

International Business News

Energy giant Shell profits slump on weak oil prices

AFP, London

British energy giant Royal Dutch Shell said on Thursday that its second-quarter net profit plunged 67 percent to 3.82 billion dollars (2.71 billion euros) on tumbling crude oil prices.

"Our second quarter results were affected by the weak global economy," said Chief Executive Peter Vosser in the group's results statement.

"This weakness is creating a difficult environment both in upstream and downstream operations."

On a "current cost of supplies" basis, adjusting for changes in the value of oil held in stock, Shell said profits dived 70 percent to 2.34 billion dollars in the three months to June, compared with the same period last year.

Production fell five percent to 2.96 million barrels of oil equivalent per day as output was hit once again by ongoing violence in Nigeria.

Revenues tumbled 51.4 percent to 63.88 billion dollars in the second quarter.

Vosser also warned that "substantial" staff reductions were likely as a result of the company's restructuring programme unveiled earlier this year.

"Looking beyond 2009, Shell needs to become a more efficient company, with faster decision-making, sharper implementation of strategy, and more focus on costs and value," he said.

Shell said it had reduced its costs by 700 million dollars during the first half of 2009.

Siemens new orders plunge, but will meet 2009 targets

AFP, Frankfurt

German industrial giant Siemens said Thursday that orders had collapsed in its latest quarter but that it had expected the setback and would still meet its full-year targets.

New orders in Siemens' third quarter to June plunged 28 percent to 17.16 billion euros (24 billion dollars), a statement said, with the poor comparison partly the result of an exceptionally high level a year earlier.

Analysts had expected a drop of 17.5 percent after Siemens announced the cancellation of one order worth around 500 million euros.

The downturn overshadowed Siemens third-quarter net profit of 1.3 billion euros, a drop of seven percent from the year-earlier period but still above analyst forecasts for one billion euros.

"As expected, the macroeconomic environment clearly left its mark on new business," Siemens chief executive Peter Loescher said in a statement. "We had already prepared for that ahead of time."

The statement added that "Siemens' strong order backlog softened the impact of the global recession on the company's revenue and profit."



Foreign tourists alight from an amphibious vehicle after a city tour of Singapore yesterday. Visitor arrivals in Singapore fell 11.5 percent in the six months to June from a year ago as the global economic crisis and swine flu outbreak hit travel demand, the tourism board said.

Japan's Sanyo Electric in red for Q1

AFP, Tokyo

Japan's Sanyo Electric Co said Thursday it went into the red for the three months to June due to a slump in the electronic component business.

Sanyo -- which is being bought by its bigger rival Panasonic Corp -- reported a net loss of 18.4 billion yen (194 million dollars) for the first quarter, compared with a net profit of 28.2 billion yen a year earlier.

It suffered an operating loss of 9.0 billion yen, compared with a profit of 5.0 billion yen for the same period last year, on revenues that were down 24.7 percent at 361.3 billion yen.

While its consumer electronics sector returned to the black, the component business covering semiconductors and batteries plunged into the red with an operating loss of 1.9 billion yen.

Despite the bleak performance for the first quarter, Sanyo upgraded its earnings forecast for the six months to September due to cost cuts as well as a recovery in sales of television sets and digital cameras.

German jobless rate edges higher in July

AFP, Berlin

German unemployment in July rose slightly as the country's worst postwar recession took its toll on the jobs market, government data showed on Thursday.

The unemployment rate rose to 8.2 percent from 8.1 percent in June, with just under 3.5 million people in Europe's biggest economy out of work, the figures showed.

The government said 52,000 more people were out of work than in June and over a quarter of a million more than at the same time last year.

However, adjusted for seasonal factors, the Federal Labour Office said unemployment rose 30,000 to leave seasonally-adjusted rate steady at 8.3 percent.

"The recession in the German economy left its traces on the labour market in July," labour market chief Frank-Juergen Weise said in a statement.

"Up until now, the effects of the downturn have been comparatively moderate, mainly because the use of part-time work has stabilised the labour market," he continued.

TECHNOLOGY

Yahoo comes full circle

AP, San Francisco

Yahoo Inc invested billions of dollars in its Internet search engine during the past six years before realising it made more sense to entrust the job to an outsider -- hearkening back to a conclusion the company's co-founders reached shortly after they started their Web directory in the mid-1990s.

