

International Business News

British Airways to cut 1,700 jobs

AFP, London

British Airways (BA) said Tuesday it would cut 1,700 jobs and freeze pay in its latest action to stem losses due to the global downturn.

The cuts will reduce the total number of cabin crew-related jobs from 14,000 to 12,300, it said, noting that the move involves cabin crew managers rather than cabin crew themselves.

"These changes will take place from the end of November. They will not reduce the number of working crew on board," said a BA statement of the job cuts.

British Airways "is currently not profitable and we expect to record a significant loss for the second consecutive year -- the first time that has happened in our history," it added.

"Revenues are down, so we must reduce costs to restore profitability. Thousands of staff across the airline have already made contributions to the cost-reduction programme."

"We have been talking to the cabin crew unions since the start of the year, but have made little progress on the contribution they might make," the company added.

BA last month launched its inaugural all-business class service from London to New York as it seeks to claw back ground lost to rival Virgin Atlantic and succeed where others failed.

ADB lends \$500m to revive Indonesian economy

AFP, Manila

The Asian Development Bank said Wednesday it would lend 500 million dollars to Indonesia to revive its sluggish economy.

The loan will support Jakarta's multi-billion-dollar stimulus efforts that include tax relief, capital spending and government handouts, the Manila-based lender said in a statement.

Without the stimulus programme, the bank said Indonesian economic growth could weaken to 2-3 percent from its current pace of 4.3 percent.

That was already below its 5-6.3 percent average over the past four years.

"With exports, private investment, and consumption still sluggish, a strong countercyclical fiscal stimulus is needed to protect the social sectors and support poverty reduction," ADB official Arjun Thapan said in the statement.

"Indonesia has the fiscal space for its stimulus package, which is expected to be temporary, and is also taking measures for structural reforms to sustain growth over the longer term."

The loan matures in five years, with no repayments for the first three.



Chairman of the India-Thailand Business Forum OP Lohia (L) gestures as he speaks with Deputy Prime Minister of Thailand Korbsak Sabhavasu during the India-Thailand Business Forum on India-Thailand Trade and Investment Opportunities meeting in New Delhi yesterday.

Toyota unveils 'green' sports car

AFP, Tokyo

Toyota unveiled Tuesday a new lightweight, sporty concept car inspired by an iconic coupe from the 1980s, saying its vision of the future was both mean and green.

With a low centre of gravity and a special two-litre boxer engine developed by partner Subaru, the rear-wheel drive FT-86 is said to handle like a race car but with less damage to the environment.

The cherry-red concept car, which will go on display at this month's Tokyo Motor Show, aims to rekindle passion for its Corolla AE86 of the 1980s.

"Everyone thinks sports cars won't sell but there is a huge demand, particularly among middle-aged men who have fond memories of the Corolla 86 and who would like to drive it once again," Toyota engineer Tetsuya Tada said.

"When green cars become prevalent, consumers will choose brands that offer something extra," Tada said at a preview of the vehicle.

Toyota will also display a new version of its electric concept car -- based on its compact Toyota iQ -- at the Tokyo Motor Show, which opens to the public from October 24 through November 4.

Amazon cuts Kindle price, adds global version

AP, Cupertino, California

Amazon.com Inc is cutting the price of its Kindle electronic-book reader yet again and launching an international version, in hopes of spurring more sales and keeping it ahead of a growing field of competitors.

With Wednesday's \$40 reduction on the Kindle, the device now costs \$259. It debuted in 2007 at \$399 and started this year at \$359, before another price cut in July.

In an interview, Amazon CEO Jeff Bezos said the company can now afford to reduce the price because of the increased number of Kindles the company is making and selling.

Bezos called it Amazon's best-selling product, but Amazon has not disclosed sales figures for the Kindle, which has a 6-inch screen that displays shades of grey, room to store 1,500 books and the ability to download books wirelessly.

GLOBAL RECOVERY

Australia rate hike good sign

AP, Washington

A move by Australia's central bank to raise its benchmark interest rate, the first major economy to do so since the financial crisis worsened last fall, may signal a vote of confidence in a global recovery.

Still, most economists don't expect the Federal Reserve or other major central banks to follow Australia's lead and raise rates anytime soon. Australia's economy is healthier than the US or European economies, due to rising prices for metals and other commodities it produces.

But the decision by the Reserve Bank of Australia to reverse some of the steep rate cuts it implemented last year is a sign the economy is improving in parts of the world, analysts said. A healthier world economy could help the United States by boosting exports.

"Recovery is starting to take hold" in Asia, said Jay Bryson, global economist at Wells Fargo Securities. "Very low interest rates there may not be necessary for much longer."

