

# FINANCIAL TIMES

TUESDAY 22 NOVEMBER 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA



**CNN aims for neutrality in a divided America**  
BIG READ, PAGE 15

**Will disrupters break Visa and Mastercard?**  
PATRICK JENKINS, PAGE 6

## Putsch against Chapek opens Iger's second act at Disney

- Top team lost faith in chief executive
- Streaming unit costs fuel discontent

ANNA NICOLAOU AND JAMES FONTANELLA-KHAN — NEW YORK  
ALEX BARKER — LONDON

Senior Walt Disney executives led an insurrection against chief executive Bob Chapek in recent weeks that resulted in his ousting and replacement with predecessor Bob Iger, according to people familiar with the matter.

The covert campaign to overthrow Chapek, which began in the summer, came after the outgoing chief executive lost the confidence of some in his top team during a tumultuous 33 months at the helm of the media empire.

"A lot of people were approaching the board, Iger loyalists who felt marginalised," said one person with knowledge of the talks.

Shares in Walt Disney rallied by as much as 10 per cent yesterday as investors wagered that Iger, one of America's most celebrated media executives, can lift morale and boost returns at the company's costly streaming unit. The company's stock price was up by 5.4 per cent in early afternoon trading in New York.

Disney executives began approaching the board, chaired by Susan Arnold, a few months ago to express concerns over Chapek's leadership. Christine McCarthy, chief financial officer, was among the executives who complained, three of the people said. Disney declined to comment. "[The board] were unclear about what to do," said one.

The final straw was Disney's bruising earnings release on November 8, during which Chapek reported that the streaming business had lost \$1.5bn during the most recent quarter. Three days later, Chapek announced job cuts, telling staff: "We are going to have to make

tough and uncomfortable decisions." Iger, who ran Disney for 15 years before leaving in 2021, stunned Hollywood on Sunday night by agreeing to replace Chapek. Iger had handpicked Chapek as his successor after he won plaudits for his management of Disney's theme-parks division.

The changes at the top come after the stock has fallen by almost 40 per cent this year as Disney and others spend heavily to compete in streaming, a business that has been costly and less profitable than cable television or cinema.

Relations between the "two Bobs" soured as Iger bristled at Chapek's handling of Disney's creative output and his management shake-up, which introduced more centralised decision making and empowered Chapek's allies.

The decision to reinstate Iger, brokered by Arnold, came less than six months after Disney renewed Chapek's contract for a further three years.

The abrupt dismissal will entitle Chapek to a significant payout. Under his old contract, at the end of 2021 he was entitled to an estimated \$54m in cash and stock in the event of early termination. Disney has not published the full details of his most recent contract.

Iger, 71, who delayed his retirement four times before finally leaving, said in a staff memo that he felt "a bit of amazement" that he was returning. Analysts at MoffettNathanson expect Iger to "re-examine" Disney's streaming strategy.

Steven Cahall, at Wells Fargo, said: "We think investors will embrace [the appointment] as it puts perhaps the best leader in media at the helm."

FT View page 16  
Lex page 16

## Win or lose Fifa punctures footballers' hopes of equal rights gesture at World Cup in Qatar



Julian Finney/Getty Images

Raheem Sterling of England, centre, celebrates with teammates yesterday after scoring their third goal during a World Cup match against Iran in Qatar.

But as England celebrated their 6-2 win in Doha, there was also disappointment for the national teams of the Netherlands, England and Wales after Fifa forced them to abandon plans to wear rainbow-themed captains' armbands in a show of inclusivity.

The captains of the three nations had said they would wear the "One Love" armbands in their matches yesterday to send a message against discrimination while playing in Qatar, a country where homosexuality is illegal.

But football's governing body said that captains would receive a yellow card for wearing unapproved armbands, forcing the teams to unwind their plans. A yellow card at kick-off

would put players at heightened risk of being sent off during a match.

The Football Supporters' Association, which represents fans in England and Wales, issued a statement admonishing Fifa for "censoring players".

"Today we feel contempt for an organisation that has shown its true values by giving the yellow card to players and the red card to tolerance," it said. Report & analysis page 2

### Briefing

► **Spending spree could cut reliance on China batteries**  
The US and Europe can cut their dependence on China for electric-vehicle batteries via \$160bn in new capital expenditure by 2030, says Goldman Sachs. — PAGE 6

► **Erdogan ups Syria ante**  
Turkey is prepared to expand operations against Kurdish rebels in north Syria to include a land incursion, threatening to escalate regional tensions. — PAGE 3

► **Climate chief plans rejig**  
After a chaotic end to this year's COP27 in Egypt the UN climate chief is planning a revamp of the group's annual summit to ensure transparency and results. — PAGE 4

► **HK leader tests positive**  
Hong Kong's chief executive has tested positive for Covid-19 days after meeting his boss, President Xi Jinping of China, in Bangkok at an Asian economic forum. — PAGE 4

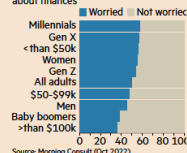
► **Compass sales soar**  
Revenues at the world's biggest catering company have surpassed pre-pandemic levels because of a surge in groups outsourcing food services for the first time. — PAGE 6

► **Cellnex says M&A is over**  
The Spanish masts group has called time on Europe's towers market, as high inflation makes it tough to finance deals and the availability of assets falls. — PAGE 8

### Datawatch

#### Holiday season angst

% of US adults worried/not worried about finances



The gift-giving season brings with it financial anxiety for almost half of US adults. Money concerns are especially prevalent among those who traditionally have lower financial wellbeing, ie women, millennials and lower-income households.



## Russians left puzzled and uneasy by Kherson retreat

Analysis ► PAGE 3, Opinion ► PAGE 17

Country	AS7000inc.GST
Australia	RM220
China	HK533
Hong Kong	Rup220
India	Rp45000
Indonesia	¥5000inc.ACT
Japan	₩4,500
Korea	RM150
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## China's Sinopec and QatarEnergy sign longest supply contract in LNG history

PRIMROSE BIRDAN — HONG KONG  
SHOTARO TANI — LONDON

China's Sinopec has secured one of the biggest-ever liquefied natural gas deals, signing a 27-year agreement to purchase 4m tonnes a year of the fuel from QatarEnergy.

The agreement announced yesterday by the state-owned groups comes as Europe races to secure alternative supplies of natural gas in the wake of Russia's invasion of Ukraine.

The deal "marks the longest gas-supply agreement in the history of the LNG industry", said Saad Sherida al-Kaabi, QatarEnergy's chief executive and the Gulf state's energy minister.

He added that it would "solidify the excellent bilateral relations" between the two nations and "help meet China's growing energy needs". The agreement

follows a shorter 10-year LNG purchase arrangement signed in 2021 between QatarEnergy and Guangdong Energy Group Natural Gas Company.

Executives said yesterday's move was likely to be followed by further agreements. "Sinopec attaches great importance to the co-operation with QatarEnergy, who we regard as a strategic, long term and all-round partner, and we are expecting more co-operation fruits to come," said Ma Yongsheng, Sinopec's chair.

Germany has also been pursuing Qatar LNG imports, and the countries signed an energy partnership in May.

However, European nations have hesitated over longer-term deals as they plan to move away from fossil fuels in a shorter timeframe.

"This shows how things have changed

in the LNG market and how committed the Chinese are to continue the use of gas in the long run within the energy mix," said Neil Beveridge, an analyst at Bernstein, who said that it was the longest contract he had ever seen.

"It comes at a time when we have been seeing buyers seeking shorter-term contracts and increased flexibility... There is a lot of hesitancy among European utilities to commit to longer-term contracts given targets among decarbonisation."

Qatar's North Field East project began in 2020 with a goal to increase the Gulf state's LNG export capacity from 77m tonnes to 110m tonnes by 2026, putting it in a position to overtake Australia.

Shareholders in North Field East, controlled by QatarEnergy, include Shell, ExxonMobil, TotalEnergies and Eni.

### World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS					
	Nov 21	Prev	%chg	Pair	Nov 21	Prev	Pair	Nov 21	Prev	Yield (%)	Nov 21	Prev	Chg
S&P 500	3936.89	3965.34	-0.72	\$/£	1.024	1.036	£/\$	0.977	0.985	US 2 yr	4.51	4.45	0.06
Nasdaq Composite	11018.22	11146.06	-1.15	\$/€	1.179	1.193	€/\$	0.849	0.838	US 10 yr	3.80	3.81	-0.01
Dow Jones Ind	32589.90	32745.93	-0.46	\$/¥	0.869	0.869	¥/\$	1.151	1.151	US 30 yr	3.89	3.92	-0.03
FTSE100	1709.84	1711.49	-0.10	\$/₹	141.526	139.895	₹/\$	145.349	144.842	UK 2 yr	3.23	3.24	-0.01
Euro Stoxx 50	3911.17	3824.84	-0.35	\$/₪	167.278	166.842	₪/\$	78.610	77.832	UK 10 yr	3.18	3.23	-0.05
FTSE All-Share	4057.01	4056.59	0.01	\$/₹	0.982	0.985	₹/\$	1.130	1.134	UK 30 yr	3.30	3.38	-0.08
CAC 40	6634.45	6644.48	-0.15	\$/₪	167.278	166.842	₪/\$	78.610	77.832	JPN 2 yr	-0.02	-0.02	0.00
Xetra Dax	14379.93	14431.86	-0.36	\$/₪	167.278	166.842	₪/\$	78.610	77.832	JPN 10 yr	0.24	0.25	-0.01
										JPN 30 yr	1.44	1.41	0.04

THE UNIVERSE OF DATA

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Dubai

Nikkei	27944.79	27899.77	0.16	Ethereum	1108.99	1140.91	-2.80	GER 2 yr	2.08	2.08	0.01
Hang Seng	17859.91	17852.54	-1.87	Bitcoin	17.51	17.51	0.00	GER 10 yr	1.99	2.01	-0.02
MSCI World \$	2658.90	2642.34	0.63	Gold \$	1751.90	1738.90	-0.40	GER 30 yr	1.90	1.92	-0.02
MSCI EM \$	943.01	942.36	0.07	COMMODITIES							
MSCI ACWI \$	616.04	612.57	0.57	Nov 21		Prev	%Chg				
FT Wilshire 2500	5152.41	5128.57	0.46	Oil WTI \$	76.22	80.11	-4.86				
FT Wilshire 5000	40241.61	40066.45	0.46	Oil Brent \$	83.11	87.62	-5.15				
				Gold \$	1751.90	1738.90	-0.40				

Prices are latest for edition  
Data provided by Morningstar

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INTERNATIONAL

Industrial costs

# German factory data eases inflation fears

### Producer prices fall on back of sharp drop in wholesale energy costs

MARTIN ARNOLD — FRANKFURT

Prices charged by German industrial groups at the factory gate fell month on month in October for the first time in more than two years yesterday, sparking hopes that consumer inflation in Europe's largest economy is close to peaking.