The latest shift in direction will put rival Microsoft Corp in control of the search results and advertising that appears on Yahoo's highly trafficked Web site, assuming the proposed partnership is approved by antitrust regulators in the United States and Europe.

The 10-year deal announced Wednesday blows up a search expansion undertaken under Yahoo's former chief executive, Terry Semel, who resigned under shareholder pressure two years ago. The repudiation of Semel's strategy returns Yahoo to a philosophy embraced by co-founders Jerry Yang and David Filo in the company's early days.

Within two years of starting what was originally known as "Jerry and David's Guide to the World Wide Web," Yang and Filo concluded Yahoo wouldn't be able to index all the new sites proliferating on the Internet without more automation and sophistication.

Rather than spend its own money on expensive upgrades, Yahoo hired AltaVista to supplement its search engine and then later turned to Inktomi. Those decisions freed up more cash for Yahoo to spend on compelling content and developing other services that established its Web site as the biggest draw on the Internet.

As indexing the Web grew even more complicated in 2000, Yahoo sought the expertise of an ambitious young startup called Google.

In a move that the company later regretted, Yahoo promoted the Google brand next to its search box to show where it got its results. The exposure on one of the Web's



most popular pages drove millions of people to Google's search engine, which quickly supplanted Yahoo as the go-to place to find stuff on the Web.

After Google came up with a way to make big money from text ads placed alongside search results, Semel wanted a bigger piece of the action.

Beginning in 2002, Yahoo spent more than \$2 billion buying other search engines, including the remnants of AltaVista and Inktomi. Later, Yahoo invested heavily in search improvements that included a much-delayed advertising system called Panama.

Although it helped boost Yahoo's profits early on, the search expansion never panned out the way Semel envisioned. Google widened its lead in search as Yahoo's US share shriveled from about one-third of the market in 2004 to about one-fifth of the market today. To make matters worse, socialising hubs like Facebook and MySpace sup-



In this photo released by Yahoo shows Yahoo Chief Executive Carol Bartz, left, and Microsoft CEO Steve Ballmer, right, at Yahoo headquarters in Sunnyvale, California on Wednesday.

planted Yahoo as the hot spots to hang out on the Web.

"They just lost their way," said technology analyst Rob Enderle. "This (Microsoft deal) will let them rediscover what they once were - a place where a lot of people liked to spend a lot of their time online."

While he was Yahoo's CEO last year, Yang tried to lessen Yahoo's financial commitment to search by forming an advertising partnership with Google. US antitrust regulators threw a monkey wrench into the plans by threatening to sue to block the arrangement, a prospect that scared off Google.

Yang, though, didn't seem to want any part of Microsoft. In May 2008, he and the rest of Yahoo's board rebuffed a Microsoft offer to pay Yahoo \$1 billion in cash and buy \$8 billion worth of stock in return for a search partnership. Now, they will only share in the ad revenue generated by Microsoft's search engine.

Carol Bartz, Yahoo's chief executive for the past six months, quickly realized that the

Sunnyvale, California-based company needed to get back to its roots. Since her arrival, Bartz has been de-emphasising Yahoo's need to run its own search engine.

"It really hard to tell whether (Bartz) just thinks Yahoo isn't that strong in search or whether she thinks she needs to jettison search to save the company," said Danny Sullivan, editor of the online newsletter SearchEngineLand.

This much is certain: Microsoft has been stalking Yahoo for years because it wants to boost its meager US market share of 8 percent to narrow the gap separating it from Google, which commands a 65 percent share. The Yahoo combination will boost Microsoft's share to 28 percent.

"We found a partner willing and excited to put a lot of technology behind search," Bartz said in an interview Wednesday. "So our customers are still going to get the same search experience or better search experience because of the investment that Microsoft is willing to make."

Microsoft is no stranger to the concept of farming out search, having done that itself earlier this decade when it relied on Yahoo's technology.

Another prominent Web site, AOL, has used Google for search results and advertising for years. Having the extra money to spend on other products and services hasn't proven that effective for AOL, which has been faring so badly for so long that its corporate parent, Time Warner Inc, is cutting the subsidiary loose later this year.

Since breaking away from its first partnership with Yahoo, Microsoft has been continually honing its search expertise and even hired away one of Yahoo's top engineers, Qi Lu, to further the cause. Microsoft's latest upgrade is called Bing.

