Cleaner, but not leaner: China steel mills defy capacity cutbacks

REUTERS/FILE

A worker verifies a product at a steel factory in Dalian, China.

REUTERS, *Shanghai/Singapore*

Chinese steel mills are becoming cleaner every month as Beijing pushes to curb its smoke-stack industries. But they're not getting any leaner.

Despite efforts to step up environmental checks and trim out excess capacity, steel output by the world's top producer has risen year-on-year for the past seven months.

As emissions cuts will mean steel mills are better able to meet stricter government standards, Beijing may find it more difficult to cut overcapacity in a sprawling industry.

For now, domestic demand from infrastructure and construction has been robust, absorbing most of the extra supply. But a steeper slowdown in the world's second-largest economy could force mills to ramp up sales abroad.

That could rekindle tensions with Europe and the United States, major trading partners which have for years accused China of dumping its excess steel overseas, hitting producers and hurting global prices. The issue took centre stage at a recent G20 summit in China when world leaders pledged to work to address excess output.

China's top steel producing city of Tangshan in Hebei province illustrates Beijing's dilemma. Hosting a months-long international horticultural show, Tangshan had a major six-month clean-up to ensure blue skies for visiting dignitaries, including the country's president Xi Jinping.

Industry experts predicted this would see a big drop in output in a province that accounts for a fifth of national production, going some way to realising government goals on output and capacity cuts. But production dipped by far less than expected as mills sustained output even as they cleaned themselves up.

They could do this largely because steel prices have risen 40 percent this year, and strong domestic demand is expected to continue, underpinning those increases, though exports have fallen to their lowest since February.

By end-September, China had completed more than 80 percent of this year's capacity reduction goals in coal and steel, said Huang Libin, an official at the Ministry of Industry and Information Technology.

China has targeted a cut of 45 million tonnes from its surplus steel capacity this year.

But the battle to tackle excess capacity and curb pollution has failed to dent production. China's annual crude steel surplus is estimated at around 300 million tonnes, three times the annual output of the world's second-biggest producer, Japan.

"If steel mills are profitable, there's no reason for the government to order them to reduce production if they meet environmental criteria," said Xia Junyan, investment manager at Hangzhou CIEC Trading Co in Shanghai.

While many of Tangshan's small mills have closed, bigger plants have installed or upgraded equipment since a nationwide environmental crackdown began in 2014, industry sources say.

Some were forced to cut sinter production - processing iron ore fines into lumps - for a few days in September and October to clear the skies during the recent horticultural show. But the city's about 150 blast furnaces only dropped output three times - in June, July and September - and for only a couple of days during the six-month clean-up, according to a survey by industry consultancy Custeel.com.

The biggest drop was in early June when operating rates fell below 65 percent as leaders from central and eastern Europe gathered in Tangshan for talks on economic ties, followed by another fall in July as the city prepared to commemorate a 1976 earthquake that killed at least 250,000 people.

Otherwise, mills have been operating at above 80 percent of capacity this year, the Custeel.com survey showed.

"Production can be flexible. Even if production at steel mills is hit temporarily by the environmental crackdown, they can increase production later to offset the losses," said Xia at Hangzhou CIEC Trading.

The government looks ready to keep targeting Tangshan's mills in its war on winter smog, with Hebei province last week imposing what it calls "special emission restrictions" on local steel mills, according to a policy document.

Last month, the National Development and Reform Commission, China's state planner, said it punished hundreds of steel and coal companies nationwide for violating environmental and safety regulations. Some were forced to close or cut output.

PRAN

Julia Niblett, Australian high commissioner to Bangladesh; Minhaz Chowdhury, country manager of Australian Trade Commission; John Boland, director of Byron Bay Chilli Company: Eleash Mridha, director of Pran; Shaikh Sajjad Hossain, chief operating officer, and Toshan Paul, category manger of Pran Agro Ltd, pose with the sauces of Byron Bay Chilli Company at Pran-RFL Centre in Dhaka on Thursday. Pran started producing six varieties of chilli sauces of Byron Bay.

AT&T agrees in principle to buy Time Warner for $85b

REUTERS, *New York*

AT&T Inc has reached an agreement in principle to buy Time Warner Inc for about $85 billion, sources said on Friday, paving the way for what would be the biggest deal in the world this year, giving the telecom company control of cable TV channels HBO and CNN, film studio Warner Bros and other coveted media assets.

The deal, which has been agreed on most terms and could be announced as early as Sunday, would be one of the largest in recent years in the sector as telecommunications companies look to combine content and distribution to capture customers replacing traditional pay-TV packages with more streamlined offerings and online delivery.

