28 percent as agricultural products, including tea, marked a sharp decline, the Central Bank of Sri Lanka said on Monday.

Tea, the island's main export commodity, earned 58.2 million dollars in April, down from 104.7 million dollars in the corresponding period of last year, the bank said. A severe drought in the first quarter affected production.

"The reduction in earnings from tea exports in April... was largely due to the lower export quantities, which could be attributed to lower global demand, and the effect of drought conditions," the bank said.

It said the island's overall exports in the first four months of this year were down 16.2 percent, while imports during the same period were down even more sharply by 36.9 percent.

COMMODITY

# China-driven rally nearing end

AFP, *Shanghai*

China has been driving up commodities prices by stockpiling to prepare for global recovery, but with inventories overflowing and no end to the crisis in sight, analysts say the rally may soon end.

China has been buying up crude oil, copper, coal and a host of other key raw materials even while the financial slump has slashed demand for the exports responsible for the Asian giant's once ravenous appetite.

Despite the sharp drop in shipments, Chinese raw materials buyers have tapped a surge in bank loans to capitalise on low commodity prices and low shipping fees, analysts said.

But the buying is likely to slow, they warned.

"China has been stockpiling commodities since the fourth quarter when prices became really cheap," said Yang Yijun, a commodities analyst at Wellxin Consulting based in the southwestern city of Chengdu.

"But large scale buying is gradually coming to an end. China's reserves are almost at full capacity."

Macquarie Bank warned in a research note last week that "the key concern centres around the scale of Chinese buying".

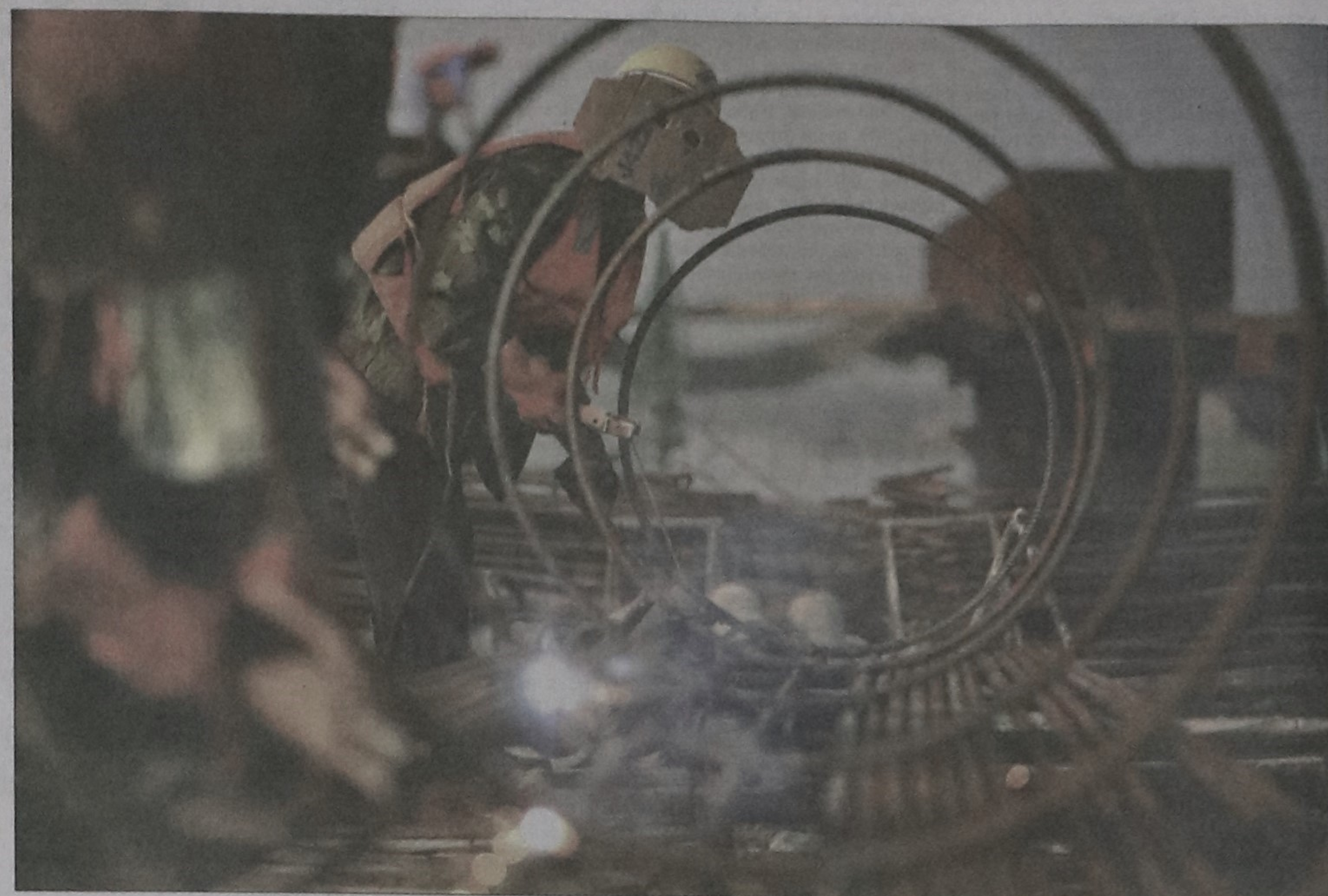
Over the past three months, as the volume of China's purchases increased, the Standard & Poor's GSCI, an index of global commodity prices, shot up 26.5 percent.

