PepsiCo's Russia deal gets initial nod of approval

AFP, *Moscow*

PepsiCo's biggest acquisition outside the United States made progress on Monday when the head of Russia's anti-monopoly service said the unit looked favourably on the US company's takeover of a major local firm.

PepsiCo on December 2 agreed to pay 5.4 billion dollars (4.1 billion euros) for Wimm-Bill-Dann, Russia's largest dairy and baby food producer and number three juice maker.

The takeover would be one of the biggest outside the Russian energy sector and enable PepsiCo to become not only the country's largest food-and-beverage business but also to expand further into eastern Europe and the former Soviet states.

Russia's Federal Anti-Monopoly Service (FAS) still needs to approve the acquisition, but its chief told reporters Monday that he supported the deal.

"We are well disposed toward this transaction," Interfax quoted FAS head Igor Artermyev as saying. "We see absolutely no problems there."

It was not clear when a formal ruling on the deal would be issued and PepsiCo officials were not immediately available for comment on the report.

The December 2 agreement envisions PepsiCo taking immediate control of a 66-percent stake in Wimm-Bill-Dann for 3.8 billion dollars.

The remaining shares are to be bought progressively in an acquisition that PepsiCo hopes will enable it to establish a 30-billion-dollar nutrition business by 2020.

Eurozone reform moves: deep revamp or just tinkering?

AFP, *Paris*

The eurozone debt crisis has shaken the foundations of the single currency alliance. Its leaders are now weighing measures that could either herald a far-reaching operational revamp or simply a modest tinkering.

Emergency or temporary bailouts for euro states struggling with huge debts and gaping public deficits have given way to a permanent rescue mechanism.

At the same time, eurozone leaders have begun to talk about giving the bloc greater cohesion with the creation of an "economic government," perhaps through a federal arrangement similar to that of the United States.

There have also been suggestions that eurozone nations jointly issue debt bonds, allowing financially troubled eurozone nations to pool their credit standing with stronger partners.

In an initial gesture, the European Union and the International Monetary Fund joined forces last May to make 110 billion euros available to Greece -- but only after much debate over whether EU sovereignty could be compromised by calling in the IMF.

Then it became clear that Greece was not the only eurozone member under threat. So the EU and IMF went a step further and launched a broader temporary fund that would provide a 750-billion-euro backstop for countries in difficulty.

The fund was called the European Financial Stability Facility (EFSF), financed by the 16 eurozone members, and is due to expire in mid-2013.

But EU leaders understood that the eurozone's debt crisis could not be made to disappear with temporary measures. So at a Brussels summit December 16-17 it approved a permanent rescue scheme -- the European Stability Mechanism -- to replace the EFSF in 2013.

And in what would be another significant development, private sector banks and investment funds that buy government-issued bonds may for the first time have to absorb some of the losses should states require financial help.

The ESM, as is the case with the current arrangement, allows for financial assistance to countries provided they adopt budgetary measures drafted by the EU's executive commission and the IMF.

The engagement of private investors, however, would not be automatic, as Germany had initially wanted: it would be determined on a case-by-case basis.

Private investor contributions would depend on the seriousness of the crisis, as measured by the European Commission and the IMF in conjunction with the European Central Bank.

The commission, the IMF and the ECB would determine if the country concerned merely faced a cash shortage or was in fact facing insolvency.

In the case of a liquidity squeeze private creditors would simply be encouraged to hold on to their investment.

But if a government was deemed to be insolvent, European aid would come with an obligation not only to implement budget reforms but to restructure the debt.

The government concerned would then negotiate with its private creditors. Debt payments could be rescheduled, interest rates lowered or the amounts to be repaid reduced.

The proposal for joint eurozone bonds, advocated most prominently by Luxembourg Prime Minister Jean-Claude Juncker, has sparked considerable controversy in recent months, but it remains a live talking point.

Guaranteed jointly by all the eurozone members, the interest rates for such bonds would be averaged out on rates practised by countries joining the scheme.

That would shield countries facing financial difficulties from speculation and panicked markets demanding exorbitant rates.

AFP

Christmas shoppers make their way through a shopping mall in the western German city of Oberhausen on December 22.

World automakers race to trim weight

REUTERS, *Detroit*

Major automakers are scrambling to strip hundreds of pounds off future pickup trucks in an effort to meet new standards for fuel economy without sacrificing strength or towing capability.

The new mandates take effect in 2016, giving automakers such as Ford and General Motors just one design cycle to make significant changes that will require costly steel substitutes including aluminum, new steel alloys and magnesium.

Automakers are faced with having to pass on those higher costs to consumers who have come to associate mass with performance.

"There is a lot of hand-wringing in the industry right now," said Dick Schultz, a consultant at Ducker Worldwide and expert in the use of metals in autos. "You can't afford to be on the wrong side of this thing."

Automakers must reach an average fleet fuel economy of 35.5 miles per gallon by 2016. Light trucks -- which were half of all US auto sales in the first 11 months of 2010 -- will have to get about 30 miles per gallon.

The corporate average fuel economy (CAFE) standard for 2010 is 29.2 miles per gallon. For light trucks alone, it is 24.9 miles per gallon, according to government data.

The updated standards come at a time when auto companies are launching an array of battery-electric, plug-in and hybrid vehicles, which will help the sector reach those new goals.

