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Toshiba unveils new plan to split into two companies

Conglomerate revises proposal to divide into three

TOKYO: Japan's Toshiba yesterday announced plans to split into two companies, revising a controversial proposal to divide into three following a tumultuous period for the storied industrial conglomerate. The group said it plans to spin off its device segment, including its semiconductor business, in a bid to speed up decision-making and boost stock performance.

Shareholders, who have clashed with management on the best way forward for the troubled company, must still approve the proposal in a vote expected in March. The original spin-off plan faced stiff opposition from some key investors. The firm also said it will unload its stake in air-conditioning business Toshiba Carrier and seek to sell its elevator and lighting units.

"We believe a spin-off is optimal," president and CEO Satoshi Tsunakawa told investors, promising it would "enable more agile and flexible operations."

He said the sprawling business "struggled with the conglomerate discount and slowness in decision-making" in the past, and streamlining operations would allow investors to choose the portion of the business that interested them. Toshiba initially unveiled a plan to split into three last November, in what analysts called a test case for other Japanese giants.

But it said yesterday that "since this is the first large-scale spin-off transaction in Japan... it turned out there were obstacles which were not initially expected". Among those were higher-than-expected costs, and an extensive process to list the two new entities.

A two-way split instead "can significantly reduce separation costs, secure financial soundness for each company, and significantly reduce spin-off uncertainty", the company said.

The spin-off is expected to cost 20 billion yen ($173 million) over two years, with running costs also increasing by 13 billion yen a year. But Tsunakawa said that would be offset by plans to reduce operating costs by 30 billion yen annually.

Years of turmoil

The Japanese giant wants the split finalized by the second half of the 2022-23 financial year, but it could yet face shareholder opposition. General Electric and Johnson & Johnson have announced spin-offs in recent months-a move analysts say is in large part forced on them by financial markets.

Spin-offs can be a way for large corporations to create more value and rationalize operations, but they can also limit coordination between sectors, experts say. Toshiba dates back to 1875 and was once a symbol of Japan's advanced technological and economic power, but it has been mired in turmoil for several years. Last year, shareholders voted to oust the board's chairman after a series of scandals and losses, in a rare victory for activist investors in corporate Japan.

As part of the overhaul, the company yesterday declared Toshiba Tec and its air-conditioning, elevator and lighting units "non-core businesses". It has already agreed to the sale of Toshiba Carrier to the US-based Carrier Corporation in a deal reportedly worth some 100 billion yen.

The conglomerate currently owns 60 percent of the air-con company's shares and will retain only five percent when the sale is completed later this year. It said it hoped to reach deals to offload the elevator and lighting units within the next two months. —AFP

TOKYO: The logo of Japanese industrial group Toshiba is seen on top of a building at its headquarters in Tokyo yesterday. —AFP

EDF is building its first EPR, a technology that heats highly pressurized water to power a steam turbine, at Flamanville in northwestern France.

France's nuclear ambitions take shape with turbine deal

PARIS: French electricity giant EDF prepared yesterday to close a deal for the nuclear turbines business of General Electric, the latest step in President Emmanuel Macron's plans to revive his country's atomic power drive. Buying the turbines would give EDF a key component for the new EPR reactors it hopes to build in France while also wooing international clients looking to reduce reliance on fossil fuels for energy.

Talks with GE were announced last September, when Finance Minister Bruno Le Maire hailed a deal that "increases EDF's capacity to build our future energy system and fulfil our industrial ambitions for this strategic sector."

It would mark a return for the turbines business to France seven years after GE's purchase of the unit from Alstom-a controversial deal approved by Macron, who was finance minister at the time.

Details have not been released, though financial daily Les Echos said EDF would pay $273 million (236 million euros), of which $73 million is assumed debt, if approved by the board of the state-controlled firm later.

It would come ahead of a trip by Macron on Thursday to Belfort, in eastern France, an industrial basin that is home to GE's main production site for its steam turbine systems. He is expected to announce further details of a new nuclear push he insists is crucial for supplying zero-emission electricity as Europe moves to slow global warming and reduce its dependence on imported oil and natural gas. That could see next-generation EPR2 reactors built in France in coming years and the development of more affordable Small Modular Reactors (SMR), which could replace existing coal-fired plants.

EDF has said Scandinavian and Eastern European countries are interested in building SMR plants, but EU heavyweight Germany remains strongly opposed to nuclear power over safety and radioactive pollution risks. France generates 70 percent of its electricity from a network of over 50 reactors across the country, but many are nearing the end of their lifespan. —AFP

Livelihoods lost as climate disaster woes mount in Kenya

MARSABIT, Kenya: DabasoGalgalo is now used to the smell and grisly spectacle of rotting flesh festering in the scorching heat as Kenya reels from a spate of climate disasters. Surrounded by barren scrubland littered with withered carcasses of sheep and goats, the 56-year-old pastoralist is struggling to keep his beloved animals, and himself, alive.

