Smaller planes in demand as Asia travel boom deepens

AFP, *Singapore*

SMALLER passenger planes are increasingly in demand in Asia as budget carriers cash in on the region's growing middle classes by expanding their reach to less prominent cities, industry executives say.

So-called "regional" jets -- short to medium-haul aircraft that generally seat under 100 passengers -- were among the best-sellers at the Singapore Airshow which ended at the weekend.

Jimmy Lau, managing director of show organiser Experia Events, said demand for smaller aircraft will rise as Asia's burgeoning middle class sustains the growth in air travel that began in metropolitan areas.

"The people who will be likely making good inroads are the Embraers and the Bombardiers who will be selling their smaller regional jets to countries like Indonesia, Thailand and Malaysia," Lau told reporters as the Airshow ended with deals totalling a record $32 billion.

Embraer, the Brazilian plane maker, forecasts that Asia-Pacific carriers will take delivery of 1,500 new jets in the 70- to 130-seat segment over the next 20 years, with a total value of $70 billion. This would represent nearly 20 percent of global demand.

Canada's Bombardier expects the region to get one-third of the 12,800 aircraft in the 20 to 150-seat segment it forecasts to be delivered worldwide in the next two decades.

The company's vice president for marketing Philippe Poutissou told AFP that Bombardier sold almost 80 percent of its planes to Western countries in the past.

Four-month-old Indian carrier Air Costa sprang the biggest surprise at the event when it ordered 50 E-Jets E2 planes from Brazilian manufacturer Embraer worth $2.94 billion, with purchase rights for 50 more.

Air Costa wants to connect cities in southern India such as Bangalore, Chennai, Hyderabad and Vijayawada, as well as key secondary cities in the country's north and northwest.

"Our philosophy is that we believe that 70 percent of the population, of the huge 1.2 billion population in India, still reside in these non-metros," Air Costa chief financial officer Vivek Choudhary said.

Bangkok Airways, which describes itself as a "boutique" airline that serves popular tourist destinations in the country as well as the Maldives, Laos and Cambodia, ordered six 72-600 planes from European plane maker ATR for $150 million.

Thai budget carrier Nok Air ordered two Q4 100 aircraft -- which can seat 70-80 passengers -- from Bombardier to help it expand into smaller cities in Thailand and neighbouring countries, and may buy six more.

Nok Air chief executive Patee Sarasin said the airline's strategy is to use 33-seater planes to penetrate small towns and stimulate air travel, and then to increase frequency or use bigger aircraft as demand rises.

"There are so many airports in Thailand that are underutilised and so many towns that are underdeveloped in terms of the flying experience," Patee said.

Poutissou of Bombardier said his company is also aiming at a slightly larger aircraft class with its C Series of planes that can seat up to 150 passengers, competing directly with popular single-aisle planes made by Boeing and Airbus.

The Airbus A320 and Boeing B737 -- currently favoured by Asia's major budget carriers -- can seat between 126 and 200 passengers.

Poutissou said regional jets and single-aisle planes can complement each other, and he expects airlines to have a combination of both.

Boeing and Airbus are watching their smaller challengers.

"They are moving up into that part of the market (single aisle) in order to compete directly with us," said Randy Tinseth, vice president for marketing at Boeing.

Tinseth said Boeing and Airbus must assume that one of the smaller aircraft manufacturers, including some from China, will become successful.

"It's not a question of whether they will be successful, but when," he said.

John Leahy, Airbus chief operating officer, said he was not "overly concerned" about the upcoming competition.

But he added: "If you ask: Will Airbus and Boeing be under threat in the next 10 years? The answer is no. And 20 years? The answer is probably yes."

AFP

A Bombardier Q400 NexGen plane is on static display at Singapore Airshow. Smaller passenger planes are increasingly in demand in Asia as budget carriers expand their reach to smaller cities in a deepening travel boom, industry executives say.

India unveils indirect tax cuts in pre-election budget

REUTERS, *New Delhi*

THE government announced a package of indirect tax cuts on Monday to breathe life into spending and investment, and trumpeted its record of growth and reform over the past decade in an interim budget before an election it looks set to lose.

Amid uproar in parliament as lawmakers shouted him down, Finance Minister P. Chidambaram also said he would contain the fiscal deficit for 2013/14 (April-March) at 4.6 percent of gross domestic product (GDP), below his target of 4.8 percent.

"I can confidently assert that the economy is more stable today than what it was two years ago," Chidambaram said, while warning that action was needed to revive manufacturing.

Monday's budget was an interim exercise ahead of the election due by May and MPs will be asked to approve only the period until the new government is formed.

Analysts watching the speech welcomed the progress on the fiscal deficit, including his estimate that it would shrink further to 4.1 percent in 2014/15, which would be the lowest since 2007/08.

But they voiced concern about a lack of details.

"Under the hood concerns - primarily on how these deficit targets were met/will be met next year -- remain largely unanswered," said Radhika Rao, an economist with DBS in Singapore.

Rajnath Singh, the president of the main opposition Bharatiya Janata Party, said Chidambaram's accounting was not credible, saying the finance minister was pushing subsidy spending onto the next government.

Indian markets were largely unmoved by the speech, with the rupee at 61.93/94 against its close of 61.9250/9350 on Friday. The currency hit record lows last year amid concerns about the country's current account and fiscal deficits.

The finance ministry printed two conflicting numbers for projected net borrowing in its budget documents, before clarifying that a typographical error had been made.

To reach his deficit target, Chidambaram this year has squeezed higher dividends from cash-rich state-run companies and has deferred 350 billion rupees of oil subsidies into next year's accounts.

Revised major subsidies for 2013/14 will be 2.56 trillion Indian rupees, Chidambaram said.