The 4.2 per cent monthly fall in German industrial producer prices, announced by the federal statistical agency, was due to a sharp drop in wholesale energy costs for businesses, which reflects an easing of fears about

potential gas rationing this winter. "While this was largely due to much lower energy prices, today's figures give cause for hope the inflation rate for consumer prices will also soon reach its peak," said Ralph Solven, senior economist at German lender Commerzbank.

"However, this does not mean that the inflation problem is over," he said, forecasting consumer price growth would peak by next spring "at the latest" and stay well above the European Central Bank's 2 per cent target throughout next year.

Germany has been hit by double-digit annual rises in consumer prices for the first time since the early 1950s, after Russia's invasion of Ukraine and the rebound from the covid-19 pandemic caused energy and food prices to soar.

But the recent fall in European wholesale gas and electricity prices mean price pressures in the wider eurozone economy could soon start to ease, even if this is expected to take several months to feed through to the consumer.

### "Today's figures give cause for hope the inflation rate for consumer prices will also soon reach its peak"

Carsten Brzeski, head of macro research at ING, said it would take a few more months for the "pass-through of higher gas prices to consumers" to be completed, adding he expected German inflation to peak in January.

The ECB has raised interest rates by 2 percentage points since July and is expected to raise them again next month. Signs that inflationary pressures are easing could persuade policymakers to slow the pace of rate rises.

But German businesses still plan to pass on more of their cost pressures to consumers, according to a survey of 6,500 companies in October published by the Ifo Institute in Munich yesterday.

Ifo found that companies had passed on 34 per cent of their higher purchase prices to customers in the past few months, but they expected to increase this to 50 per cent by April. "This is likely to lead to further inflationary pressure on consumer prices," said Ifo.

Compared with the same month of the previous year, industrial producer

prices in Germany were up 34.5 per cent last month, a much more marked slowdown than economists had expected after 45.8 per cent increases in the previous two months.

Energy producer prices rose 85.6 per cent in the year to October, but compared with the previous month they fell 10.4 per cent, mainly due to lower wholesale electricity and natural gas prices. Producer prices for other goods, excluding energy, rose at a smaller annual rate of 13.7 per cent in October compared with September.

German companies are also confronting rising wage demands from workers to offset the rising cost of living, but so far trade unions are settling for pay increases well below inflation, which hit 11.6 per cent in October.

Football

# European teams ditch rainbow armband after Fifa threat

JOSH NOBLE — DOHA

A bid by European teams to promote inclusion during the World Cup collapsed yesterday, after the Netherlands and Wales said they would not wear rainbow-themed captain's armbands.

The captains of the three countries had said they would wear the One Love armbands in their match yesterday to send a message against discrimination while playing in Qatar, a country where homosexuality is illegal.

But the Dutch football association said yesterday it had been forced to change tack after football's governing body made it clear that captains would receive yellow cards for wearing unapproved armbands. England and Wales also said they would ditch the plan.

"We deeply regret that it was not possible to reach a reasonable solution together," said KNVB, the governing body of Dutch football. "We stand for the One Love message and will continue to spread it, but our number one priority at the World Cup is to win the games."

"Together with the other countries involved, we will take a critical look at our relationship with Fifa in the coming period." Switzerland, Germany, Denmark and Belgium are also part of the Dutch-led One Love campaign.

"As national federations, we can't let our players face sporting sanctions including bookings, so we have asked our captains not to wear the armbands in Fifa World Cup games," all the football associations involved said in a joint statement. "We are very frustrated with Fifa, and believe this is unprecedented."

The issue of whether European captains would be allowed to wear their preferred armbands brewed for months ahead of the tournament. Requests by football associations for permission to wear One Love armbands were made months ago, but Fifa made its position clear only yesterday, hours before kick-off, according to the Dutch statement.

Receiving a yellow card at kick-off would put players at risk of being sent off during a match. Football associations had initially been expecting to just pay a fine for breaching the rules.

Fifa announced its own campaign armbands on Saturday, the day before the tournament began. Carrying slogans such as "Football Unites the World" and "Share the meal", the UN-backed initiative was launched with a short video including messages from superstars Lionel Messi and Neymar.

Fifa president Gianni Infantino used a French reference on Saturday to kick back at European criticism, saying that football's governing body needed to focus on areas of consensus.

"There are associations who think white and others who think black. Which one is better? Which cause is better? We cannot take sides. We have to defend causes which are international, which are global... because otherwise we start excluding people because they don't think like us."

France was also part of the One Love campaign before the tournament, but French captain Hugo Lloris had already indicated he was unlikely to wear the armband, saying that he needed to show "respect" for Qatar's culture.

## Ukraine conflict. Political rallies

# Antiwar protests stretch across central Europe

### Wave of demonstrations brings together unlikely bedfellows from left and right

SAM JONES — LEIPZIG  
RAPHAEL MINDER — WARSAW

Were it not for the banners, it could have been a crowd gathering for an early opening of Leipzig's Christmas market. Then came the speeches.

"Please do not provoke the police and note that Russian flags or signs that show support for Russia's armed forces are not welcome," an organiser declared by loudspeaker at the event this month.

"Germany is serving as a puppet exclusively for American interests and those of Nato," the first orator warned to the hundreds-strong crowd, a mix of students, families and pensioners. Some carried banners for the German left, some peace flags and some homemade signs drawing complex parallels between the nine-month war in Ukraine and the coronavirus pandemic. As the anti-American rhetoric soared, the crowd applauded, jeered and whistled.

"The embargo policy against Russia has failed completely and is being directed catastrophically against ourselves," the speaker continued, invoking the Holocaust and declaring the war in Ukraine a "paradise" for "warmongers, arms companies and profiteers".

For several weeks every Monday evening—a nod to the regular protests on that day in Leipzig in the 1980s against the Communist regime—such rallies have taken place in dozens of towns and cities across eastern Germany.

Most are attended by a few hundred people, many by just dozens. But as with similar rallies elsewhere in central and eastern Europe, they point to a worrying trend for the region's political mainstream.

In Germany, some protests have been organised by the radical left and some by the populist right, in a sign of how a deepening economic crisis, conflicted historical heritage and complex relationship with Russia are dissolving traditional political rivalries and fusing new movements opposed to the status quo.

In Leipzig, eastern Germany's biggest city after Berlin, the hard left and hard right have often found themselves



Peace call: people gather in the east German city of Dresden seeking an end to the conflict in Ukraine

Daniel Schatzpfa

protesting together on Augustusplatz, separated only by a tramway. "We want Nato warmongers to stop creating a conflict between Germany and Russia, between Ukraine and Russia," said Sabine Kunze, a pensioner at the rally. She clutched a cardboard sign that read: "Peace with Russia."

"We want normalised gas and electricity prices," she added, rolling off a list of grievances, including that young children were being "set against" Russian children in kindergartens. "I don't mind speaking to you because people need to understand we're not Nazis," she added. "We want peace."

David, a 30-year-old unemployed man from Brandenburg, carried a cardboard picture of chancellor Olaf Scholz. "Jumping jack," it read, with "Biden's War" printed on its reverse.

"Ordinary Germans are paying because America wants to interfere in

Russia," he said, adding that his bills were increasing and his chances of getting a job decreasing.

In rallies elsewhere in eastern Germany in the past two months, the messages have been strikingly similar, regardless of political hue. "Energy security and protection from inflation—our land first!" declared the banners at an October gathering in Berlin organised by Alternative für Deutschland, the established rightwing populist party. Some protesters waved Russian flags.

A recent parliamentary disclosure by German security services listed the campaign slogans at 25 rallies organised in September by the far-right Free Saxons. They included: "Nordstream 2, opens it immediately"; "Community not division!" and "Stop inflation, the war, and the corona madness!"

"A lot of different grievances are

becoming fused—very dangerously fused in democratic terms—in these protests, particularly in east Germany," said Professor Hajo Funke, a political scientist at the Free University of Berlin. It was notable how antiwar sentiments were being channelled by populist movements that established themselves in opposition to restrictions imposed during the pandemic, he added.

He said their spread was being slowed by the German federal government's measures to help consumers and businesses cope with the impact of the war. But the outlook, particularly with refugee numbers again growing sharply in Europe and cold weather setting in, is far from certain.

Even bigger antiwar protests have taken place in neighbouring Czech Republic, although pro-Russian sentiment there has often been refracted through local political issues. In early September, 70,000 protesters gathered in Prague to oppose the government and Nato. Speakers at the demonstration were "pro-Kremlin, Euro-sceptic" and sometimes connected with conspiracy websites, according to Petr Just, head of the political science department at Metropolitan University Prague. But, he said, their audience was "quite a diverse group and most of the people came to express their disappointment with the government's handling of the current socio-economic crisis and energy crisis. Many of the people did not know they were being used by the pro-Kremlin groups."

In Slovakia, polls have shown 19 per cent of the population preferring a Russian victory to a Ukrainian one, according to a survey published last month by the think-tank Globsec.