AT&T, which sells wireless phone and broadband services, has already made moves to turn itself into a media powerhouse, buying satellite TV provider DirecTV last year for $48.5 billion.

It also in 2014 entered a joint venture, Otter Media, with the Chernin Group to invest in media businesses, and has rolled out video streaming services.

AT&T will pay $110 per Time Warner share in cash and stock, or about $85 billion overall, sources told Reuters.

It will need to line up financing to pay for the deal, since it only has $7.2 billion in cash on hand. This could put pressure on its credit rating as it already has $120 billion in net debt as of June 30, according to Moody's.

Time Warner's shares rose almost 8 percent in regular trading, and a further 3.4 percent after hours, to $92.50, giving it a market value of about $73 billion. AT&T closed down 3 percent at $37.49.

Time Warner is a major force in movies, TV and video games. Its assets include the HBO, CNN, TBS and TNT networks as well as the Warner Bros film studio, producer of the "Batman" and "Harry Potter" film franchises. The company also owns a 10 percent stake in video streaming site Hulu.

Time Warner Chief Executive Jeff Bewkes rejected an $80 billion offer from Twenty-First Century Fox Inc in 2014, but sources said on Friday that the former suitor had no plans to renew its bid.

Signage for an AT&T store is seen in New York October 29, 2014. REUTERS/Shannon Stapleton/File Photo

The Wall Street Journal reported on Friday that Apple Inc approached Time Warner a few months ago about a possible merger.

BANGLALINK

Prasoon Lal, chief marketing officer of Banglalink; Shahriar Ahmed Remon, head of device; and Shyamol Kumar Saha, country manager of itel, attend the launch of a smartphone—itelit 1355—at the headquarters of Banglalink in Dhaka. Banglalink users will get 6GB internet and 900 minutes of talk-time for free with the purchase of the set that has 3.5-inch display, dual SIM option and a price tag of Tk 2,599.

India launches regional aviation scheme to get more people flying

REUTERS, *New Delhi*

Aviation ministry said on Friday the first flights under a scheme to boost air travel between smaller cities should take off in January, after it finalised rules to make flying more affordable in the world's fastest-growing aviation market.

Under the "Regional Connectivity Scheme", air fares on routes between towns and cities currently poorly connected will be capped - at 2,500 rupees ($37.4) for every 500 km of travel - and service and fuel taxes reduced.

A small levy will be slapped on existing routes to help pay for the scheme, while the government will provide funding to make the project viable and spend 40 billion rupees ($598 million) to reopen 50 disused airports within four years.

Some industry executives have expressed reservations about the levy, but the ministry defended the scheme, saying it will boost the overall market.

"When we jump start the regional aviation market, the beneficiaries will be the airlines themselves. They will get a lot more traffic," Jayant Sinha, the junior civil aviation minister, told reporters. India's air travel market has boomed in the last decade as it opened up to competition. Ticket prices were slashed and the number of people wealthy enough to travel ballooned.

Passenger numbers on domestic flights run by carriers including InterGlobe Aviation Ltd's IndiGo, SpiceJet Ltd, Jet Airways (India) Ltd and state-owned Air India Ltd jumped 21 percent in 2015 to more than 80 million. The government aims to increase that number to 300 million by 2022.

Still, India's annual trips per capita, at 0.04, compares with 0.3 in China, and flying remains unaffordable for the overwhelming majority.

Bombardier to cut 7,500 more jobs

AFP, *Montreal*

Canada's plane and train maker Bombardier said Friday it was cutting 7,500 jobs, its second major layoff announcement this year following delays in deliveries of its C-series airplanes.

The job cuts, to be completed by the end of 2018, are expected to mostly hit administrative posts, with two-thirds from the transport division, a Bombardier spokesman said. These layoffs come on the heels of a February announcement to eliminate 7,000 manufacturing jobs. The two rounds of job cuts account for about 20 percent of Montreal-based Bombardier's workforce.

Bombardier, which has taken on debt to finance its ambitious plane-building program, said the latest downsizing will result in annual savings of about $300 million as part of a five-year plan to turn the firm around.

"The actions announced today will ensure we have the right cost structure, workforce and organization to compete and win in the future," said chief executive Alain Bellemare in a statement.

Bombardier has been trying to accelerate production of the C Series, as well as to develop the new Global 7000 business jet, scheduled to begin production in 2018.

The company announced plans to hire as many as 3,750 employees to speed these initiatives, according to Canadian media reports. Bellemare said the new jobs would be added in low-cost countries and more-established higher cost operations.