This time, Yahoo won't feature its partner's brand in the prime space located next to its search box. Bing's name instead will only appear at the bottom of the search results page.

GREEN ENERGY

Pakistan island puts wind-power to work

AFP, Kharochhan, Pakistan

A tiny island of fishermen is light years ahead of the rest of Pakistan, powering homes and businesses with wind turbines -- protecting the environment and improving the quality of life.

The government may lack the cash to harness hydro, wind and solar resources on a large scale in the electricity-starved country but charities are lighting the way forward by putting wind power to work in remote villages.

"We've been given two bulbs a house, it's a blessing for all of us," said 42-year-old fisherman Muhammad Arif on the subtropical island of Kharochhan, a land of creeks and mangroves in the cyclone belt of the Arabian Sea.

Lying 150 kilometres (94 miles) due south of Pakistan's financial capital Karachi, Kharochhan is an island of thatched homes where fishermen scrape by on 75 dollars a month and never dreamed of having electricity.

Then a local charity pitched up and installed five wind turbines. Now a fifth of homes -- 100 out of around 500 -- have been hooked up to the system.

"Each of us saves up to 1,500 rupees (18 dollars) that we would have spent on kerosene. I couldn't afford to educate my children, but now I'll put two of my four daughters in school," Arif said.

"We're poor with meagre resources. Our boys usually become fishermen and our girls illiterate housewives. This money could help us improve our children's future," he added.

Pakistan faces a catastrophic energy crisis, able only to produce 80 percent of the electricity that it needs, suffocating industry and making life tough in extreme winter and summer weather.

The shortfall has been blamed on government incapacity, corruption, short sightedness, debts, a creaking distribution system and lack of money to invest in energy sources.

To help cut energy needs



Pakistani technicians install a wind turbine on the subtropical island of Kharochhan, a land of creeks and mangroves couched on the cyclone belt of the Arabian Sea. A tiny Pakistani island of fishermen is light years ahead of the country, powering homes and businesses with wind turbines, saving the ecosystem and improving their quality of life.

Pakistan last year introduced daylight saving time in summer, but experts say the most sustainable long-term solution is to tap into abundant renewable resources.

Half an hour by boat from the mainland, development on Kharochhan has been hampered by isolation, said Nadeem Jamali, secretary general of a charity helping coastal villages use strong winds to generate electricity.

"Our project is to avoid environmental degradation and help provide the population with a proactive social life," said Jamali, of the Pakistani charity Action for Humanitarian Development.

Before his organisation erected turbines, villagers cut down mangroves for firewood to cook meals and used kerosene to light homes,

damaging the environment and producing heavy smoke causing allergies.

"Wind energy should stop the use of kerosene and we advise people to use acacia wood for cooking because mangroves protect them from rampant cyclones," said Jamali, of the trees that are a buttress against waves during storms.

Shah Kamal, who designs wind turbines, says the high winds that batter Pakistan's 1,050-kilometre (656-mile) coastline are perfect for powering turbines and cutting power shortages.

The applied physics graduate said the energy crisis, which sees power cut for 10 hours a day when temperatures top 40 Celsius (104 Fahrenheit), forced him to design and mount a wind-turbine generator on the roof of his house in

Karachi. "When I solved my own problems, I thought why not provide similar advantages to other people?" he said.

"We have given electricity to more than 100 houses in Kharochhan with five turbines. There are also four street lights," Kamal said.

"I see a great future for this technology," he added.

It has revolutionised villagers' lives, which once ended at sunset.

"With light available at night we can now do business for longer and our women do more embroidery work to earn for the family," said local fisherman Shahid Ali.

"Stray dogs don't bark at us now because they can recognise us in the light. And most satisfying of all -- our lights don't go off as routine in big cities," said Ali.

Pakistan's Alternative Energy Development Board says small wind turbines provide electricity to a few dozen coastal villages and that one large wind farm was established in April.

"Our target is to meet at least five percent of total installed capacity through renewable energy resources by 2030," said AEDB chief Arif Alaudin.

The Pakistan Meteorological Department says the country has the potential to generate 50,000 megawatts -- more than its total needs -- through wind, mostly in southern Sindh province.

Swat, the northwest valley ripped apart by fighting with the Taliban, also enjoys favourable wind conditions where authorities intend to invite investors once militancy is suppressed, said an official in Islamabad.