

# Asian airlines dragged down by struggling cargo business

AFP, Singapore

**T**OP Asian airlines's profit margins are being eroded by a struggling air cargo business, even as they capitalise on increasing passenger demand, industry executives said Sunday.

Languid global economic growth and freight capacity oversupply brought on by new deep-bellied planes is hammering carriers with dedicated cargo businesses, the insiders said ahead of the Singapore Airshow.

"The biggest worry of the airlines industry right now is probably cargo," Tony Tyler, director-general of the International Air Transport Association (IATA), told reporters in the city-state.

"For the big airlines in this region (Asia) it is a very important component of their revenue mix," he said. Asia's biggest aerospace and defence show opens on Tuesday and will run until Sunday.

Last week IATA said air freight traffic rose by 1.4 percent in 2013 compared to the previous year, supported by rising activity from Middle Eastern and Latin American carriers.

Asia-Pacific carriers, which have nearly 40 percent of the global freight market, however saw volumes drop 1.0 percent, while capacity rose 0.8 percent.

Passenger demand rose 5.2 percent compared to 2013 while capacity rose 4.8 percent. Bigger planes are catering for a growing number of passengers.

Andrew Herdman, the director-general of the Association of Asia Pacific Airlines, said major regional airlines with separate cargo businesses are bearing the brunt of the slump in the industry since the 2008 global financial crisis.

"The people who are really suffering in the cargo business are the ones operating big fleets of dedicated freighters and that includes Singapore Airlines, Cathay Pacific, Korean Air, among others," Herdman told AFP.



AFP

An Airbus A350-900 sits on the tarmac during a media preview at Changi International Airport ahead of the Singapore Airshow yesterday.

Singapore Airlines' freight arm SIA Cargo operates nine Boeing B747-400 freighters. Cathay Pacific has a fleet of 25 freighters while Korean Air has 26, according to data on the carriers' websites.

IATA's Tyler said full-service carriers could boost revenue by capitalising on growing demand for ancillary services such as a la carte food on planes.

According to IATA, revenue from ancillary services per departing passen-

ger is likely to rise to around 10 percent this year, from zero percent in 2007.

Tyler also said it was too early to tell whether the airlines industry would be affected by the recent sell-off in emerging markets. Commercial deals potentially worth billions of dollars are expected to be announced at the six-day Singapore Airshow.

Vietnam's first private airline, VietJetAir, is expected to announce the finalisation of an order for 62 Airbus

A320 planes worth \$6.1 billion, an industry source close to the deal said.

An order for 20 Airbus A380 superjumbos worth \$8.0 billion by leasing group Doric Asset Management could also be announced, the source said.

Around 1000 companies are participating in this year's edition of the event, which occurs every two years.

The total value of deals during its 2012 edition reached \$31 billion, up threefold from 2010, organisers said.

## IMF hints Pakistan on track for \$550m loan tranche

Afp, Dubai

**P**AKISTAN was on track to receive a third loan tranche worth \$550 million from the International Monetary Fund this year, the Washington-based lender indicated Sunday, saying the nation's economic recovery was gathering pace.

The IMF approved a \$6.7 billion bailout loan package for Pakistan in September last year to help the struggling nuclear-armed country achieve economic reforms, particularly in its troubled energy sector.

"The IMF... is encouraged by the overall progress made in pushing ahead with policies to strengthen macroeconomic stability and reviving economic growth," IMF's Jeffrey Franks said after talks with Pakistan Finance Minister Ishaq Dar in Dubai.

The IMF said Pakistan's economy was picking up, with growth expected to reach about 3.1 percent in 2013/14 compared to its earlier estimate of 2.8 percent.

Cash-strapped Pakistan, plagued by a bloody home-grown Taliban insurgency, is battling to get its shaky economy back on track and solve a chronic energy crisis that cripples industry.

## Russian authorities say Bitcoin illegal

Reuters, Moscow

**R**USSIAN authorities have issued warnings against using Bitcoin, saying the virtual currency could be used for money laundering or financing terrorism and that treating it as a parallel currency is illegal.

"Systems for anonymous payments and cyber currencies that have gained considerable circulation - including the most well-known, Bitcoin - are money substitutes and cannot be used by individuals or legal entities," the Russian Prosecutor General's Office said on February 6.

It added that Russian law stipulates that the rouble is the sole official currency and that introducing any other monetary units or substitutes was illegal.

Russia's central bank also said on January 27 that Bitcoin trade was highly speculative and that the unit carried a big risk of losing value.

"Citizens and legal entities risk being drawn - even unintentionally - into illegal activity, including laundering of money obtained through crime, as well as financing terrorism," it warned.



AFP

Taiwan's struggling smartphone maker HTC yesterday forecast a first-quarter net loss of up to Tw\$3.1 billion (\$102.4 million) due to weak sales of new flagship products.

## Rice farmers protest as Thai government's funding woes mount

REUTERS, Bangkok

**M**ORE than 1,000 farmers protested outside the Thai government's temporary headquarters on Monday over the state's failure to pay for rice bought under a subsidy scheme that the caretaker administration admits it is struggling to fund.