"It's the only way that we can protect the thousands of jobs in the industry and at Bombardier. It's a very competitive industry and it's important to take the necessary steps to remain competitive in this context," he was quoted as saying. Bombardier had touted the C Series, its first completely new aircraft in the 100- to 150-seat category in more than 25 years, as a means to cut into the dominance of US aerospace giant Boeing and European rival Airbus.

S&P raises France's rating outlook

AFP, *Paris*

Ratings firm Standard & Poor's raised Friday its outlook on France's long-term sovereign credit rating to "stable" from "negative", a move hailed by the government as a "sign of confidence".

The US ratings agency, which stripped France of its prime AAA rating in 2012, left unchanged its view on French debt at AA, its third-highest rating. The improvement in the country's outlook is due to the "gradual introduction of growth-enhancing reforms amid ongoing fiscal consolidation," S&P said in its report.

The agency added that the downside risks it had identified two years ago had not materialised.

French Prime Minister Manuel Calls welcomed the news, stressing the efficacy of France's economic recovery model.

"Our reforms to improve the economy, our attractiveness, without sacrificing any of our social model are paying off. Let's continue!" he said on Facebook.

Finance Minister Michel Sapin said that S&P's move was "a sign of confidence... in our country's economic and budgetary perspectives".

Canada says EU's job to save trade pact

AFP, *Brussels*

Canada turned up the heat on the EU Saturday, saying it was the bloc's "job" to save a trade pact put in doubt by a Belgian region's refusal to sign on.

Chrystia Freeland, the Canadian trade minister, was firm after leaving last-ditch talks with European parliament head Martin Schulz to salvage the proposed accord that is seven years in the making. "Now the ball is in Europe's court and it's time for Europe to finish doing its job," she said, adding that she was returning to Toronto on Saturday. "I very much hope that I will be able to return here in just a few days to Europe with my prime minister and that we will be able to... sign this agreement with Europe on October 27."

Schulz also planned an 11th-hour huddle with Paul Magnette, head of Wallonia's socialist government which is blocking the agreement between Ottawa and the 28-nation European Union.

The Brussels meetings are aimed at "reviving CETA talks. We can't stop at the last mile," Schulz wrote on Twitter, referring to the agreement's name. CETA would link the EU market of 500 million people with the world's 10th biggest economy. The accord was initially scheduled to be signed next Thursday with Prime Minister Justin Trudeau in Brussels -- and Schulz said that that date remained in the diary.

"The problems are on the Europeans' table and we have to try to resolve them," he said. "This meeting was very constructive and will perhaps be decisive. "I remain optimistic."

Canada blasted the European Union on Friday as incapable of signing international agreements, as talks to persuade Wallonia to sign up to the huge trade deal broke down.

Freeland's comments fed into warnings that the EU, beset by rising anti-globalisation sentiment, may never be able to land any other deals including one with the United States.

"It seems obvious to me, to Canada, that the European Union is incapable now of having an international agreement, even with a country with such European values as Canada, and even with a country as kind and patient as Canada," Freeland said Friday. Wallonia's government chief Magnette told AFP on Friday that his Belgian region needed more time but that there was still scope for an agreement.

"Democracy takes a little time, Magnette said. "I wasn't asking for months, but you can't carry out a parliamentary process in two days."

The Walloon parliament earlier this week refused to let the federal Belgian government approve the deal between Canada and the European Union, which needs to be backed by all 28 EU member states.

Belgium has seven elected assemblies: the geographic regions of Wallonia, Flanders and Brussels; the three linguistic communities; as well as a parliament and senate at the federal level.

EU trade commissioner Cecilia Malmstroem said she was still hopeful a deal could be reached.

"We have engaged wholeheartedly with Wallonia the last days. Truly sad talks have been halted. Still hope to find solution in order to sign CETA," the Swede said on Twitter.

The Comprehensive Economic and Trade Agreement (CETA) with Canada is opposed by anti-globalisation groups who say it is a test model to push through an even more controversial EU-US trade deal called TTIP, talks on which have also stalled. There have been protests against both deals in several cities.

Magnette on Friday pointed in particular to a highly controversial investment protection scheme buried in the deal that has drawn the fury of activists, and which is also involved in TTIP.

Wallonia enjoyed support from activist groups like Greenpeace which charged that the deal risked satisfying "corporate greed" and trampling on people's rights and health standards on both sides of the Atlantic.

British Prime Minister Theresa May on Friday dismissed warnings that the EU-Canada deal raised serious questions about whether London could strike a similar agreement after Brexit.

AFP

Protesters hold up a placard reading '3,4 million Europeans count on Wallonia - stop CETA' as a meeting on EU-Canada Comprehensive Economic and Trade Agreement takes place at the Walloon parliament in Namur, Belgium.