What was left of his herd after a months-long dry spell was decimated by once-in-a-generation floods that hit northern Kenya, the latest in a series of unforgiving climate shocks lashing the region.

"We recently had heavy rains and strong winds that ended up killing livestock that had gathered at this water point," he told AFP, outside a settlement called 'kambiyanyoka' (snake camp) in Marsabit.

The semi-arid region has been the scene of a prolonged drought. Then, when the rains finally came, the deluge pushed communities, who rely exclusively on livestock for their survival, to the edge of disaster. "This is a very huge loss because we have lost lots of resources following this tragedy," said Galgalo.

"If one had 500 goats (earlier), they have between five and 20 goats left." Nomadic livestock herders in East Africa's drylands have learnt to cope with the vagaries of weather over decades, driving their relentless search for water and pasture in some of the world's most inhospitable terrain. But their resilience is being severely tested by climate change.

Fight for resources

Poor rainfall in the last quarter of 2021 — the third consecutive failed rainy season-followed a devastating locust invasion a year earlier, with animals now too weak to produce milk or too skinny to be sold. There are growing fears that as the situation worsens, tensions among communities could sharpen as they compete for access to meager resources. Marsabit is particularly vulnerable because of a perennial conflict between the Borana and Gabra pastoralist communities.

President Uhuru Kenyatta declared the drought a natural disaster last September, with 2.1 million people-four percent of Kenya's population-already grappling with hunger, according to government figures. The government said last week that 23 of the country's 47 counties faced "food and water stress" while the meteorological department has warned of a potential increase in "human-to-human and human-to-wildlife conflicts".

The authorities have invested 450 million shillings ($3.9 million, 3.4 million euros) to buy 11,250 cattle and 3,200 goats from farmers in the worst-hit counties. The UN's Food and Agricultural Organization (FAO) yesterday called for "aggressive" efforts to address the situation, warning it was concerned about "the realities on the ground." "We must stay committed to doing things differently," FAO Deputy General Beth Bechdol told a press conference in Nairobi before embarking on a trip to the drought-hit north.

"We have seen too many efforts that have taken too many years, that have been repeated and tried over and over again with often times the same disappointing outcomes."

Africa hardest-hit

East Africa endured a harrowing drought in 2017 which also brought neighboring Somalia to the brink of famine. In 2011, two successive failed rainy seasons in 12 months led to the driest year since 1951 in arid regions of Kenya, Somalia, Ethiopia, Djibouti and Uganda. With conflicts raging in Ethiopia and Somalia, aid agencies are struggling to assess the true extent of the current crisis.

Experts say extreme weather events are happening with increased frequency and intensity due to climate change-with Africa, which contributes the least to global warming, bearing the brunt.

For Galgalo, the race is on to save his remaining animals and protect his only source of income. But he is losing hope. "They are suffering from pneumonia and are still dying," he said. —AFP


MARSABIT, Kenya: Pastoralists from the local Gabra community walk among carcasses of some of their sheep and goats on the outskirts of a small settlement called 'Kambi ya Nyoka' (snake camp) suspected to have succumbed due to sudden change in climate in Marsabit county. —AFP

Spirit to merge with Frontier, creating low-cost US airline

NEW YORK: Budget US carriers Spirit and Frontier announced yesterday they will merge to create a competitive low-cost airline, in an industry "shake up" they say aims to challenge the dominance of larger rivals. The cash and stock deal is valued at $6.6 billion and expected to close in the second half of the year, pending approval from US antitrust regulators. "This transaction is centered around creating an aggressive ultra-low fare competitor to serve our guests even better, expand career opportunities for our team members and increase competitive pressure, resulting in more consumer-friendly fares," Spirit chief executive Ted Christie said in a statement.

"We look forward to uniting our talented teams to shake up the airline industry," he added. The deal-with Frontier Airlines controlling 51.5 percent of the new entity and Spirit controlling the remaining 48.5 percent-would create the nation's fifth largest airline, after American, Delta, Southwest and United. Frontier and Spirit, which did not announce a new name for the joint company or its headquarters location, said they were a "perfect fit," whose merger would save consumers about $1 billion annually. The new airline would also have a fleet of more than 350 aircraft, and offer 1,000 daily flights to 145 destinations in 19 countries.

"Together, Frontier and Spirit will be America's greenest airline and deliver more ultra-low fares to more people in more places," said Barry Biffle, President and CEO of Frontier.

The Frontier board of directors chair will become chairman of the board of the combined company, according to the statement. The as-yet-unnamed board will comprise 12 directors, seven named by Frontier and five by Spirit. On Wall Street, Spirit's stock jumped more than 11 percent to $24.33 in pre-market trade Monday, while those of Frontier Group, the parent company of Frontier Airlines, slid by 2.3 percent to $12.10. The companies, which both fly exclusively Airbus aircraft, aim to create some 10,000 jobs by 2026. —AFP

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