However, overall prices remain lower than before the financial crisis struck. Even with those gains, the overall index is down 58.5 percent from a year ago.

Crude oil prices have risen 39.6 percent in the past three months while copper prices climbed 45 percent, according to the GSCI.

China's State Reserve Bureau has been stockpiling, but so too have producers, distributors and other speculators hoping to profit from an expected rise in prices once the world economy starts to recover.

The China Iron and Steel Association began investigating surging imports after the amount of iron ore coming into the country jumped 33 percent year on year in April, hitting a monthly record of 57 million tonnes, state media said.



AFP

**Chinese workers weld steel at a construction site in Wuhan, central China's Hubei province, recently. China has been stockpiling commodities and driving up prices in preparation for a global recovery, but with inventories overflowing and no end to the crisis in sight, analysts say the rally may end soon.**

Spot prices for iron ore for delivery into China hit their highest level in nearly four months in mid-June, touching 76.50 a tonne, including cost, freight and insurance, according to Dow Jones Newswires.

Beijing ordered banks to cut lending to steelmakers and iron ore importers, who it admonished for failing to "correctly control the volume and pace of iron ore imports in line with the actual demand of domestic steel production," state media reported.

China, the world's biggest steel producer and consumer, imported 188.5 million tonnes of iron ore in the first four months of the year, up 22.9 percent on year, according to customs data.

"Because of the massive supply, some ships carrying iron ore are having to wait to offload at ports," said Xu Minle, an analyst with Bank of China.

But iron ore was not the only hot commodity in April. Crude oil imports climbed nearly 14 percent, aluminium oxide imports were up 16 percent and copper was up 64.4 percent, according to JP Morgan.

Coal imports soared 168 percent as Chinese utilities increased foreign coal buying during negotiations with domestic producers for better prices.

However, Moody's has changed its outlook to negative for base metals, mining and steel industries in the Asia Pacific region over the next 12-18 months, saying buying has soared ahead of demand.

"China's strategic stockpiling and replacement of lower-quality domestic production with higher-quality imports have supported the recent rally in prices for many base metals," said Terry Fanous, Moody's chief Asia metals and mining analyst.

"But we will not see a sustainable turnaround in demand until the major economies of the US, Europe, and Japan recover," Fanous wrote in a note.

Copper, essential for home appliances and other staples in China's economic boom, was seen as being on the most solid footing, hitting an eight-month high of over 2.45 dollars a pound on the New York Mercantile Exchange on June 11.

But prices fell in the past week as traders feared China's stockpiling was tailing off.

"As China has been the main driver of the copper price recovery so far this year, a period of reduced buying activity may see prices take a bit of a pause," Standard Bank analyst Leon Westgate wrote in a note.

Stockpiling is fraught with risk, especially when borrowed money is used to buy goods when there is no demand, independent Shanghai-based economist Andy Xie said.

"Last year people who stockpiled went out of business," Xie said. "I know one distributor who stockpiled six million tonnes of steel and went bust when it dropped by more than half."