While public antiwar or pro-Russia street protests have been small, "this can change over the course of winter," said Globsec policy director Dominika Hajdu. As in other countries, the Slovak protests "also unite different factions", Hajdu added.

But it is in Austria where antiwar messaging and pro-Russia sentiment appear to be enjoying greatest currency. "The entire issue landscape now speaks for the Freedom party," said Thomas Hofer, an Austrian political commentator. "We're not far from a situation where they could conceivably be first in the polls."

used to cycle to the training ground on rainy 1960s evenings to watch Rinus Michels coach the Ajax side that became European champions three times.

As a player he could not get past Ajax reserves. His footballing brain was stuck in a gangling unathletic body. In one spectator's unimprovable phrase, he ran "as if he'd swallowed an umbrella". He spent 15 years as a playmaker for smaller clubs, while teaching gym at local technical schools, where he learnt coaching Dutchmen, whose football culture prizes complex tactics and the collective. Abroad, his tactlessness grated.

Sacked by Manchester United in 2016, he drifted out of football, before "unretiring" last year to lead Oranje. Initially he kept his cancer secret. His wife said in the 2022 documentary *Louis*: "He had a catheter on his stomach and a bag for urine hanging on his leg. The players knew nothing." He'd sneaked out of camp for chemotherapy treatments.

lately himself: a man without irony whose strength is that he takes everything seriously—football, his players and himself. He talks freely, ranging from the lucky orange underpants he will wear on matchdays to the "ridiculous" choice of Qatar as host. He says supporters boycotting the tournament "are right". The man who once asked a journalist, "Am I a clever or are you a stupid?", now only occasionally berates questioners. He has accepted to Dutch

## World Cup Qatar is 'biggest present' for manager van Gaal

SIMON KUPER — DOHA

Hardly anyone at this World Cup has walked a longer path to get here than the Netherlands' 71-year-old manager, Louis van Gaal.

Rummaging through my cellar recently, I found possibly his last interview as coach, in the Dutch magazine Voetbal International, in January 1987. Fresh from a short stint as caretaker coach of Dutch club AZ Alkmaar, he

used to cycle to the training ground on rainy 1960s evenings to watch Rinus Michels coach the Ajax side that became European champions three times.

As a player he could not get past Ajax reserves. His footballing brain was stuck in a gangling unathletic body. In one spectator's unimprovable phrase, he ran "as if he'd swallowed an umbrella". He spent 15 years as a playmaker for smaller clubs, while teaching gym at local technical schools, where he learnt coaching Dutchmen, whose football culture prizes complex tactics and the collective. Abroad, his tactlessness grated.

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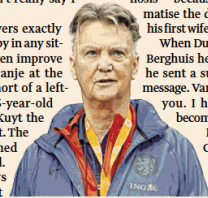
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...complained that people thought him "arrogant" just because "I have an opinion about everything". But the headline was: "I think I will succeed as coach."
He has. The former coach of Ajax, Barcelona, Bayern Munich and Manchester United, pictured, is now in his third stint managing the Netherlands, while fighting aggressive prostate cancer. Yesterday, his "Oranje" opened their tournament against Senegal with a 2-0 win.
"We have a big chance of becoming world champions," he unabashedly states. If so, his tactical genius will be needed to elevate his mediocre squad: Oranje's star is arguably their coach.
Raised in Amsterdam close to the Ajax stadium, the teenaged van Gaal

...to explain difficult concepts simply.
The shouty, flat-faced schoolmaster made a poor first impression as coach. But as he said: "As a coach it's about two things: leadership qualities and insight into the game. I can't really say I don't have those."
He could tell players exactly which space to occupy in any situation. He could even improve them. Coaching Oranje at the World Cup 2014, short of a left-back, he taught 33-year-old outside-right Dirk Kuyt the position in a fortnight. The Netherlands finished the tournament third.
Van Gaal always seemed happiest

...of coaching the chemotherapy treatments. After breaking a hip bone, he coached a game from a wheelchair.
In the documentary he is open about his condition - there's even a scene in which a doctor gives him the dread diagnosis - because he wants to destigmatise the disease. Cancer killed his first wife aged 39.
When Dutch midfielder Steven Berghuis heard about the illness he sent a supportive WhatsApp message. Van Gaal replied: "Thank you. I hope you're ready to become world champion."
He called this World Cup "the biggest present I've ever had".
He approaches it unchained, asso-

...national treasure.
He keeps developing as coach, absorbing each advance in football tactics - "a septuagenarian innovator", the Volkskrant newspaper called him. In the 1990s he prized possession, but now Oranje will lean back on their three central defenders, then accelerate forward the instant they win the ball.
His only prime-age world-class players are centre-back Virgil van Dijk and central midfielder Frenkie de Jong. "In terms of individual quality, countries like England, Germany, France and Spain are further," van Gaal admits.
The Dutch are in the lowest-rated group, with Qatar, Ecuador and Senegal. And as van Gaal said, success at football is "the purpose for which I am on earth."



INTERNATIONAL

Russians struggle to make sense of Ukraine war after Kherson retreat

Visitors to Moscow exhibition are at a loss about the Kremlin's aims and worry over conflict's cost

POLINA IVANOVA — MOSCOW
MAX SEDDON — RIGA

On a snowy afternoon in Moscow last week, a trickle of people entered a vast hall under the Kremlin walls, past armed riot police, to see an exhibition on what Russia still describes as a "special military operation" in Ukraine after nine months of war.

Between pictures of bombed-out Ukrainian civilians and the bloodied corpses of civilians presented as heroic victims of the conflict, visitors are shown a triumphant video about Russia's recent annexation of four Ukrainian regions.

Except since the show's opening this month, Russia has withdrawn from the capital of one of them, Kherson, leaving behind billboards proclaiming "Russia is here forever". The city had fallen under Russian occupation in March, in the early days of president Vladimir Putin's full-scale invasion.

The propaganda display left Katya, a middle-aged Moscow schoolteacher, who had brought along a group of 11-year-old pupils, with more questions than answers. She said she wondered what all the casualties were for.

"No one understands anything," she said as she left the exhibition hall. "First we came up to Kyiv, and then we left - and how many people were killed? Then we took Kherson, and then we left it again. And how many people were killed?"

"Even military men," she said, referring to veterans of earlier Russian wars in her family, "they know how war works. But even they do not understand this strategy."

For many in Moscow, the retreat from Kherson has sown confusion and raised questions about the war's costs to Russia. Most of all, the news has added to the general, simmering anxiety people have felt since late September, when Putin announced a military draft and brought the war directly into Russian homes for the first time.

"Everyone is in an unstable state, nervous, anxious," Katya said of her friends, colleagues and family. "Everyone is depressed."

Though life continues much as ever in Moscow, with cafés and restaurants bustling, the latest survey from the independent Levada Centre pollster, published last month, found that 88 per cent of people were "worried" or "very worried" about developments in Ukraine. Only 36 per cent of Russians said that they believed the country should continue fighting, while a majority thought it was time for peace talks.

But if Russians are increasingly concerned about the war, they appear to feel little attachment to the newly occupied territories that Moscow annexed to great fanfare after holding sham referendums there. As a result, many have reacted with indifference to the loss of a place such as Kherson.

"Of course, it is pretty amazing how easily the Russian authorities said goodbye to Kherson," Tatiana Stanovaya, founder of R. Politik, the political consultancy, wrote in social media post. "And the people do not seem to be clinging on to the new territories either."

She pointed to a recent Levada poll



Conflict zone: an aerial image of a burning building in Ukraine is part of the exhibition in Moscow that also seeks to explain the historical links, below, between the two nations
Yuri Kodolov/EPA-EFE/Shutterstock

that asked Russians to name big events they remembered from the news. Just 9 per cent recalled the referendums and annexation even though those events were in progress as the survey was being conducted.

The Kherson retreat will not affect Putin's ratings, Lev Gudkov of Levada told RTVI, the Russian-language broadcaster. Over time, it may erode faith in him as a leader, he said, but for now, "censorship and propaganda will work to soften the meaning of this event and the severity of this local defeat."

State media explained the retreat as a difficult but necessary decision, taken to save the lives of Russian soldiers. The ultranationalist, pro-war camp took issue with the decision and this explanation, but the critiques by this minority

have been muted lately, following stern warnings from the Kremlin.

Still, discontent simmers privately. A former senior official said losing Kherson six weeks after Putin declared it part of Russia indicated a lack of strategic planning. "They are just completely mishandling this. They cannot think two steps ahead. It is completely reactive," said the former official, speaking anonymously given the risks in articulating public criticism. "It is completely humiliating. This was the only provincial centre Russia had, and they surrendered it in a month and a half."

The vast majority of Russians would truly care only if Ukraine attempted to regain control of Crimea, which Moscow annexed from Kyiv in 2014, said Alexei Venediktov, editor of the Echo of Moscow radio station. The peninsula has developed an almost mythical status among Russians, particularly as a holiday spot. To the majority, "Crimea is sacred," Venediktov said.

But other regions and cities to which Russia has laid claim carry little emotive resonance. "Donetsk, Luhansk, some sort of Mykolayiv, Kherson, Zaporizhzhia - where even are they?" he said.
But there was a sense of upset among the Moscow elites, said Venediktov, who remains in contact with many people in positions of power despite the forced closure of his radio station in March.

Top political and business circles dislike turbulence, he said, and were perturbed by the way military setbacks are bringing hardline and fringe characters,

'It is pretty amazing how easily the Russian authorities said goodbye to Kherson. And the people do not seem to be clinging on to the new territories either'

Tatiana Stanovaya, political consultant

such as Ramzan Kadyrov, the Chechen warlord, and Evgeny Prigozhin, the paramilitary leader, to the political fore.

But few around Putin dare speak out against the invasion, said a Russian oligarch under western sanctions. "The technocrats have no instruments. It is a very stable situation. Security is under Putin's control. And the shift in public opinion is not happening. Millions of people who are against the war have left."

