Stricken Malaysia Airlines staff brace for job cuts

REUTERS, *Kuala Lumpur*

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Ground crew work among Malaysia Airlines planes on the runway at Kuala Lumpur International Airport in Sepang, Malaysia.

As bodies from downed Flight MH17 were brought home last week, a group of Malaysia Airlines flight attendants, in black mourning headscarves contrasting with their pink and turquoise uniforms, sobbed and clung to each other in grief.

The 19,500 staff of Malaysia Airlines (MAS) now face a new ordeal - a quarter of them may lose their jobs at the unprofitable airline, hit by two jet disasters this year. Flight MH370 remains untraced since its disappearance en route from Kuala Lumpur to Beijing in March.

Deep job losses, route cuts and a change of leadership are expected to feature in a restructuring plan being prepared by Malaysia's government for announcement as early as Thursday, when MAS also reports second-quarter results. Likely the last before being de-listed, the numbers are expected to show plunging ticket sales and heavy losses even before July's shooting down of MH17 over Ukraine.

As state fund Khazanah Nasional, the majority owner, prepares to take the company private and inject efficiency into the airline, it must tackle crumbling staff morale and win over the powerful main labour union if turnaround efforts are to succeed.

"MAS is suffering from an image problem and a problem with the staff," said Nik Huslan, former chief pilot at MAS. "They have to find someone the staff can respect and rally behind."

Even before the lost aircraft tragedies, airline insiders said staff discontent had been growing for years due to strategy U-turns, leadership changes and poor career prospects.

One of the region's most prestigious and fastest-growing airlines in the 1990s, MAS has steadily fallen behind high-end rivals such as Singapore Airlines and been battered by the rise of Asia's budget carriers like AirAsia. The company hasn't made an annual profit since 2010.

This year's twin disasters have caused new stresses. A total of 186 MAS flight crew quit between January and July, many of them due to family pressure not to fly after the crashes, MAS says. Over 5,000 MAS staff work as cabin crew or pilots and the airline says the resignation rate has now returned to normal.

About a quarter of MAS staff are likely to lose their jobs under Khazanah's plan, a source with direct knowledge of the matter told Reuters. The pill is likely to be sweetened with costly redundancy packages and offers of jobs at other state enterprises.

The company has cut fares on most of its routes in an attempt to lure back nervous passengers, though it is too early to gauge its success. It has almost doubled its commission payments to Australia-based travel agents to revive sales there, according to Australian media reports.

Malaysia Airlines executives told Reuters that the tragedies had served as a wake-up call to staff, and even to recalcitrant union bosses, that drastic change could no longer be avoided if the 42-year-old company is to survive.

"There needs to be a change in the mindset, and people are coming around to that," said one senior executive. "People must realise that they may need to work differently – the crew may have to work longer shifts or they may have shorter layovers. The engineers may have to work a bit longer or clear aircraft faster."

But such demands would also have to be leavened with incentives to encourage staff, or at least a convincing message that they will eventually see benefits, the main union has warned.

"We want to see things in total, and what the long-term plan is," said Mohd Jabarullah Abdul Kadir, executive secretary of the Malaysia Airlines Employees Union (MASEU), which represents 13,000 of the carrier's staff. "If there are retrenchments, they cannot cut staff numbers without basis."

For Prime Minister Najib Razak, who chairs Khazanah, the plan will be seen as the latest gauge of his credentials as a reformer in Southeast Asia's third-largest economy.

State firms are used as one tool to reinforce affirmative action policies favouring majority ethnic Malays over other races and are heavily intertwined with Najib's long-ruling United Malays National Organisation (UMNO). The main union at MAS has close ties to UMNO - and has successfully resisted previous restructuring attempts.

Crews who have worked at the airline recently complained about a lack of opportunities to progress in their careers. Cabin crews are typically offered five-year contracts, they said, after which they start from scratch with a new five-year deal.

"There's always uncertainty for your career because of this arrangement," said one former crew member, who was with the airline for nearly three decades from the mid-1980s and recalls the "exciting" early days of the airline's rapid expansion.