He also cut 2013/14 spending by some 748 billion rupees, 4.5 percent below the total budgeted for the year. For the coming year, he estimated total spending of 17.63 trillion rupees, up 10.9 percent against revised expenditure for the current year.

The new spending included a 10 percent proposed hike to the defence budget. Opinion polls predict voters will oust the government led by the Nehru-Gandhi dynasty's Congress party amid widespread discontent with its mismanagement of the economy, stubbornly high inflation and corruption scandals.

Deep-water ecosystems hurt by human resource needs

AFP, *Chicago*

RELENTLESSLY rising human demand for for deep-sea resources -- fish, gas and oil, rare materials -- is posing such a risk that international cooperation is needed if aquatic ecosystems are to be saved, US scientists warn.

The doubling of the world's population over the past five decades is putting great strain on the deep-sea ecosystems, which cover more than half of Earth, they told an annual science congress in Chicago on Sunday.

The ecosystems are now threatened by the same kind of mass industrialization common on land during the 20th century, according to researchers gathered at the American Association for the Advancement of Science meeting.

"At the same time, human society has undergone tremendous changes and we rarely, if ever, think about these affecting our ocean, let alone the deep ocean," said Lisa Levin, who heads the Center for Marine Biodiversity and Conservation at the Scripps Institution of Oceanography in California.

"As we exhaust many coastal stocks, commercial fishers have turned toward deeper waters," she said.

The quadrupling of energy demands over the past 50 years have led companies to search for oil and gas in the deep seas, defined as waters more than 1,000 meters (3,300 feet) deep.

"Oil and gas exploration now routinely targets seabeds in more than a thousand meters of water depth," said Levin.

Today there are some 2,000 platforms drilling on deep sea ocean floors, "bringing with it the potential for environmental disaster of the sort we saw with the Deepwater Horizon," Levin said, referring to a massive 2010 BP oil spill in the Gulf of Mexico.

At the same time, the demand for hard-to-find rare earth elements needed for portable electronics and batteries for hybrid vehicles is pushing mining companies to scour the ocean floors.

Also in demand: minerals such as nickel, cobalt, manganese and copper.

"Vast tracts of deep seabed are now being leased in order to mine nodules, crusts, sulfides, and phosphates rich in elements demanded by our advanced economy," said Levin.

Deep sea mining is not something out of science fiction, said Cindy Lee Van Dover, director of the Duke University Marine Laboratory.

"Those deposits exist and cover national and international waters," and with major advances in deep sea robotics "we have access to the deep sea like never before."

Even though the process of building a deep sea mine is unknown "because we have not done it," mining companies know that the potential value of the mineral reserves on the ocean floor "is a very good one."

Extraction from the deep sea is a tradeoff, said Lindwood Pendleton, an economist with Duke University's Nicholas Institute for Environmental Policy Solutions.

REUTERS

Coca-Cola employees and supporters carry a mock coffin during a protest against the closure of four Coca-Cola bottling plants and job cuts in Spain as they march in Madrid on Saturday. The sticker on the coffin reads, "No to the closure of Coca-Cola in Alicante."

BBC

Those who run their own business but also want to gain an MBA may have various reasons for doing so.

India's family firms modernise to stay in business

INDIA BUSINESS REPORTER, *BBC News*

TUCKED away on a narrow street in Mumbai, Chandu Halwai sells traditional Indian sweets. It is a small shop with a modern look, but the recipes here are over a century old.

The shop was first set up in Karachi in 1896, and moved to Mumbai after the partition of India and Pakistan in 1947. The photographs of its founders hang on one of the walls.

Bharat Bhushan Bahl, 71, currently heads the business. His grandfather founded it, and his sons Sachin and Nitin now help manage it.

The family is integral to Indian culture and business. Nearly 85 percent of all companies in the country are family businesses - and these include big conglomerates such as Tata, Reliance and the Wadia Group.

"In other businesses, what is important is competence and profit. That is the measure of success. But in family businesses it's different," says Bahl.

"What is important is that you are together, that you're working together and living together.

"You care for the reputation, you care for the principles of your forefathers and success or profit or that kind of yardstick is not paramount."

Although Sachin and Nitin are both engineering graduates, they decided to go back to the family business rather than pursue independent careers.

"We wanted to keep our options open, so we chose to study something else," says Sachin.

"But the business is something we discussed over meals, what we've seen ever since we were children, so in the end we both wanted to help grow it."

Currently the two are focusing on increasing exports and bringing new varieties of sweets to the shop. When there is a big decision to be taken though, it is to their father they turn.

He admits there are difficulties running a family firm.

"In the corporate world there is hire and fire. In this business the question doesn't arise. You are born into the business, you live in it and you die in it," says Bahl.

"There are times when the question of efficiency is raised, even [with a] lower performance you can't replace your son with another executive who might perform better.

"He's your son! He's not replaceable by an executive."

But as more and more multinationals enter the country, family firms have had to adopt a more corporate culture to keep up with the competition.

Over the past two decades, many of India's business families have parted ways.

One of the most high-profile splits was that of Reliance, India's largest private company with interests in chemicals, telecoms, retail, oil and gas among others.

Dhirubhai Ambani, the company's founder, died in 2002, and a few years later his sons Mukesh and Anil divided the business.

Global surveys have shown that only about a third of family-run companies survive in the second generation, and even fewer in the third.

This is a trend also seen in India, but some have managed to stay together.

Videocon is one of the country's most famous consumer brands. It started with manufacturing home appliances and electronic goods, but is now also involved in oil exploration and telecoms.

It is run by three brothers of the Dhoot family and their sons.

Akshay Dhoot, 22, has only recently joined the business formally but has interned with its various companies since he was 15.

"We live together, we take vacations together, and since we also work together, we end up discussing the business a lot," he says.

"All this makes it easier to communicate our ideas."