Entering the exhibition hall next to Red Square, visitors are greeted with an immersive, 360-degree video projection of the skyline of the Ukrainian city of Mariupol. Smoke rises from destroyed apartment blocks in the city, which experienced the heaviest Russian shelling of the war, killing thousands.

Subsequent rooms rewrite the history of Ukraine, its relations with Russia and the war itself, attempting to bring Muscovites into the alternate reality that permeates state news. The bombardment of Mariupol, for example, is explained on a plaque on the wall: the city's 600,000 residents were "taken hostage by the Ukrainian army", which "destroyed its own citizens" while "snipers shot even at children".

In a final room, filled with portraits of Russian soldiers killed in the war, visitors are invited to leave messages in a guestbook. It is a mixed bag: scrawls by children, expressions of gratitude to Putin, calls for a much bigger, all-out conflict. And just once: "NO TO WAR!"

See Opinion

Turkey
Erdoğan warns of possible land offensive in northern Syria

AYLA JEAN YACKLEY — ISTANBUL

Turkey is prepared to expand military operations against Kurdish militants in northern Syria to include a land incursion, president Recep Tayyip Erdoğan said, threatening to escalate tensions in a region where US and Russian troops are present.

"This is not limited to just an air campaign," Erdoğan said yesterday, after air strikes targeting the Kurdistan Workers' party (PKK) in Iraq and the People's Protection Units (YPG), its Syrian affiliate. "We will consult our defence ministry and general staff and decide together the extent to which our land forces need to contribute, then take our steps accordingly."

Erdoğan has for months threatened a ground offensive against the YPG, which he says poses a national security risk for Turkey. Officials said the air strikes against almost 90 PKK and YPG targets were in retaliation to a bomb attack in Istanbul that killed six people and wounded 81 others last week.

The Syrian Observatory for Human Rights said at least 35 people were killed in the strikes over the weekend. The Turkish defence ministry said it was continuing its "response" yesterday after shelling from northern Syria hit a Turkish residential area near the border, killing two people. Turkey is in contact with the other countries that have troops in Syria, Erdoğan said, but added he did not inform US president Joe Biden or Russian leader Vladimir Putin about the strikes.

A large-scale land operation could strain ties with the US, which arms and trains the Syrian Democratic Forces to fight Isis. It could also affect relations with Russia, whose troops have operated in areas controlled by the YPG since 2019, when Turkey sent in troops to expel militants along its border.

US support for the SDF, which is dominated by the YPG militia, has plagued Turkey's relationship with its Nato ally. Turkey views the YPG as a terrorist organisation because of its links with the PKK, which has waged a four-decade insurgency for autonomy inside Turkey and is listed as a terror group by Washington. In his remarks, Erdoğan said Russia could do more to "clean up the terrorists" in northern Syria.

Turkey has invaded Syria four times since 2016 to fight the YPG and Isis and now controls a large tract of the Arab state's territory. It is one of the last backers of opposition fighters who have sought to topple President Bashar al-Assad, who has the support of Russia and Iran, since the civil war began in 2011.

Yesterday, a teacher was killed after Kurdish shelling hit a school in the border town of Karakamis, said interior minister Süleyman Soylu. A 5-year-old child was also killed when his home was struck. The ministry said it had "neutralised" several militants in the weekend's air strikes. Syrian Kurdish officials said that 11 civilians and 15 Syrian government soldiers were killed by the Turkish bombardment.

Both the PKK and Syrian Kurdish groups denied involvement in the Istanbul bomb attack on November 13.

South America

Peace talks with Colombian rebels to resume

JOE PARKIN DANIELS — BOGOTA

The Colombian government and leftist

groups, will join Venezuela as guarantors of the process. The government has said that the location of talks will rotate

2,400 fighters, making it the country's most powerful armed group following the demobilisation of the Revolutionary



ESKOM

South Africa short of funds for power back-up

JOSEPH COTTERILL — JOHANNESBURG

South Africa's state electricity monop-

total. The cuts leave South Africans in darkness for up to 10 hours a day as a years-long energy crisis under the rufine

(\$636m) on diesel over the past 10 months, adding to the pressure on a utility burdened with about 400bn rand of



guerrilla group the National Liberation Army (ELN) were set to begin peace talks yesterday in a bid to end more than half a century of war that has left thousands of victims.

The move fulfils a campaign pledge from Colombia's first leftist president, Gustavo Petro, himself once a guerrilla fighter with the now-defunct M-19 rebels, and is part of his wider calls for "total peace" with myriad armed groups in the conflict-strewn Andean nation.

"We are aware of the deep desire of the Colombian people, society and nation to advance in a peace process and the full construction of democracy," read a joint statement published by the government and ELN negotiators.

The first round of talks was expected to take place in Caracas following a diplomatic detente between the two neighbours. Petro met his Venezuelan counterpart, Nicolás Maduro, this month, breaking with the policy of his predecessor, Iván Duque, who recognised the US-backed opposition leader Juan Guaidó as Venezuela's legitimate leader.

Cuba and Norway, both with a history of mediating negotiations between the Colombian government and rebel

between the three countries, although Cuba and Norway have not confirmed this. Duque broke off earlier talks, then taking place in Cuba, between the government and the ELN after the rebels killed 22 police cadets with a car bomb in 2019, having refused to stop attacks

### 'We are aware of the deep desire of the Colombian people . . . to advance in a peace process'

against the state. On Thursday, the attorney-general's office said all arrest warrants for members of the ELN's negotiating team had been suspended.

Iván Cepeda, a senator from Petro's coalition and a member of the government's delegation told the Financial Times that Venezuela had been chosen as the location of the talks after "years of Cuba's generosity" in hosting the earlier discussions. "All negotiations are difficult and present challenges," Cepeda said. "But I'm confident an agreement can be reached." Conflict analysts estimate that the ELN boasts around

Armed Forces of Colombia (Farc), which signed a peace deal with the government of president Juan Manuel Santos in 2016.

Petro has promised to fully implement the deal, after Duque, a sceptic, was accused by critics of deliberately slowing its rollout. Farc dissidents who did not demobilise after 2016 now make up other armed groups that Petro has suggested he will negotiate with.

Colombia's civil war, waged for decades between the state, leftist guerrilla groups and rightwing paramilitaries, killed 450,000 people between 1985 and 2018, and displaced millions. Almost all armed groups relied on the drug trade, kidnapping and extortion to bolster their war chest.

The ELN is known to operate across Colombia's territory, as well as in Venezuela, where it is believed to have the tacit support of members of the Maduro government. The Colombian government has expressed a preference for partial agreements during negotiations, something that sets this process apart from the deal with the Farc, where negotiators said that nothing was agreed until everything was agreed.

only Eskom has run out of money to buy diesel for critical back-up power plants, forcing President Cyril Ramaphosa's government to find emergency funding or risk even more severe rolling blackouts.

Eskom has burnt through hundreds of millions of dollars in diesel this year to limit the power cuts arising from constant breakdowns of ageing coal plants that dominate South Africa's electricity supply, but the indebted utility has finally hit its financial limit.

There are no more deliveries on the way to fuel emergency turbines and "Eskom does not have funds to order more diesel . . . unless [alternative] sources of funding are found", the company told the Financial Times yesterday.

South Africa's Department of Public Enterprises, which oversees the company, said it was "urgently working with [the] National Treasury and Eskom for it to find the money to buy supplies of diesel". The diesel shortage underlines how the electricity supply of Africa's most industrial economy is being taken to the brink after more than 100 days of outages this year — double last year's

African National Congress escalates.

But analysts said the situation could quickly deteriorate without diesel reserves to make up for sudden shortfalls of power at peak demand times.

These emergency diesel plants are designed to run for only a few hours a day, but have become more important as Eskom struggles to maintain old coal plants and newer stations have malfunctioned at short notice.

Jan Oberholzer, Eskom's chief operating officer, said last week that the company had spent 11bn rand



Power cuts have left South Africans in the dark for up to 10 hours a day

debt. Global diesel prices have surged this year following Russia's invasion of Ukraine.

Ankerlrig and Gourikwa, two big diesel "peaker" plants, "have limited stock that is being carefully preserved for dire emergencies", Eskom said. Eskom can call on other back-up systems, such as pumped storage hydro plants and buying privately owned peaker power, but the 2,000-megawatt capacity of these two plants is critical given South Africa's outages move up in "stages" of cutting off 1,000 megawatts at each level.

"This means that if [Ankerlrig and Gourikwa] are not able to run at all, then the impact would be two stages of load shedding more than if they could all run," said Eskom, which is currently imposing up to four stages of outages.

Last month, the South African treasury said that it would transfer up to two-thirds of Eskom's debt to the state's books next year in order to relieve the financial burden on the utility, but details have yet to be finalised. The government announced reforms to unleash more private power generation outside Eskom, particularly renewables, but new projects will take years to build.

## INTERNATIONAL

### Sharm el-Sheikh summit

# UN climate chief pledges to overhaul COP

Delegates complain about lack of progress on goals and way the event was run

CAMILLA HODGSON — SHARM EL-SHEIKH

The UN climate chief plans to shake up the organisation's annual international summit to ensure it is transparent and produces results after a chaotic conclusion to this year's COP27 in Egypt.

Simon Stiell, head of the UN Framework Convention on Climate Change, said hours after the conference closed in Egypt that he intended to make the process as "effective as possible".

This year some key participants expressed dissatisfaction with the way the event at the Red Sea resort of Sharm

el-Sheikh was run. Many vulnerable countries welcomed agreement on a fund to help poor countries cope with climate change, but others said the fortnight of talks and all-night wrangling ended with no progress on global warming targets.

Some diplomats questioned the integrity of the COP27 Egyptian presidency. "I've never experienced anything like this: untransparent, unpredictable and chaotic," said one.