Australia's central bank governor, Glenn Stevens, said Tuesday the risk of "serious economic contraction" in that country had passed. Australia is benefiting from a strong rebound in China, a major trading partner that imports huge amounts of Australia's iron ore and other minerals. Its economy grew in the first two quarters of this year, when the U.S. economy remained mired in recession.

The move helped boost the US stock market. The Dow Jones industrial average jumped about 132 points, while broader indexes also increased.

Australia's move comes after the International Monetary Fund said last week the global economy is recovering faster than expected. The IMF raised its estimate for world economic growth to 3.1 percent in 2010, from a previous forecast of 2.5 percent.

Among major economies, Norway is the most likely candidate to raise rates this year, analysts said, as high oil prices bolstered its economy. The country's central bank could boost rates as soon as its next meeting on October 28.

South Korea is another likely candidate, according to Benjamin Reitzes, an economist at BMO Capital Markets in Toronto. The country's central bank has already noted rising home prices and said it might raise rates in response, he said.

Asia is recovering so quickly that some analysts worry it could face asset bubbles and a spike in inflation if governments wait too long to withdraw stimulus measures. Rising food prices already are becoming a problem in India. HSBC economists said in



An Australian 100 dollar note is shown. The dollar surged to a 14-month high in Asia late on Tuesday following the Reserve Bank of Australia's decision to raise interest rates, a move that caught some market participants by surprise. The move to raise the benchmark interest rate, the first major economy to do so since the financial crisis worsened last fall, may signal a vote of confidence in a global recovery.

a report Tuesday that South Korea, Indonesia and the Philippines are particularly vulnerable to an inflation blow-out.

Still, when it comes to higher rates, "Australia may prove to be an isolated case," said Geoffrey Yu, a London-based currency strategist for UBS, given its much stronger recovery. Its economy grew at a 2.5 percent annual rate in the April-June quarter, Reitzes said, while the US economy shrank at a 0.7 percent rate.

One restraint on many countries will be exchange rates, several analysts said: if they get too far ahead of the Federal Reserve, their currencies will rise relative to the dollar, as investors seek out higher interest rates. That, in turn, would make their exports to the U.S. more expensive.

That will cause some countries, such as Switzerland, Canada and New Zealand, to delay raising rates for as long as possible, Yu said.

The Federal Reserve, which has pumped over \$2 trillion into the economy to spur lending and boost consumer spending, isn't expected to raise the interest rate it controls until sometime next year, at the earliest. The rate is currently at a record low near zero.

William Dudley, president of the New York Fed, on Monday reiterated that the central bank will keep rates "exceptionally low... for an extended period."

Both the European Central Bank and the Bank of England, meanwhile, are expected to keep their benchmark interest rates at their respective historic lows of 1 percent and 0.5 percent when they announce their decisions Thursday.

Most analysts think that the ECB, which sets monetary policy for the 16 countries that use the euro, is comfortable with the notion of keeping interest rates at very low levels for a protracted period.

Last week, the ECB's president Jean-

Claude Trichet indicated that it is too early to consider raising interest rates. The IMF is predicting that output in the 16 eurozone countries will shrink 4.2 percent in 2009, even though official figures show that the recession in France and Germany is over.

Italy, Ireland and Spain are still struggling. Spain suffered a major housing boom and bust, and its unemployment rate is almost 19 percent.

When world leaders from the Group of 20 major developed and emerging economies, including Australia, met in Pittsburgh late last month, they pledged to maintain low interest rates and other stimulative measures. They also agreed to coordinate the reduction and removal of those measures.

But Yu said most central banks will set interest rates in response to domestic needs, while coordinating on other measures, such as unwinding emergency lending programs that support banks.

ENERGY

Where's the next boom? Maybe cleantech

AP, San Francisco

Our economy sure could use the Next Big Thing. Something on the scale of railroads, automobiles or the Internet -- the kind of breakthrough that emerges every so often and builds industries, generates jobs and mint's fortunes.

Silicon Valley investors are pointing to something called cleantech - alternative energy, more efficient power distribution and new ways to store electricity, all with minimal impact to the environment - as a candidate for the next boom.

And while no two booms are exactly alike, some hallmarks are already showing up.

Despite last fall's financial meltdown, public and private investments are pouring in, fueling startups and reinvigorating established companies. The political and social climates are favourable. If it takes off, cleantech could seep into every part of the economy and our lives.

Some of the biggest booms first blossomed during recessions. The telephone and phonograph were developed during the depression of the 1870s. The integrated circuit, a milestone in electronics, was invented in the recessionary year of 1958. Personal computers went mainstream, spawning a huge industry, in the slumping early 1980s.

A year into the Great Recession, innovation isn't slowing. This time, it's better batteries, more efficient solar cells, smarter appliances and electric cars, not to mention all the infrastructure needed to support the new ways energy will be generated and the new ways we'll be using it.