The rice programme was a signature policy of Prime Minister Yingluck Shinawatra, who was swept to power in 2011 with the help of millions of rural votes, but has become one of the biggest threats to her grip on power.

The unrest among farmers has opened a new front against Yingluck's government, which has been facing off against a Bangkok-based protest movement seeking to drive it from office for nearly three months.

One of the organisers of those protests was arrested on Monday, the first of the core leaders to be held since the campaign to disrupt normal business in the capital began in November.

The protests, which are still blocking parts of Bangkok, have found much of their support from

middle-class, urban taxpayers appalled at what they see as corruption and waste in the rice scheme.

Tarit Pengdith, head of the Department of Special Investigation (DSI), Thailand's equivalent of the FBI, said protest leader Sonthiyarn Chuenruethai-naitham was being detained by border patrol police on the outskirts of the city.

He was among 19 people against whom arrest warrants were issued last week for defying a state of emergency that bans political gatherings of more than five people and gives authorities powers to detain suspects without charge.

DSI chief Tarit also said he would announce the names of 136 individuals and companies suspected of providing financial support to the protest movement at a news conference on Tuesday.

"We have strong evidence that 58 of these firms have financially supported protests ... and will summon the remaining companies and individuals to the DSI to explain themselves," Tarit told Reuters.

Troops stood guard behind a barbed wire fence at the Defence Ministry offices in northern Bangkok

that have been Yingluck's base since the protests forced her to relocate in January.

"Don't cheat farmers, Yingluck. If you can't administer the country then get out because there are plenty of capable people willing to govern," one farmer shouted through a loudspeaker.

About 30 representatives of the farmers were allowed inside to meet Commerce Minister Niwatthamrong Bunsongphaisan and Finance Minister Kittirat Na-Ranong, but left after less than half an hour telling reporters there had been no progress.

"We will not put up with this any longer," said Kittisak Ratanawarahal, president of the Network for Northern Farmers. "We will seize government rice warehouses around the country so that the government can't swindle us anymore."

Yingluck has led a caretaker administration since December, when she dissolved parliament and called a snap election in an attempt to end the street protests, the latest instalment in eight years of on-off political turmoil that began with the ousting of her brother, Thaksin Shinawatra, in a 2006 coup.

## Australia losing last auto producer Toyota

AFP, Sydney

**T**OYOTA on Monday said it will stop making cars in Australia in less than four years, bringing the country's auto industry shuddering to a halt, despite appeals by Prime Minister Tony Abbott.

The Japanese auto giant said production of vehicles and engines would finish at the end of 2017, throwing into doubt 3,900 jobs at its Altona plant in a Melbourne suburb, and another 150 jobs at a separate design centre.

Toyota Australia president Max Yasuda following Holden's closure to appeal to him to continue making cars and prevent the collapse of the country's car industry.

With Mitsubishi closing its Adelaide plant five years ago and Ford halting vehicle production at its unprofitable Australian operations in 2016 -- at a cost of 1,200 jobs -- Toyota was until Monday the only company with a commitment to making cars in the country.

The Australian Manufacturing Workers' Union said the move could trigger a regional recession in

Australian reporters, Toyota Motor Corporation president and CEO Akio Toyoda said it was "simply heart-breaking" to shutter local operations that first began in 1963.

"I can assure you that Toyota will work hard to continue our contribution to Australia," Toyoda said.

"We are grateful for the support that the government has provided to us," he added.

Separately, Abbott said it was a dark day for many.

"Nothing we say or do can limit the devastation that so many people will feel at this point," he said.



AFP

Cars speed past a Toyota dealership in Sydney. Toyota plans to stop making cars in Australia in a move that will leave the country with no auto manufacturing, despite appeals by Prime Minister Tony Abbott.

The move will close the book on Australia's 66-year-old auto sector, with some 50,000 jobs across the sector in componentry and other areas expected to go.

Labor opposition leader Bill Shorten described it as the "death of the Australian car industry".

Announcing the news, Toyota blamed a combination of factors including the strength of the Australian dollar and an increasingly tough market.

The company's future in Australia had been in serious doubt since US giant General Motors said in December that its Holden offshoot, which employs about 2,900 people, would cease local manufacturing by 2017, after more than six decades.

Abbott had spoken directly with

Australia, where the economy is struggling with a bumpy transition away from a decade of reliance on mining.

"The magnitude of this decision in the community cannot be underestimated. We are looking at a potential recession all along the southeastern seaboard," said union secretary Dave Smith.

"Simply heartbreaking"

Yasuda told a press conference the strong Australian dollar, high cost of production, incoming free trade agreements and fragmented automotive markets had all contributed to a decision he characterised as "extremely difficult".

"In fact, it is one of the saddest days in Toyota's history."

Speaking through a translator to

"The important thing to remember is, while some businesses close, other businesses open, while some jobs end, other jobs start. There will be better days in the future."

He said that, as prime minister, it was his duty to try to ensure the environment was right for industry and emphasised the need for low taxes and light-touch regulation.

"Because under those circumstances you maximise the conditions for new businesses to start and for existing businesses to expand."

Toyota started manufacturing cars in Australia in the early Sixties and still produces its top-selling Camry sedan and other models in the country.

But it immediately announced a review of its own position in Australia following GM's decision to pull out.