Negotiating teams were given little time early on Saturday to review draft texts on several issues, said people familiar with the matter. That was "not a usual procedure", said one EU official. The talks took the summit, which drew about 45,000 participants, into a second day of overtime, and the final plenary

session was held on Sunday after 3am. Stiell, previously Grenada's climate resilience and environment minister, said he would review the COP process on returning to the UN body's secretariat in

'I've never experienced anything like this: untransparent, unpredictable and chaotic'

Bonn, Germany. Elements "can be done better", Stiell said, and recommendations would be made to the next presidency, held by United Arab Emirates, ahead of the 2025 conference.

"The process needs to be as streamlined as possible, it needs to be as

effective as possible," he said. The COP27 conclusion drew mixed reactions. The finance minister of Tuvalu lamented a "missed opportunity" and some western negotiators blamed energy producers such as Saudi Arabia for watering down the final deal.

The presence of more than 600 lobbyists from the fossil fuel industry drew complaints from a group of scientists and climate advocacy groups. The final hours were marked by a failed attempt by dozens of countries to include a pledge to phase down fossil fuels.

Stiell said of the lobbyists: "You can't ignore them. The question is how do you engage them and where do they fit within the process. I believe it's absolutely essential the process is completely transparent." Asked if said

transparency had been lacking at COP27, Stiell said: "I can't answer that but it is something I'm going to look at."

One way to improve the process might be to involve future presidencies alongside the presidency-elect for a given year, Stiell said.

COP27 had not been a failure, said Stiell. "There was no backsliding in an environment that is very difficult, with the energy crisis, where you have seen increases in the use of fossil fuels," he said. The absence of backsliding was "noteworthy", but next year "there is an opportunity for greater performance".

A focus on the energy sector next year "was an obvious place to start", he added. The science was clear, Stiell said, about the need to "transition away from fossil fuels".

### Pandemic

# Hong Kong leader tests positive for Covid after meeting Xi

PRIMROSE RIOR DAN — HONG KONG RYAN MCMORROW — BEIJING TOM MITCHELL — SINGAPORE

Hong Kong's chief executive has tested positive for Covid-19 just days after meeting his boss, Chinese president Xi Jinping, at the Asia Pacific Economic Cooperation forum in Bangkok.

John Lee was seated next to Xi during a meeting on November 18 and also stood next to him at an event on November 17, potentially one of Xi's closest known brushes with the virus since the start of the pandemic.

China has been following a strict zero-Covid policy, routinely forcing millions into quarantine and home lockdowns despite the huge economic and psychological costs. Neither politician wore a mask on the two occasions they met.

"[John Lee is] undergoing isolation," the Hong Kong government said yesterday. Lee tested positive on his return to the Chinese mainland on Sunday.

The news comes as confusion deepens over the future of China's zero-Covid policy, with any reopening closely watched by investors, who hope it will pave the way for an economic recovery.

Certain cities experiencing outbreaks, such as provincial capitals Shijiazhuang and Guangzhou, were first permitted to impose less stringent restrictions but have since rolled out tougher controls.

Xi started travelling outside China only in recent months. A brief trip to central Asia in September was his first overseas since January 2020, when the virus erupted out of central China.

The health of top Chinese Communist party leaders is a closely guarded secret. It is likely that Xi, who returned to China last weekend, will remain out of public view until completing the latest quarantine requirements, which include at least five days of self-isolation.

The Chinese leader's week-long tour of south-east Asia for the G20 summit in Indonesia and the annual Apec leaders' meeting in Thailand marked his return to the global stage. He had a flurry of talks with peers including US president Joe Biden, as well as the leaders of France, Italy, Spain, the Netherlands, Australia, Japan and South Korea.

Xi's last known brush with the virus was in June, when he visited Hong Kong to mark the 25th anniversary of its return to Chinese sovereignty. Steven Ho, a Hong Kong lawmaker, posed in a group photo with Xi and subsequently tested positive, but all in the picture were wearing masks at the time.

Hun Sen, Cambodia's leader, tested positive for Covid-19 after hosting the south-east Asian leaders. Chinese premier Li Keqiang and Biden just before the G20 summit.

Investors have been hoping for a greater loosening of the zero-Covid policy since November 11, when China announced several measures, including lowering the number of days in quarantine for incoming travellers and close contacts of Covid cases.

Shijiazhuang, not far from Beijing, was at the forefront of easing the draconian restrictions. On November 15, the city pivoted from a full lockdown into reopening. Covid cases, however, continued to spread among residents, and

### Middle East. Social unrest

# Iranians put jobs before solidarity with protests

Calls for a wave of strikes like those that created the republic have largely gone unheeded

NAJMEH BOZORGMEHR — TEHRAN

As pro-democracy protests gained ground in Iran in recent months, the managers of a small clothing shop shut its doors in anticipation of general strikes in support of the demonstrations.

But to the store managers' surprise few other sectors followed suit. After four weeks, they opened their doors again but filled their Instagram account with stories on the protests rather than posts promoting their wares.

The Islamic republic has been struggling with one of the largest and longest-lasting demonstrations in its history, following the death of Mahsa Amini, a young Kurdish woman, in custody.

More than 200 people, including 30 children, have been killed in government crackdowns, according to Amnesty International. Last week, protests escalated across the country.

A nine-year-old boy in the southern town of Izeh was among those killed, further fuelling public anger. The small clothing store closed for three days, as did others, some out of support for the protesters, others fearing attack.

Strikes were instrumental in the overthrow of the monarchy during the 1979 Islamic revolution. This time protesters have urged all groups, including merchants in the bazaars, teachers and workers in the oil sector, to stage strikes in the hope that this would turn the latest unrest into a revolution and lead to the replacement of the theocracy with a modern, secular government. But workers have responded cautiously.

While there is broad sympathy for the protests and questions about whether it is possible to overthrow the Islamic republic, many people fear losing their jobs amid uncertainty over the direction of the protests, which are largely leaderless and unorganised. Some eye nearby Syria and Afghanistan and worry that Iran could become engulfed in chaos.

In Tehran's Grand Bazaar, some shops shut last week. "There was a mixed reaction in the bazaar, with some volun-



"We still cannot say the bazaar has staged a strike but what they did has symbolic importance that the bazaar has shown its support for the protests."

In the northwestern Kurdistan province, from which Amini hailed, the bazaars have had some of the biggest strikes in that region's history, with shopkeepers closing their stores several times over the past two months.

But workers in the crucial oil, gas and petrochemical sectors have yet to strike. More than 200,000 people work in the oil sector alone.

A businessman in the oil sector said that when his staff last week went to

'Authorities have their loyal forces everywhere, which will not allow strikes to be formed easily'

Protests have spread to cities such as Zahedan, left, from Tehran, where shops in the Grand Bazaar, below, were shut — UGC/AFP via Getty Images/Warna/Rifters

added there have been occasional protests by non-staff workers hired by subcontractors, but only in sectors that have little impact on production.

"We are not aware of any drop in production in oil, gas and petrochemical fields," he said. "There is always potential for strikes but they can only cost workers their jobs and wages now. Petrochemical workers who are in the production sector, for instance, are pretty well paid and are not into strikes."

Iranian authorities, as part of efforts to silence dissent, have increased wages, boosting the salaries of civil servants, soldiers and pensioners by up to 20 per cent for the second half of this Iranian year, ending in March.

State-affiliated charity organisations have also increased the monthly allowance they give to poor families by 30 per cent. Disabled veterans of the Iran-Iraq war in the 1980s will receive a 25 per cent rise in their income. Public sector workers had already enjoyed a rise in wages of about 60 per cent this year, above inflation of 42.9 per cent.

"There is little readiness for general strikes while the Islamic republic has managed to keep various groups distant from each other," said Hamid Hosseini, another businessman in the petrochemical sector.

"Authorities have their loyal forces everywhere, which will not allow strikes to be formed easily."

Given the impact of sanctions on the oil sector, which were imposed in 2018 after former US president Donald Trump pulled out of the 2015 nuclear accord, it was unclear how long Iran could sustain this strategy, analysts said. Although US president Joe Biden's administration has shown willingness to revive the 2015 deal, indirect talks between the two nations have stalled.

For the clothing store, business has been running at a loss since the protests began. It does not see things returning to normal any time soon.

"Protests may calm down for a while but then something else will spark a new round," said the manager. "Iran has gone into an irreversible path, but we



tarily shutting shops and others fearing being attacked by protesters," said one businessman in the traditional market.



Asaluyeh, an Iranian port that serves South Pars, the world's largest gasfield, there were no signs of any shutdown. He

also need to find a new normal and a way to survive [financially] without sacrificing our moral values."

during the weekend, the municipal government retreated, imposing a new lockdown.

Midterms

# Republican reliance on wealthy donors offers little guarantee of electoral success

COURTNEY WEAVER — WASHINGTON  
CAITLIN GILBERT — NEW YORK

Republicans fell further behind Democrats in grassroots fundraising in the midterm elections, with some analysts blaming the party's reliance on a few rich "megadonors" for its relatively poor performance.

According to Financial Times analysis of Federal Election Commission and OpenSecrets data, Republicans secured millions of dollars more in outside spending than Democrats this year. The party's biggest donors wrote significantly bigger cheques than their counterparts on the Democratic side, based on filings as of October 19.

However, Democrats were able to raise more small-dollar donations in the handful of key states that allowed them to hold on to the Senate — a potential barometer of voter enthusiasm for the party in those states.

The Republicans won control of the House of Representatives, but by a much thinner margin than expected.

"When people feel like they have skin in the game, they're buying into a

candidate. They're going to be more likely to show up and vote," said Edward Erikson, a progressive political consultant who specialises in combating the impact of big money in politics.

Between both megadonor-powered outside spending and grassroots fundraising, Republicans had \$2.1bn to power their efforts this election cycle. That massive sum was still less than the Democrats' \$2.5bn that stemmed primarily from nearly \$1.9bn in grassroots fundraising.