Huslan, the former chief pilot, blamed "poor talent management" for high attrition rates among pilots and engineers. "They leave for better prospects because they don't see it in MAS. This has been on the rise," he said.

To reverse that, the most vital ingredient of the turnaround plan may be a new chief executive who can effectively communicate the new strategy, execute the plan, and win over doubters.

Sugar export rebound at risk in India from rising domestic prices

REUTERS, *Mumbai*

Sugar prices in India are firming on fears of short-term supply constraints and seasonal demand even as global prices are sliding, posing a threat to a recent recovery in exports from the world's second-biggest producer of the sweetener.

A raised sugar import duty in India, festival demand and an expected delay in cane crushing in a key producing state have helped push domestic prices to a $70 a tonne premium to international prices, making it more lucrative to sell domestically. A year ago the premium was just $20 a tonne.

Lower exports from India could provide short-term support to global sugar prices that hit a seven-month low on Monday and give leading sugar exporters such as Brazil and Thailand an opportunity to take more of the market.

India last week raised the import duty on the sweetener to 25 percent from 15 percent to help mills, which are struggling with overflowing warehouses due to bumper crops over the past few years. Government-set prices for sugar cane are also hurting them.

"The import duty hike has isolated the Indian market from global price trends. Local prices won't fall due to global surplus," said Ashok Jain, president of the Bombay Sugar Merchants Association.

Thailand is offering white sugar at around $430 per tonne, but Indian mills won't offer below $500 due to relatively higher local prices, said a Mumbai-based dealer, who declined to be named as he is not authorised to talk to media.

India's local prices have risen 10 percent so far in 2014, while global prices have fallen 4.3 percent.

"Exports are not possible unless local prices drop by at least 15 to 20 percent," said the dealer with a global trading firm that has been one of the top sugar exporters this season ending September. "I don't see that happening in 2014."

India celebrates the religious festivals of Dussehra and Diwali in the next two months, when sugar demand goes up and prices rise.

Since the start of the 2013/14 sugar marketing year last October, Indian mills have aggressively exported to reduce surplus sugar. India usually produces white sugar, but this year it also produced raw sugar, especially to cater to demand from the growth of refining capacity in Asia and Africa.

Exports are likely to swell to 2.5 million tonnes in the current year ending Sept. 30, compared with just 35,000 tonnes a year earlier. But in 2014/15 India is likely to ship much less than the current year as mills are not interested in producing raw sugar, industry executives say.

SIBL

Md Shafiqur Rahman, managing director of Social Islami Bank, poses at a programme held to award the bank's MoneyGram clients as part of a promotional campaign that ran during Ramadan, at the bank's corporate office in Dhaka recently.

DHAKA BANK

Niaz Habib, managing director of Dhaka Bank, poses with participants of a foundation training course at the Dhaka Bank Training Institute in the capital on Monday. Md Abdul Motaleb Miah, in-charge of the institute, was also present.

MIDLAND BANK

Md Ahsan-uz-Zaman, managing director of Midland Bank, and Sayeeful Islam, managing director of SSL Wireless, attend the signing of an agreement at the bank's head office in Gulshan, Dhaka recently. Customers of the bank would be able to avail the mobile top-up facility anytime and anywhere of SSL Wireless, through the soon-to-be-launched online service of the bank.

Britain's RBS fined £14m over poor mortgage advice

AFP, *London*

Britain's bailed-out Royal Bank of Scotland has been fined £14 million for not taking enough care to explain to home-buyers the costs of taking out a mortgage, regulators said on Wednesday.

The fine, equivalent to 18 million euros ($23 million), was imposed because the bank had shown "serious failings" in its advice to home loan customers, the regulators said.

"The Financial Conduct Authority (FCA) has today fined The Royal Bank of Scotland and NatWest £14,474,600 for serious failings in their advised mortgage sales business," the FCA said in a statement.

The watchdog added that, following a review, it found that only two of 164 mortgage sales it examined between June 2011 and March 2013 had met the overall standard required.