But reducing the weight of their trucks is also critical to meeting the new guidelines, automakers say.

This represents a significant challenge because of the trucks' large size and the demand that they be able to handle heavy loads and towing in unforgiving conditions.

Current pickups weigh an average of nearly 5,000 pounds (2,300 kg).

To entice consumers, automakers have added comfort, electronic and safety features over the past decade. As a result, the weight of trucks has jumped 22 percent from 2000 to 2010, federal data shows, while fuel economy rose only 2 percent.

The first automaker out with a new-model large pickup truck aiming to comply with the tougher fuel economy standards will be GM with its Chevy Silverado for the 2014 model year.

"It's a tough task, but we're facing it as grown-ups," said Rick Spina, who leads full-size truck development for GM. "We're going to do everything we can to keep the customer from realizing we've had to make changes in a fundamental way."

In addition to the 2016 target, automakers may have to achieve CAFE standards of 62 miles per gallon for the overall fleet by 2025, under the most ambitious scenario outlined by the US government.

Spina said GM aims to shed 500 pounds from its trucks by 2016, and by the early 2020s might need to cut as much as 1,000 pounds per truck.

Using blown-in foam instead of a cheaper, but heavier, pad to buffer noise in certain areas of the vehicle could become more commonplace, Spina said.

Meanwhile, Ford is looking closely at a magnesium alloy frame for the next generation of its F-150 pick-up truck, two people familiar with the matter said. Ford is also looking to use aluminum for the body panels of the F-150, they said.

By moving away from traditional steel, Ford could shave about 800 pounds off the truck, one person said. The comments were made privately because the information is not yet public.

Ford declined to comment on its specific product plans.

GM is also exploring the use of aluminum and magnesium for the frames of future models of its Chevrolet Silverado and GMC Sierra trucks, Spina told Reuters.

Ford has been aiming to trim as much as 700 pounds from its vehicles under a target it has previously made public, Ford's global product development chief Derrick Kuzak told Reuters.

Ford's F-Series is the No. 1 selling vehicle in the United States, followed by GM's Silverado.

Automakers are starting to tout fuel economy as part of the brawny image of trucks.

"You won't be put in a chokehold every time you fill up because you can also get the best fuel economy," actor Denis Leary says in a TV advertisement for Ford trucks.

But past advances in vehicle engineering, including the use of lighter materials, have proved hard to sell to consumers.

Ford, for example, abandoned an experiment with the heavy use of aluminum in a limited number of Mercury Sables built in the mid-1990s. The experiment cut more than 350 pounds but would have added hundreds of dollars in costs, Schultz said.

Eric Fedewa, IHS Automotive director of global powertrain forecasting, said the additional costs could squeeze the truck market as a share of overall sales.

"With fuel economy standards where they are, trucks are going to get kind of edged out of the top of the market," Fedewa said. "Everything is going to change in the next vehicle cycles."

AFP

Cabin crew members of Philippine Airlines arrive at the airport for an international flight in Manila. Philippine Airlines faces an order to pay millions of dollars in salary increases and scrap its age-limit policy after the government ruled that cabin crew had been discriminated against.

Investors line up for first IPOs in communist Laos

AFP, *Hanoi*

Eager novice investors in communist Laos signed up for shares as the country's first-ever initial public offerings came to a close, an investment banker said Monday.

EDL-Generation Public Company has offered 217 million common shares this month at a fixed price of 4,300 kip (53 cents), with investors showing the most interest on the final day on Monday, said Khouanetyphong Bouanevanh, who is in charge of the offer for underwriters BCEL-KT Securities Co, Ltd.

"Now is the last day to subscribe," he said from Laos. "They are lining up."

A notice in the Vientiane Times newspaper said the deadline had been extended to Monday "by public demand".

One other initial public offering, by the Banque Pour Le Commerce Exterieur Lao (BCEL), a state-owned commercial bank, ended on Thursday.

The official Vietnam News Agency reported that about 20.5 million BCEL shares were offered on auction at an average bid price of 5,910 kip. The offer was oversubscribed.

EDL-Generation was spun off in early December from state-owned Electricite du Laos (EDL) to handle power generation.

Khouanetyphong said EDL would remain as majority owner of the new firm but foreign investors would be allowed to own 10 percent of shares while employees and other local residents are eligible for the remaining 15 percent.

He expects both EDL-Generation and BCEL to be the only two firms trading on Laos's new stock exchange when it opens for the first time on January 11.

"I think others are coming," said Khouanetyphong, who studied in Japan and expressed pride at being part of the process.

Air India seeks funds from govt

REUTERS, *Mumbai*

State-run carrier Air India has sought an additional 20 billion rupees from the government for FY12, Aviation Minister Praful Patel said on Monday.

The minister also said fund infusion of 12 billion rupees is expected in the next few days.

"It is a commitment of the government of India to ensure that the national carrier is in good health. Some parameters have already improved, but much more needs to be done," Patel said.

Passenger traffic at Air India rose 13.3 percent to 9.05 million in April-November, while revenue rose 22.6 percent to 72.5 billion rupees in the period, it said in a press release.

Air India still has debt of about 190 billion rupees and is trying to cut costs through fleet and route rationalisation.