In Pennsylvania, Democrats raised two and a half times the small-dollar donations that Republicans managed ahead of the victory of progressive Democrat John Fetterman over Mehmet Oz, the former television doctor backed by Donald Trump.

In New Hampshire, where Democratic incumbent Maggie Hassan defeated her Trump-endorsed opponent, Don Bolduc, by a nine-point margin, Democrats raised nearly double the amount that Republicans raised in small-donor dollars.

Democrats also raised more in small-dollar donations in Arizona, Nevada

and Georgia, although by smaller margins. Arizona and Nevada's Democratic Senate candidates both won their races outright, while Georgia's Democratic Senate candidate, Raphael Warnock, will face Republican opponent Herschel Walker in a run-off next month owing to the close margin of the contest.

Since the Supreme Court decided the "Citizens United" case in 2010, individuals have been free to give unlimited amounts of money to so-called super-political action groups, or super PACs, supporting different candidates.

Though the sums have become astronomical, political analysts said it was not obvious that the money was being used effectively, as evidenced by the performances of some of the Republican megadonors' picks in the midterms. "It's always shocking how much of that money is not well spent," said Meredith McGehee, an expert studying the intersection of money and politics in Washington.

"You see these outside groups come in and it can sometimes irritate the candidate because the super PAC will come in with the wrong message or an

ineffective message, or they'll spend it on races where, you know, the person didn't have that chance."

For Republicans, the problem in some races was not just the dearth of small-dollar donations but the preponderance of a handful of megadonors who entered primaries early with big bets, elevating candidates who might not have won without such largesse.

Peter Thiel, the billionaire venture

capitalist, gave \$17.5mn to Blake Masters in Arizona and \$15mn to JD Vance in Ohio — both of whom previously worked for him — to contest Republican Senate seats in those states. Vance ultimately won his race but Masters lost to Democrat Mark Kelly.

Richard Uihlein, another of the GOP's biggest donors, gave \$3mn to Masters and \$1mn to Walker in Georgia. With wife Elizabeth, the Uihleins gave \$77mn to Republicans this election cycle. Hedge fund Citadel's Ken Griffin gave more than \$8.8mn to David McCormick, the Pennsylvania Republican Senate candidate, who failed to advance past his primary.

Uihlein and Griffin were also active in the Illinois governor's race where each spent \$50mn propping up a rival Republican. Griffin's candidate, Richard Irvin, lost in the primary while Uihlein's Trump-endorsed Darren Bailey, lost to JB Pritzker by a double-digit margin in the general election. Pat Brady, the former chair of the Illinois Republican party, said Trump's endorsements of poor candidates had skewed the GOP's chances in many close races.

"Candidates matter and when you've got a guy like Donald Trump . . . recruiting just horrible candidates, that's why we don't do well. It drags the rest of the ticket down," he said.

Paul Ryan, the former Republican Speaker of the House, said the "evidence is really clear" that Trump's influence dented performance in the midterms. "The biggest factor was the Trump factor," Ryan said, pointing to examples of more centrist Republican governors, like Chris Sununu in New Hampshire and Brian Kemp in Georgia, who were easily re-elected, while Trump-backed Republican in those states faltered.

But an advantage in grassroots funding is not in itself enough to ensure victory. Democrats attracted many more small-dollar donors than Republicans in Ohio, North Carolina and Wisconsin — all states where they lost Senate races.

Erikson said that small-dollar donations did not always guarantee a winner: take Bernie Sanders's failed campaigns against Hillary Clinton in 2016 and Joe Biden in 2020. "Not all dollars are of equal value," said Erikson.

Additional reporting by Lauren Fedor



In New Hampshire Democrat Maggie Hassan won by a 9-point margin



ANOUSHKA SHANKAR



YUJA WANG



MICHAEL BUBLÉ



SIR ANTONIO PAPPANO

## LET THERE BE MUSIC

In the beginning, there is a movement. Made of tension and release, inspiration and serenity. From minor to major, one voice, then another, then a dozen or more... Soothing, moving, empowering.





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#Perpetual



OYSTER PERPETUAL DAY-DATE 40



# Companies & Markets

## West can end China battery rule by 2030, report claims

- Goldman cites \$160bn cost of switch
- Others doubt seven-year turnround

**EDWARD WHITE — SEOUL**  
**LEO LEWIS — TOKYO**

The US and Europe can cut their dependence on China for electric vehicle batteries through more than \$160bn in new capital expenditure by 2030, Goldman Sachs has forecast.

EV batteries are a core technology causing concern in western capitals over dependence on China. After years of state support and Beijing's desire to cut its own reliance on oil imports, China produces three-quarters of the world's batteries and dominates production of their materials and components.

But according to a report to clients seen by the Financial Times, the invest-

The passage of the Inflation Reduction Act in August means huge tax benefits and other subsidies for localising battery supply chains and fuelling the uptake of EVs. Goldman expects the "average eligible EV in the US" will receive more than \$10,000 in benefits.

Ross Gregory, partner of electric vehicle consultancy New Electric Partners, said despite the passage of the IRA and the surge in gigafactory investment, the Goldman costs estimate appeared far too low, the timeframe optimistic, and the expectations for the impact of battery recycling unrealistic.

"There's some momentum forming but there still isn't a strong preparedness to invest upstream by anyone apart from Chinese players. As an example, there hasn't been a notable Australian greenfield battery mining project developed with any foreign major investment at all," he said. "The likely growth of EV infrastructure in China over that period is going to be so massive that it will still outstrip Europe and the US."

**'There's some momentum forming but there still isn't a strong preparedness to invest upstream'**

ment bank's analysts say a switch to protectionism in Washington and Brussels, combined with a spending spree by non-Chinese companies, have the potential to extricate the west from its reliance on Beijing over the next seven years.

To obtain a self-sufficient supply chain, countries competing with China would need to spend \$78.2bn for batteries, \$60.4bn in components and \$13.5bn in mining of lithium, nickel and cobalt, as well as \$12.1bn in refining those materials, the report calculated.

The bank's analysts say demand for finished batteries could be met without China within the next three to five years, though it would be difficult to meet the

Reducing China's dominance in battery materials and components is also seen as a challenge. Chinese groups' global market share of capacity for production of anodes is 87 per cent, precursors 85 per cent and cathodes 77 per cent.

Goldman analysts said this could be unwound by protectionist policies in Europe and the US, alternative battery chemistries and battery recycling.

More companies outside China are developing sodium-ion batteries — an alternative to lithium-based batteries — as well as LFP, a type of cathode that does not use nickel or cobalt, Goldman said.

## Unwelcome present US retailers face first real-terms fall in sales since financial crisis



Mystery package: economic conditions are making it hard to predict consumer behaviour — Christopher D'Onofrio/Bloomberg

**ANDREW EDGECLIFFE-JOHNSON AND JOSHUA FRANKLIN — NEW YORK**  
**COLBY SMITH — WASHINGTON**

US retailers are facing their first real-terms fall in revenue since the global financial crisis this holiday season, even as resilient consumer spending poses challenges to officials seeking to bring inflation under control.

Black Friday, the informal start of the peak shopping season, falls this week at a turning point for consumer spending, as the highest inflation since the early 1980s erodes shoppers' purchasing power. Most retailers are cautiously optimistic about the coming

quarter, their steepest year-on-year increase in more than 20 years. Credit card borrowing had been "really ramping over the last quarter," said Betsy Graseck, a Morgan Stanley managing director covering US large-cap banks.

The Federal Reserve is scrutinising consumer spending closely as it seeks to damp demand with large interest rate increases to tame inflation.

Lael Brainard, the Fed's vice-chair, has expressed hope that a reduction in retail margins "could meaningfully help reduce inflationary pressures in some consumer goods".

Retail sales last month rose by a higher than expected 8.3 per cent year on year. A few of the Fed's most vocal

after stripping out the inflation that has caused stores to raise prices to offset higher costs, that would equal a real-terms fall of 1.2 per cent.

"Demand has held up surprisingly well given how much prices have risen," said Michael Zdinak, who leads S&P's US consumer markets service. He added, however, that the exceptional combination of high inflation with historically low unemployment made consumers' plans unusually hard to forecast.

Inflation was leading consumers to seek promotional offers much more than usual, noted Stephanie Cegielski, vice-president of research at ICSC, a shopping centre industry group, but

## Outsourcing trend in food services lifts Compass

**OLIVER BARNES — LONDON**

Revenues at Compass, the biggest catering company, have beaten pre-pandemic levels thanks to a growing number of businesses opting to outsource food services for the first time to head off soaring inflation.

The group said yesterday that in the year to the end of September, new business accounted for £2.5bn in revenues, just under half of which came from clients outsourcing for the first time.

But the cost of entering into new contracts as well as labour, food and drink inflation cut into profit margins, which continue to lag behind pre-pandemic levels. Operating margins were 6.2 per cent, below 7.4 per cent in 2019.

Compass, which provides food for venues including hospitals, care homes and work canteens across 40 countries, said it expected operating margins to rise above 6.5 per cent next year. Overall, net new business this year was up 5.7 per cent compared with 2019. Total group sales rose to £25.8bn in the year, surpassing 2019 revenues of £25.2bn.

The UK group's trading performance had "surpassed our expectations", said chief executive Dominic Blakemore, adding that "net new business [accelerated] through the year in all our regions".

Clients faced inflationary pressure and "operational complexities" that were driving increased outsourcing, Blakemore said. "We are successfully capitalising on the resulting growth opportunities."

The group's European and North American operations did particularly well at winning new business. New clients included Nashville Soccer Club's 30,000-seat stadium, Glasgow Rangers FC, the Metropolitan Police and London's National Theatre, Compass said.

Adjusted operating profits were £1.59bn in the year to the end of September, beating analyst expectations.