The FCA said RBS and its retail division NatWest had failed to consider the full extent of a customer's budget when making a mortgage recommendation.

Staff also failed to advise customers what length of mortgage was the most appropriate for them.

The Financial Services Authority -- which was subsequently replaced by the FCA -- had raised concerns in November 2011 about branch and telephone sales but it was almost one year before any action was taken.

"Where we raise concerns with firms we expect them to take effective action to resolve them without delay," said Tracey McDermott, director of enforcement and financial crime at the FCA.

"This simply failed to happen in this case," McDermott added.

RBS said in a separate statement that it had overhauled its mortgage sales process and re-trained all advisors at the end of 2012, in response to the regulator's findings.

India's coal crunch: a chance to revamp, reallocate and revive

REUTERS, *New Delhi/Mumbai*

A Supreme Court ruling this week that India's decades-old method of granting coal mining concessions is illegal could herald much-needed reforms in a sector long dogged by the inability of state-run Coal India to raise output fast enough.

In declaring scores of coal block allocations made since 1993 unlawful and arbitrary, the Supreme Court has put investments worth billions of dollars at risk.

If it goes the next step and cancels the concessions after a further hearing due to start on Monday, India may have to import vast amounts of coal to keep the lights on.

In the long run, however, the decision could bring clearer rules to a sector that has failed to provide India with enough power because it has been so hamstrung by confusion and scandals over concessions allegedly handed to government cronies.

Coal India has a monopoly over coal that is mined for sale. The scandal, dubbed "Coalgate" by the media, concerns concessions sold to steel, cement and power firms to dig up coal for their own use.

The furore erupted after the Comptroller and Auditor General's report in 2012 found that under-priced sales had cost the exchequer as much as $33 billion.

The court ruled that 218 coal blocks were awarded illegally. Because of the uncertainty, only 30 are operational. Their capacity is less than 10 percent of the 565 million tonnes produced in India as a whole in the last fiscal year to March.

The government has already said it would consider allowing private firms to mine coal for sale instead of their own consumption and the court ruling may pave the way for that.

"The government may convert this crisis into an opportunity and now should take all bold reforms such as permission for commercial mining, fair auction policy, regulatory reform," said Rakesh Jain, associate director at consultancy Feedback Infrastructure.

Accusations that resources from coal to mobile telephone bandwidth were routinely allocated as backhanders plagued the government of former Prime Minister Manmohan Singh, whose Congress party suffered its worst defeat in elections this year.

Singh's successor, Narendra Modi, has pledged to tackle 'crony capitalism' and provide power for all in a country that sits on the world's fifth-largest reserves of coal.

Sources told Reuters before Modi came to power that he could consider breaking up Coal India to help end its near-monopoly and bring more competition, although unions have threatened street protests to thwart such a move.

Legal wrangling and investigations into the concession process meant there was a tepid response to India's first coal block auction in February. The government withdrew the auction after only two firms bid for one of the three blocks on offer.

But the Supreme Court's intervention should bring the clarity that will make future auctions more successful.

"It is possible that an early resolution of the issue could pave the way for much-awaited auctioning of mineral resources in India," said Chirag Shah, an analyst with Barclays.

If the court does reverse the allocations, several banks stand to make heavy losses. State Bank of India and Power Finance Corp Ltd are among financial institutions that have together lent $10-$12 billion to the coal, power and steel sectors.

Metals and power companies Jindal Steel and Power Ltd, Hindalco Industries Ltd and Sesa Sterlite Ltd would also be badly hit, having already spent billions of dollars around blocks awarded to them.

"A clean slate will come, but with a huge cost," said G Chokkalingam, founder of Equinomics, a research and fund advisory firm. "Legally it will be right, but practically it will be a disaster."

Columnist TK Arun wrote in the Economic Times that the court should only cancel allocations where firms have failed to develop the blocks and should let off those that have already started mining and built infrastructure.

REUTERS

A labourer unloads coal from a supply truck at a yard on the outskirts of the western Indian city of Ahmedabad.