PROFILE

# Part-time Jobs not as daunting for Apple

AP, *Seattle*

Five and a half months ago, word that Steve Jobs would only work part-time as he recovered from a liver transplant would have sent investors into a selling frenzy, so closely linked was Apple's charismatic co-founder and CEO to the company's success.

But now, with Jobs' return to Apple just days away that prospect is a lot less daunting.

Wall Street has grappled with the implications of Jobs' illness since August 2004, when investors learned the CEO had kept a cancer diagnosis secret until after he underwent surgery. Investors feared a half-year absence would leave one of the oldest computer makers adrift, because Jobs had become the essence of the company he co-founded in 1976. But in the last few months, the company released must-have gadgets and software improvements with nary a public hiccup. Its shares have almost doubled, raising the question of how central Jobs is to Apple today?

The company's past silence on matters of Jobs' health made shareholders jittery when Jobs appeared increasingly, even alarmingly, thin last year. Easily spooked, investors sent the stock tumbling 5 percent to its lowest point in a year on a rumor last October that Jobs had suffered a heart attack.

Then shares slipped 2 percent in December when Apple said that Jobs would not speak as usual the next month at the annual Macworld conference, then bounced up 4 percent on Jan. 5 when Jobs explained his weight loss as a treatable hormone imbalance. They sank 7 percent a week later after Apple said he would be taking six months off because his medical problems were more complex than he initially thought.

Since then, Wall Street's whiplash has had time to heal, especially because Apple's stock has weathered the recession better than those of most of its competitors. Shares have improved 76 percent since the dark day in January when Jobs announced his leave, closing Friday at $139.48.

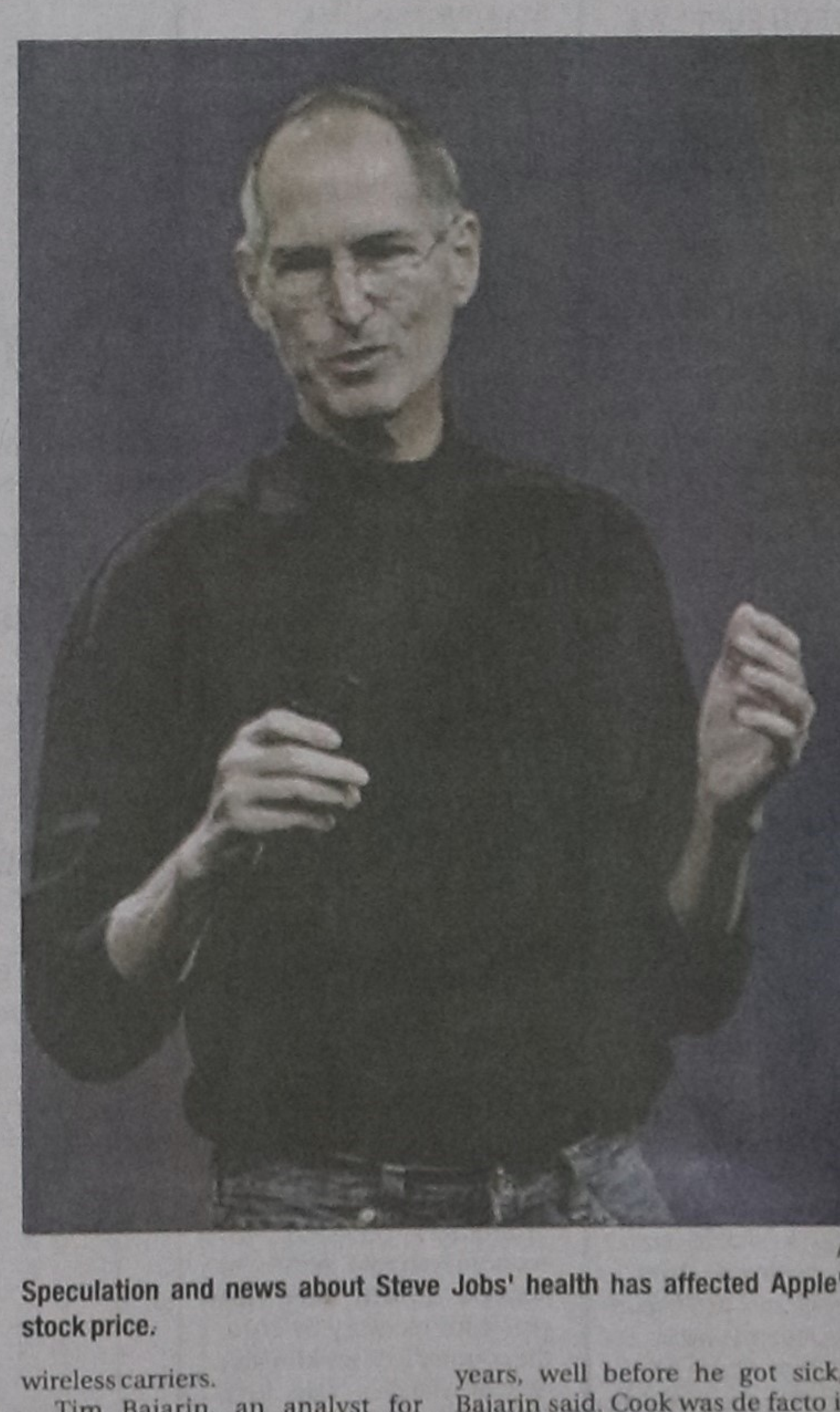
It is not yet clear how investors will take the latest word, that Jobs had a liver transplant two months ago in Tennessee, according to The Wall Street Journal, and that he will likely work part-time, at least at first.

