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HONG KONG: A women (C) poses for a photo in front of a business that has been decorated in fake flowers in the central district of Hong Kong. —AFP

Air India stake sale plan shelved

Government will continue to support carrier's financial needs

NEW DELHI: India has shelved a plan to sell a 76 percent stake in state-owned carrier Air India due to lack of interest from bidders, a government official said yesterday, marking the latest setback in its ambitious efforts to rescue the ailing airline. Air India is now reviewing its funding needs and weighing ways to remain competitive, Junior Civil Aviation Minister Jayant Sinha told reporters at a briefing, adding the government is still committed to privatizing the airline.

The decision to pull the plug on the plan came after India last month failed to attract buyers for the government's stake in the debt-laden carrier, in a blow to Prime Minister Narendra Modi's credentials as a reformer willing to step away from running money-losing businesses. "We ran a disinvestment process where we made it very clear what type of bid we were interested in receiving. Nobody expressed any interest ... that process right now is over so we have to move forward and consider other alternatives," he said.

The government will continue to support the loss-making airline's financial requirements while it works on alternatives, Sinha said, without giving a specific timeline for a new plan. The sale was also key to Modi's plans to help keep the fiscal deficit at 3.3 percent of GDP, a goal already under pressure from giveaways to farmers and other welfare benefits ahead of the 2019 national elections.

While the government says it has been forced to review the plan also because of high oil prices, a weaker rupee and rising interest rates, potential bidders found some of the stake sale terms too onerous, making it a non-starter. Delays could exacerbate the carrier's financial woes and hurt the government's efforts to cut debt, analysts said, adding the focus should now be on improving Air India's operations so it does not lose more money or market share.

"The government would look to improve the operational efficiency of the airline so that it becomes attractive for private investors to come in," said Teresa John, economist at Nirmal Bang Institutional Equities. "I don't see the Air India stake sale happening before 2019 elections unless the scenario changes, especially with airlines already under pressure on rising cost," she said.

Non-core assets

Air India, which employs some 27,000 staff, said this month it was seeking a short-term loan of 10 billion rupees ($148 million) so it can continue day-to-day operations. The carrier had debt worth 487.81 million rupees ($7.16 billion) as of March 31, 2017. Analysts say while a new plan is being worked on, the government should consider selling some of Air India's non-core assets to fund its working capital needs.

Air India has six subsidiaries - three of which are loss-making - with assets worth about $4.6 billion. It also has an estimated $1.24 billion worth of real estate, including two hotels. The national carrier, operates domestic and international flights, runs a low-cost airline and also has a ground-handling business. Under the terms, bids were invited for all three. "Air India is a classic case where the sum of parts is more valuable than the whole entity. Individual suitors are interested in different parts of Air India and they should go for a part sale," an industry source said.

Incremental funds

The decision to suspend the sale is a highly disappointing reversal of the government's earlier commitment to privatizing the national carrier, consultancy CAPA India said in a note. "Under continued government ownership, with no clear roadmap, Air India is likely to see its domestic and international market shares decline over time to a point where the carrier is no longer relevant," it said.

Air India has been losing domestic market share to rapidly expanding lower-cost operators like InterGlobe Aviation Ltd's IndiGo and SpiceJet Ltd that are now looking to expand their international routes as well. CAPA India estimated the carrier would make losses of $1.5 billion to $2 billion over the next two years alone, adding it represented an unnecessary drain on taxpayer funds. "There will be need for incremental funds but it is not clear if that will come from the government or external borrowing from banks," said the industry source, adding that the airline would most likely have to take on more debt. —Reuters

Ford bets its future on new Detroit hub

DETROIT: (L-R) Jim Hackett, Ford President and CEO, Bill Ford, Ford Motor Company Executive Chairman, rapper Big Sean, Detroit Mayor Mike Duggan, and Michigan Governor Rick Snyder gather for a photo in front of the historic, 105-year old Michigan Central train station. —AFP

CHICAGO: Bill Ford Jr, the great-grandson of the American carmaker's founder, stood in front of thousands Tuesday in Detroit, with an abandoned train station in the background, and entwined the company's future with that of the dilapidated building behind him. "This station is a symbol," Ford declared. "We're making a big bet on our future."

The company-one of America's "Big Three" automakers-bought the Michigan Central Station building, a Beaux Arts gem opened in 1913 that has stood abandoned and decaying for three decades, to make it the centerpiece of a new urban high-tech campus. The once proud building has faded, but is poised for much the same renewal that Detroit residents and businesses hope will mark the Motor City's post-recession, post-bankruptcy renaissance.

At an event, the Ford Motor Company unveiled its lofty plans: a space of 1.2 million square feet spanning several city blocks, where the company's employees, and those of partner firms and startups, will work on innovations such as autonomous driving and electrification. "Just as Detroit has had to re-imagine what it's going to be, we have to do the same, because everything is changing," Ford said.

Courting millennials

Ford hopes to open the redeveloped train station in three to four years and make it a "magnet for high-tech talent," according to a company statement. Part of the company's gamble is that, by moving its innovations divisions into Detroit's urban core, Ford can attract the technology-savvy millennials it needs. The company's main headquarters will remain in nearby suburban Dearborn.

"We want the best startups, the smartest talent, the kind of thinkers, engineers and problem-solvers who see things differently, to come and partner with us here in Detroit," Ford said. The venerable American brand is facing the same challenge as other carmakers, which is basically an image problem, said Michigan State University marketing and communications professor Robert Kolt. "I've never heard a student say, 'Well, I want to work for a car company.' They just don't say it," Kolt told AFP. "If you want to attract young people, you build a Silicon Valley-type of headquarters." —AFP

GE to be dropped from Dow Jones stock index

NEW YORK: Slumping US industrial giant General Electric will be booted from the prestigious Dow Jones stock index next week, S&P Dow Jones Indices announced Tuesday. GE will be replaced on June 26 by pharmacy chain Walgreens Boots Alliance, which will contribute "more meaningfully" to the index, S&P Dow Jones said.

GE was an original member of the Dow in 1896 and has been in the index continuously since 1907. The move comes on the heels of a bruising two-year slump for the iconic US company, which has seen shares tumble nearly 60 percent over the last 24 months amid downturns in its power generation and oil services businesses. S&P Dow Jones noted that the Dow index is weighted by stock price, which means that GE accounts for less than one percent of the overall benchmark.

Walgreens Boots has a higher stock price and will have more influence on the index, which has 30 members. Thomas Edison launched GE in the 19th century. Over time, the company has an intermittent presence in a sprawling array of industries, including entertainment and finance. The company has pared back some of these businesses in recent years, selling NBC Universal to Comcast and divesting most of its finance business. GE's best performing units of late have been health care and aviation.

Under pressure from Wall Street, GE last year replaced Jeffrey Immelt with John Flannery as chief executive. Since Flannery became CEO last summer, GE has trimmed costs, streamlined its board, cut its dividend and revamped employee compensation. The company also has announced plans to sell $20 billion in industrial assets.

In April, GE reported a loss of $1.2 billion in the first quarter due to $1.5 billion in reserves to cover legal settlements connected to a subprime lending unit it exited. Flannery warned at the time that outlook for the power sector was even worse than previously thought. Analysts have praised Flannery, but questioned whether the moves are sufficient, with some speculating whether a breakup of the company would make sense. GE said its turnaround efforts were on track. "We are focused on executing against the plan we've laid out to improve GE's performance," the company said in response to the index change. —AFP