Blakemore said: "Until inflation stabilises and starts to decline, it's a drag... We're on track for recovery and we see no reason why we won't get back to pre-pandemic margins, it's really just a matter of when."



makers largely to big investments in the US by South Korean conglomerates LG and SK, which have been attracted by massive subsidies from US taxpayers. Goldman forecasts that the market share of the Korean battery makers in the US will rise to about 55 per cent in three years, from 11 per cent in 2021.

said. Still, the underlying economics of EV battery production in the west stands as a fundamental barrier. "We note capex per unit implied from recent company announcements in the US is 78 per cent higher than China," the analysts noted. Environmental risk also stands as an unresolved challenge.

ing weeks, however, as the pandemic health fears and supply chain shocks that affected holiday spending in 2020 and 2021 recede. Retailers should report headline sales growth of 4.5 per cent year on year this holiday season, according to S&P Global Market Intelligence. But

shopping centre industry group, but they still intended to spend. Many will turn to credit cards to do so, after depleting their savings from pandemic stimulus programmes. New York Fed economists this week reported credit card balances had jumped 15 per cent a year in the third

on year. After the Fed's most aggressive efforts in decades to tighten monetary policy, however, higher borrowing costs have begun to bite. "Consumers are stepping back, they're changing how they allocate their spending," said Mary Daly, president of the San Francisco Fed, last week.

the pace of that recovery. Shares fell 1.4 per cent yesterday in London to £18.24. Compass announced a further £250mn share buyback programme for the first half of next year, adding to £500mn in buybacks between May and November this year.

**FT Weekend**

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**Start your weekend thinking**

## Legacy payment groups avoid a Kodak moment, but threats loom

### INSIDE BUSINESS

### FINANCE

Patrick Jenkins



There are 532 fintech unicorns, according to a ranking by small-business portal Fintech Labs.

Equally striking is the dominance in the financial technology realm of billion-dollar companies that deal in some way with payments. They account for eight of Fintech Labs' top 10: PayPal, Ant, Stripe, Shopify, Adyen, Block (formerly Square), Checkout.com, and Afterpay.

The driver of this boom has been the steady decline of cash in all major economies and the concomitant acceleration of digital payments. According to data provider Merchant Machine, the most digitalised economies, including Sweden, Singapore, the UK and Denmark, conduct only 1 per cent of payments in cash.

It is not just fintechs. Big tech companies and established banks have crowded into payments with new services.

However, there is an oddity in this tale of disruption. Unlike the killing-off of Kodak by digital camera makers or the demise of Blockbuster when streaming supplanted video rentals, legacy operators in payments are thriving.

Visa last month reported annual net income of \$1.5bn, up 21 per cent year on year. Visa and Mastercard are trading close to record highs. They have a

combined market capitalisation of \$765bn, unchanged over the past year, even as the broader market has declined sharply. The challengers, big and small, are suffering more.

The core explanation is simple: even the smartest fintechs are not fundamentally disrupting the market; they are merely slotting themselves into the existing payments architecture. Yes, they may make life easier for the consumer or the merchant with faster back-end processing or slicker point-of-sale interfaces. But this is not at the expense of Visa and Mastercard, whose electronic rails they nearly all rely on.

The big old card companies might look ripe for disruption, facilitating as they do high "interchange" fees levied via merchants, averaging 2 per cent in the US. But

thanks to the spread of their operations into every corner, it has been either impossible or economically unappealing for potential competitors to build new kinds of networks.

The question, amid such a frenzy of fintech innovation, is whether this will change. There are five reasons to think it might.

First, Twitter. It might seem as if Elon Musk is blowing up the business he just bought for \$44bn. But from electric cars to rockets, Musk is the sceptic-defying disrupter-in-chief. As one of the original PayPal founders, he has long sought to shake up payments, and recently outlined plans to turn Twitter into a payments engine.

Second, crypto. The idea of using crypto coins to facilitate mainstream payments might sound zany, given the

tumult in the sector triggered by the failure of exchange-cum-hedge-fund FTX. But some core services already rely on crypto. Ripple, which uses a coin and blockchain structure to process quick, cheap, cross-border payments for bank clients, is convinced that this technology is the key to disrupting high-cost established mechanisms.

Third, Alipay. China is one of the few places unconquered by Visa and Mastercard, and the country's state-owned credit card network, UnionPay, is far less developed. That gave private sector fintech Alipay, as well as its rival WeChat, the opportunity to develop its own digital payment rails. With China tensions high, though, Alipay's ambitions to expand abroad are likely to be thwarted.

Fourth, Apple. Of all the bigtech companies, Apple seems to have toyed the most ambitiously with payments and finance. In addition to its Apple Pay wallet, it offers a credit card in conjunction with Goldman Sachs, and recently ventured into buy now, pay later, using its own balance sheet. Apple will not comment on future plans, but some believe it could aspire to a service that replicates Alipay.

Last, JPMorgan. Big banks have never seemed likely to be the ones to disrupt the big card companies. They make billions of dollars every year from interchange fees. But JPMorgan has sparked an internal stand-off by pursuing a plan to develop a rival pay-by-bank facility allowing easy bank transfers. A second phase would facilitate micropayments in the metaverse.

Some or none of the above may come to pass. But with digital payments on such a tear, the chances of a Kodak moment will only increase.

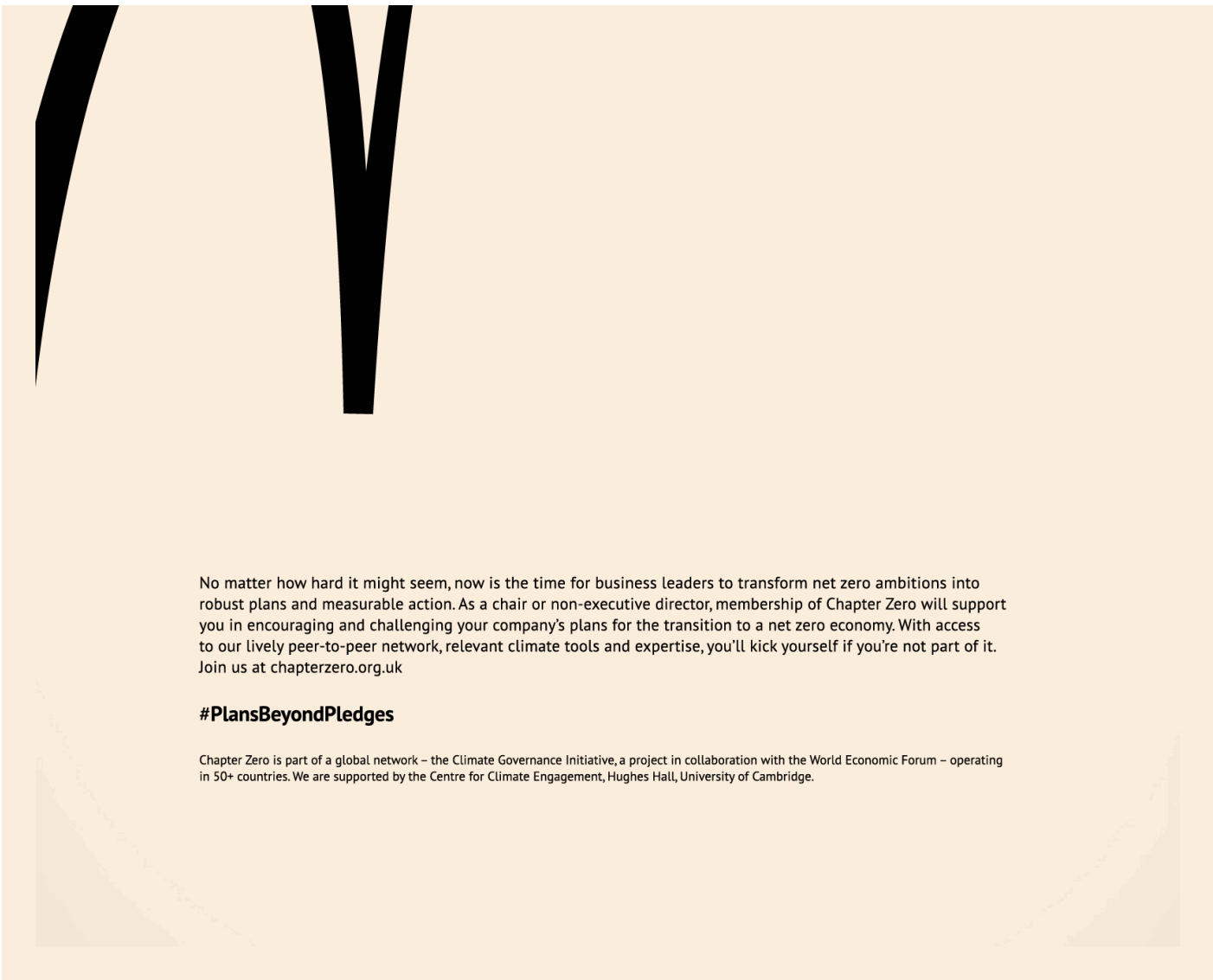
[patrick.jenkins@ft.com](mailto:patrick.jenkins@ft.com)

**The prospect of trying to disrupt Mastercard and Visa has lacked appeal; there are reasons to think that this will change**

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COMPANIES & MARKETS

Green ratings

# Warning sounded on UN shipping rules

Insiders say loopholes in emissions regulations risk being exploited

OLIVER TELLING — LONDON

Shipping companies could exploit loopholes in forthcoming UN regulations targeting carbon emissions, industry insiders have warned, potentially limiting environmental progress in one of the most polluting sectors.

Some executives in the sector have highlighted various weaknesses in the rules, which will require them to grade the carbon intensity of individual ships from next year, with others accusing

certain member states in the UN's International Maritime Organization of resisting tougher measures.

But the shipping industry has also come under fire from experts who say the regulations were watered down because of its own lobbying.

The so-called Carbon Intensity Indicator regulations are being introduced amid increasing pressure on shipping groups to become less polluting.