Yet for all the benefits that might be spawned by cleantech breakthroughs, no one knows how many jobs might be created - or how many old jobs might be cannibalised. It also remains to be seen whether Americans will clamour for any of its products.

Still, big bets are being placed. The Obama administration is pledging to invest \$150 billion over the next decade on energy technology and says that could create 5 million jobs. This recession has wiped out 7.2 million.

And cleantech is on track to be the dominant force in venture capital investments over the next few years, supplanting biotechnology and software. Venture capitalists have poured \$8.7 billion into energy-related startups in the U.S. since 2006.

That pales in comparison with the dot-com boom, when venture cash sometimes



In this photo made on September 29, a 20-storey tower housing a reactor, which converts coal into natural gas, carbon dioxide and hydrogen, is seen at the GreatPoint Energy facility in Somerset, Massachusetts. GreatPoint Energy has developed a technique for turning coal into natural gas more cheaply and efficiently than previous methods.

topped \$10 billion in a single quarter. But the momentum surrounding clean energy is reminiscent of the Internet's early days. Among the similarities: Although big projects are still dominated by large companies, the scale of the challenges requires innovation by smaller firms that hope to be tomorrow's giants.

"Ultimately IBM and AT&T didn't build the Internet. It was built by Silicon Valley startups," says Bob Metcalfe, an Internet pioneer who now invests in energy projects with Polaris Venture Partners. "And energy is going to be solved by entrepreneurial activity."

The action is happening at companies like GreatPoint Energy in Cambridge, Mass., which has developed a technique for turning coal into natural gas more cheaply and efficiently than previous methods.

GreatPoint plans to break ground next year on a power plant in Houston that will cost \$800 million and create thousands of construction jobs, says its CEO, Andrew Perlman. Dow Chemical Co and energy giants AES Corp, Suncor Energy Inc and Peabody Energy are all GreatPoint investors.

"The opportunities," Perlman says, "are staggering."

123 Systems, a Watertown, Mass., maker of lithium-ion batteries for electric

cars, had one of the most lucrative public stock offerings this year, raising \$437.5 million. Its stock price jumped more than 50 percent on the first day of trading in September, with investors willing to overlook that the company has yet to make money.

The Obama administration's promises about cleantech funding have galvanized the industry, reassuring entrepreneurs that they will have paying customers. The administration has said it will focus on putting more hybrid cars on the road, boosting the amount of electricity from renewable sources and investing in ways to cut pollution from coal.

One target is "smart grids." As utilities install digital meters in homes and Americans buy appliances that can communicate with the electric system, individual power consumption can be monitored more closely. People could be cued to dial down appliances such as refrigerators and air conditioners when electricity is in highest demand. Such fine-tuning in millions of homes can reduce the need for new power plants.

At Tendril Networks Inc of Boulder, Colo., which makes software that links utilities to smart-grid devices in homes, the staff has tripled over the past five months to 90. CEO

Adrian Tuck says Tendril could grow even more if some of the \$4.5 billion earmarked for smart grids in this year's federal stimulus goes to Tendril's clients.

"What we're about to see is every bit as big as the telecom revolution that gave birth to the Internet and cell phones," Tuck says. "It's going to create as many jobs and as much wealth for this country, if they get it right. Big, Google-sized companies are going to be born in this era, and we hope to be one of them."

The government's push for these developments parallels the expansion of railroads in the 19th century, when the government granted blocks of land to companies laying track, says Jack Brown, an associate professor in the University of Virginia's Department of Science, Technology and Society.

One difference, Brown points out, is that clean energy is such a vast field that government could make the wrong choice in backing one type of technology over another.

It's not just startups getting in the game. General Electric Co. plans to string transmission lines to deliver solar or wind power. Hewlett-Packard Co. is adapting techniques for printer cartridge chips so digital sensors can send data to smart grids.

But how much of an economic boost does all this add up to? It's hard to tell - at least at this stage, without products people actually want to buy.

The laser, for instance, was a big innovation, but it wasn't clear at first what it could be used for. That's why there wasn't an economic boom in the 1960s with the advent of lasers, even though they ended up driving everything from medical devices to CD players for four decades.

Sung Won Sohn, an economics professor at California State University, Channel Islands, believes upgrading electric grids and finding new sources of power will provide steady job growth - but won't be an economic powder keg.

Clean energy projects could simply replace old jobs and functions, like meter readers. And there's no guarantee new jobs won't shift to countries with cheaper labour.

Some innovations take longer to reveal their economic effects. There are big booms based on specific innovations -- along the lines of railroads, automobiles and the Internet -- and then there are technologies that grow slowly, spawning offshoot industries for entrepreneurs to exploit over decades.