Apple has not confirmed the report, and has said only that Jobs is looking forward to returning to Apple at the end of the month. Spokesman Steve Dowling had no further comment Sunday.

Cupertino, Calif.-based Apple put its chief operating officer at the helm during Jobs' absence. Tim Cook had been tested in the role during Jobs' first bout with cancer and shared the stage with the CEO during key product announcements last fall. He brimmed with confidence in the early days of Jobs' medical leave, assuring analysts that the show would go on even without its frontman.

"The values of our company are extremely well entrenched," Cook said in the company's fiscal first-quarter earnings call in January. "We believe that we're on the face of the Earth to make great products, and that's not changing."

Indeed, Apple has produced in the last six months: updated laptops with lower entry-level prices, updated Mac software and a faster iPhone with many requested features. Apple's cult-like followers remain avid, some camping overnight at Apple stores last week to be one of the first to snatch up the new iPhone 3G S, despite a pre-order option offered for the first time by Apple and wireless carriers.



AP

**Speculation and news about Steve Jobs' health has affected Apple's stock price.**

Tim Bajarin, an analyst for Creative Strategies who has been following Apple for more than 25 years, said things ran smoothly in Jobs' absence because he had already relinquished much of his control over the company.

"Jobs hasn't been running day to day operations for almost two years, well before he got sick," Bajarin said. Cook was de facto in charge, and the people in charge of each of Apple's gadgets and programs were, for the most part, working without a net.

"They only went to Jobs on big issues and questions and making sure their programs where in line with Jobs' overall vision," he said, which the CEO scopes out in 10-year increments.

While Jobs has taken much of the credit for Apple's turnaround in the last decade, Cook has played an import role behind the scenes, says Roger Kay, an industry analyst and president of Endpoint Technologies Associates.

"If you want to look at Apple's history and see where they made execution errors and when those ceased, you can time it almost exactly to the arrival of Tim Cook," Kay said, pointing to several product launches around the late 1990s where Apple would create demand for a new product, and then have problems delivering enough of it. "He, as the operations guy, has really made the trains run on time."

While Jobs has reportedly recovered well from his transplant and Apple has said repeatedly that the CEO will be back at the end of June, the company will eventually have to confront the fact of its leader's mortality. And no matter how many accolades Cook and the Apple product teams garner, it will be near-impossible to find someone like Jobs to replace him.

Kay is skeptical Apple will be able to continue its success simply by asking itself, "What would Steve do?" After all, the message that Apple's bench is deep and capable is coming from Apple itself.

"You can always do product extensions, it doesn't take a genius," Kay said. "Who's going to come up with a new product category that's going to do what the iPhone and the iPod have done?"

Jobs' health problems could push him to groom a successor, a task Kay said the CEO has not likely undertaken.

"You don't have a little Steve somewhere waiting in the wings," Kay said. "An autocrat like Steve would not allow somebody like Steve anywhere near himself."