BT agrees to hive off its network arm in UK

LONDON: BT, Britain's former telephone monopoly, agreed Friday to hive off a unit that oversees the network used by all of the country's phone and broadband providers in response to competition concerns. Communications regulator Ofcom said the company will turn its Openreach unit into an independent entity that will have its own board and chief executive while remaining part of BT Group.

Ofcom ordered the separation in November because of concerns BT wasn't consulting with other telecommunications firms about projects that affect them. The agreement allows the split to take place without the delays that would have been caused by the sale of Openreach, Ofcom said.

"This is a significant day for phone and broadband users," Sharon White, Ofcom chief executive, said in a statement. "The new Openreach will be built to serve all its customers equally, working truly independently and taking investment decisions on behalf of the whole industry - not just BT."

Sky Plc, which provides phone, internet and cable TV throughout the UK, described the move as "a welcome step that we have long called for on behalf of our customers." "It's important that today's agreement is now implemented by BT in good faith and without delay," Sky said.

George Salmon, an analyst at Hargreaves Lansdown, said the outcome, while not unexpected, is still good news for shareholders.

"With competitors such as Sky and TalkTalk crying foul, there was always an element of doubt as to whether BT and Openreach would be required to do the splits," Salmon said.

"The news that it will remain part of the wider group, although with its own distinct board and brand, should put to bed any lingering concerns investors may have had over this potentially disruptive issue." —AP

JAKARTA: Workers install building glass-wall covers in Jakarta yesterday to prevent the over-heating from the sunlight Indonesia's Central Bank announced that the nation's foreign exchange reserves had grown to $119.9 billion by the end of February 2017, up from $116.9 billion in the preceding month, the Central Bank Governor, Agus Martowardojo, said this week. —AFP

Oil trading giant Vitol bets on fuel retail for growth

Vitol invests in gas stations from Turkey to Pakistan

LONDON: From Pakistan to Turkey, the world's largest independent oil trader Vitol is betting on a spike in gasoline and diesel demand in young and growing nations by snapping up filling stations that disappointed oil companies are prepared to sell.

With the sharp drop in global oil prices, major integrated oil companies have been shedding assets, including the marginally profitable retail outlets, to cut costs. But privately-held Vitol, which trades 6 million barrels per day of crude oil and refined products, says these assets present an opportunity to strengthen its presence in end-markets and in up-and-coming hubs.

This month, Vitol secured more than 23 percent of Turkey's retail market after it agreed to buy Petrol Ofisi from Austrian oil firm OMV for $1.45 billion. "The volume we trade means integration into the distribution chain makes sense. Retail also allows you to participate in markets on an on-going basis, so it's not always ad hoc or spot," Chris Bake, a top Vitol executive, told Reuters.

"It allows us to have different kinds of discussions with our suppliers," said Bake, who sits on Vitol's executive committee and is the chairman of retail unit Vivo Energy. The purchase will add another 1,700 outlets to Vitol's portfolio of 3,000 stations acquired through investments in the last few years in Viva Energy in Australia, Vivo Energy in Africa, Varo in central Europe and OVH in Nigeria.

It has also consolidated its initial investments such as by buying Royal Dutch/Shell's stake in Vivo and Viva and its aviation business in Australia last year. The eastern Mediterranean is a major import market and Vitol sees Turkey as a good destination because of its proximity to transport routes from the Mediterranean, Black Sea and Red Sea. "With fuel and non-fuel retailing, we can optimize the system. We are able to look closely at how to streamline the assets and we are willing to invest capital. With Vivo, we have added around 100 new service stations per year," Bake said.

Of its main trading competitors, only Trafigura is also vying for a piece of the retail pie. It has a large presence in Africa through its subsidiary Puma Energy and is set to acquire a large stake in India's Essar Oil. Glencore, Gunvor and Mercuria have favoured upstream or midstream assets. Last year, Gunvor bought a refinery in Rotterdam, Mercuria bought oil and gas marketing and distribution assets in the United States and Glencore invested in oil deposits in Chad.

Vitol's retail investments fit in with its view that transport will be the major driver of fuel demand growth, with aviation demand to outstrip that for cars, which is slated to peak in about 10 years time. "Global demand for gasoline and diesel will peak but you can't apply the macro picture to individual countries that have high growth prospects like Pakistan where the Chinese are investing tens of billions of dollars in the CPEC (China Pakistan Economic Corridor), so demand will grow compared with developed economies," Bake said.

Last year, Vitol increased its stake in Pakistan's Hascol Petroleum Ltd that runs around 450 service stations from 15 to 25 percent. Like Turkey, apart from its own growth prospects, Pakistan will become even more a gateway to the rest of Asia as CPEC will see the Chinese government invest $57 billion, mainly in a network of rail, road and pipeline projects, to connect Western China to Pakistan's sea port of Gwadar. — Reuters

US aluminum group files complaint against China

BEIJING: China appealed to Washington yesterday to refrain from imposing sanctions on Chinese aluminum suppliers after US producers filed a complaint against them in the Trump administration's first trade case. An industry group, the Aluminum Association, accused Chinese producers of selling at unfairly low prices that hurt foreign competitors in the case filed Thursday. It asked the US Commerce Department to impose anti-dumping duties of 38 percent to 134 percent on aluminum foil for consumer and industrial uses.

"China hopes that the US side will not resort to trade remedies," a Commerce Ministry official, Wang Hejun, said in a statement. "We hope the two countries can resolve the concerns of both industries through dialogue and hope the US Department of Commerce will exercise caution and avoid harming mutual benefit."

A flood of low-cost Chinese aluminum exports has pushed global prices so low that US and European smelters are closing. Producers say thousands of jobs are at risk. Trump promised during his campaign to raise duties on Chinese imports to offset what he was unfair action by Beijing but has yet to take action. Aluminum is one of an array of Chinese industries including steel, coal and glass whose production mushroomed over the past decade until supply vastly exceeded demand. The ruling Communist Party is shrinking steel and coal production but has yet to announce plans for aluminum. Chinese smelters that make more than half the world's aluminum are adding millions of tons of capacity, supported by what Western competitors say are improper subsidies. — Reuters

Tunisia's powerful union, industry agree wage hike in private sector

TUNIS: Tunisia's main labor union and largest industry association agreed yesterday to raise wages for about 1.5 million private sector workers, a step aimed at reducing social tension, restoring investor confidence and reviving the economy.

The announcement of the 6 percent increase came at a ceremony at the Prime Minister's office, after weeks of talks between the private business industry group and the UGTT, a powerful labor union that since the 2011 revolution has on occasion intervened in political matters. Wided Bouchamoui, the head of the Chamber of Commerce and Industry known by its French acronym UTICA, said the wage hike came at a delicate time for many local companies looking to increase growth after Islamist militant attacks in 2015 that have hit the economy hard.

"Our role has been to keep an atmosphere of social peace. Today, we need to raise production rates," she said. The government has imposed an extra corporate tax on all companies of 7.5 percent as part of plans to raise revenue and reduce its budget deficit, which will reach 4.9 percent this year. Noureddine Tabboubi, the head of the UGTT union, said that this agreement will help to drive production at a time when the government is looking to revive the economy, which is forecast to grow by 2.5 percent in 2017 from 1 percent in 2015.

Tunisia has been praised as an example of compromise politics and democratic transition since overthrowing former president Zine El Abidine Ben Ali in the first of the Arab Spring revolts, and has held free elections and drafted a new constitution. But many Tunisians still worry about the rising cost of living, unemployment and the continued marginalization of rural towns, some of the factors that helped fuel the 2011 protests that forced Ben Ali out. — Reuters