Based on historic emissions data, some 25 per cent of container ships are set to receive the lowest rating as well as 15 per cent of bulk and crude tankers, according to estimates produced by industry group BIMCO and shared with the Financial Times.

But with the IMO measures weeks away from being enforced, industry leaders said companies could find workarounds, rather than make meaningful progress towards decarbonisation.

"You can pull various levers [to improve your rating]," said Lars Robert Pedersen, deputy secretary-general at BIMCO, adding that companies could reduce the carbon intensity of individual ships by distributing cargo across a larger number of vessels.

The CII does not take a ship's actual weight into account, meaning businesses could flatter their rating by not fully loading vessels.

"An improvement of the [CII] rating does not necessarily translate into

something that is better for the environment," Pedersen said.

Simon Christopher Bergulf, regulatory affairs director at Danish shipping group Maersk, said weak enforcement could also limit the impact of the measures.

Although the lowest rated ships must produce a "corrective action plan", the IMO has not mandated disciplinary measures for those who do not improve.

Bergulf suggested certain IMO member states had resisted stronger measures in order to protect national industries. Two people close to the negotiations added that China in particular had opposed tougher rules.

But Tristan Smith, a shipping

researcher at UCL, argued that parts of the private sector also lobbied for more flexible rules and exemptions, including for ships facing bad weather.

In 2019, BIMCO and the International Chamber of Shipping called for the IMO to allow shipowners to select their own standards for measuring energy efficiency. Although many of these recommendations were not adopted, "it all influences [the outcome]", Smith said.

Aoife O'Leary, chief executive of campaign group Opportunity Green, said the industry was "basically saying [there should be exemptions] if there are storms at sea. All I could do is laugh."

Telecoms

# Cellnex argues European tower deals are 'over' as it aims to reduce debt

ANNA GROSS — BARCELONA

Spanish masts company Cellnex said the European towers market was now "pretty much closed", as soaring inflation made it increasingly difficult to finance new deals and the availability of assets dwindled.

"M&A activity is over," said Tobias Martínez Gimeno, who has been chief executive since 2014, and has led Cellnex through an acquisition spree that has built it into the biggest towers group in Europe. "Material, inorganic growth, for the next 24 months, is over."

Cellnex said last week it was seeking to improve its credit rating to investment grade from agency S&P, which will mean reducing its leverage from eight times earnings before interest, tax, depreciation and amortisation to less than seven times.

When interest rates were low and debt was cheap, mobile towers were some of the most attractive and valuable assets in telecoms, offering lucrative returns in an increasingly connected world. But since June, the share price of most towers groups has tumbled as rapidly rising interest rates drove up the cost of capital for these heavily indebted businesses.

Negative interest rates over the past few years meant "money was almost

"Inflation is the worst thing for everyone... It's damaging the economy"

Travel & leisure. Micromobility

# Electric bike hire start-ups face a hard ride

Technical advances, improved apps and fresh funding make sector ever more crowded

ROBERT WRIGHT — DEPTFORD, LONDON

Aaron Orman spends his days monitoring green dots on an on-screen map of London. Orman, UK and Ireland head of operations for e-scooter and e-bike hire operator Tier, scrutinises the dots – which show the locations of the company's vehicles – for signs they are wrongly parked, their batteries are flat or they need repair. He assigns staff to



said. "We want them to break as seldom as possible."

HumanForest claims to have captured 40 per cent of London's e-bike hire market through offering users 10 free minutes each day and subsidising its hire rates by selling advertising space on its app. Advertising provides about 20 per cent of HumanForest's revenue.

Caroline Seton, HumanForest's co-founder, called the operation "by far the most affordable solution" among e-bike providers in London. Fluctuo has calculated HumanForest bikes are used four times as frequently daily as those of Dott and Tier.

Swapfiets, like other bike subscrip-



resolve any problems.

Tier, based in Berlin, says its expertise at tracking vehicles and keeping them charged, well-maintained and in designated parking spaces is a key advantage in the crowded "micromobility" market to provide bike, scooter and other lightweight personal transport services.

The operator hopes its knowhow, developed through operating in more than 560 cities in 33 countries, will ensure it survives in a fast-growing sector scrambling to achieve reliable profitability.

Yet Tier faces competition that has intensified as improved electric motors and batteries, better mobile phone technology and, in recent years, venture-capital financing have spawned micromobility start-ups across the industrialised world.

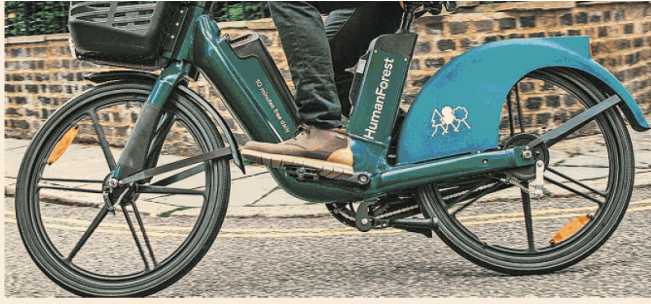
Its rivals are other multinational companies, including San Francisco-based Lime and Sweden's Voi, and local, single-city operators. In London, one of its strongest competitors is the e-bike hire company HumanForest, which operates only in the British capital.

Alongside "dockless" systems such as Tier's, where users leave a vehicle on the street after use, many cities also offer longer-established bike-hire using docks. Another group of companies provides long-term rentals of bicycles for a monthly subscription.

But Will Norman, the London mayor's cycling and walking commissioner, said the sector was "immature".

The vulnerability of some companies was exposed this month when Bird, a Miami-based operator of e-scooters, warned it might not be able to stay in business unless it could raise new capital. "Clearly, their business models need to be standalone, independent of additional capital in the long run, for this to be a sustainable solution for the city," Norman said.

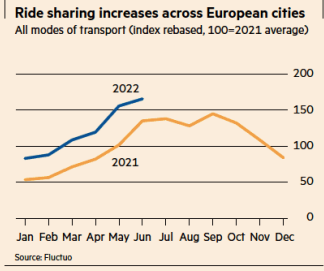
Experience had nevertheless demonstrated Londoners' enthusiasm for



Hire company HumanForest, above, operates only in London. Below, Kat Hlavata, of Swapfiets

micromobility, Norman added. Trips by bicycles of all kinds were 24 per cent higher than March and mid-June this year than in the same period of pre-pandemic 2019, according to Transport for London, the mayor's transport organisation.

Users made an average of 45,000 trips a week in London on hired e-scooters in June and July this year. The vehicles,



which are otherwise banned on UK roads, are available under a trial involving three operators, including Tier.

The picture is similar elsewhere. Daily use of New York's docked bike-share system more than doubled from 22,000 to 56,000 between its introduction in 2013 and 2019.

Figures from data provider Fluctuo this year show that in 22 European cities' micromobility trips – including shared car and electric roped use as well as e-scooters and cycling – were up 48 per cent in the second quarter of 2022 against a year earlier.

"They're obviously popular," Norman said of micromobility systems.

Wayne Ting, Lime's chief executive, said his company stood out for its superior vehicles. Lime claims to be the industry's "number one player" by revenue and riders. Uber, the ride-hailing company, is a significant investor in the company, having led a funding round that raised \$170m in 2018.

Lime developed its own vehicle designs, rather than buying off-the-peg bikes and scooters, Ting said.

"We designed them for longevity," he

Daily use of New York's docked bike-share system more than doubled between 2013 and 2019



tion services, charges customers a monthly fee for use of a reliably working bike or e-bike. Swapfiets, which operates in the Netherlands, Belgium, Germany, France, Austria and Italy as well as the UK, guarantees to repair faults with customers' bikes within 48 hours.

Another operator, Buzzbike, offers a similar service, as does Brompton, the UK-based folding-bike manufacturer.

Kat Hlavata, Swapfiets' UK company manager, said the service by September this year had 3,000 subscribers in London, after launching in December 2020.

Yet an announcement in August by Tier of a "change of focus" highlighted the sector's profitability challenge. Tier, citing the "tightening of the funding market", said it was seeking an "increased return on investment" instead of growth. It announced a 16 per cent reduction in its workforce.

Other operators said they were approaching profitability.

Agustin Guillisasti, co-founder with Seton of HumanForest, predicted the company would achieve positive earnings before interest, tax, depreciation and amortisation in the first quarter of 2023.

Swapfiets was "not far" from profitability, Hlavata said.

Ting said Lime had taken "real strides". "We have a real shot at being ebitda profitable for the full year," he said.

Norman was concerned that funding issues could affect efforts to shift trips away from private cars, even though growing demand for micromobility should make profitability possible in London.

He added: "What we don't want is people becoming dependent on a model and then suddenly the venture capital runs out and it's no longer there."

damaging the economy, and no one is escaping'

free", Gimeno said, allowing Cellnex to snatch up 130,000 towers across 12 European countries.

But now "we have to face and bear inflation", he said. "Inflation is the worst thing for everyone – individuals, societies, companies. It's damaging the whole economy, and no one is escaping."

In spite of being one of the most acquisitive groups in European telecoms, Cellnex was not involved in big recent deals involving tower assets, when two of the biggest European operators sold stakes in their masts to private equity groups able to offer attractive valuations.

In July, Deutsche Telekom agreed to sell a majority stake in its towers business to Brookfield Asset Management and private equity group DigitalBridge Group, valuing the business at €17.5bn, or 27 times ebitda.

This month, Vodafone agreed to sell up to 50 per cent of its masts business to KKR and Global Infrastructure Partners, bankrolled by Saudi Arabia's Public Investment Fund, which valued the company at €16.2bn, or 26 times ebitda.

Gimeno said he was sceptical about the model being adopted by private equity groups that have begun acquiring towers in search of reliable returns.

"It doesn't work, the business plan," he said, adding that if they buy at about 26 or 27 times ebitda now, they will struggle to sell the assets at a premium in five to seven years' time. "PowerPoint, Excel – they can be very creative," he said, but "you have to deliver in the end, and the exam will come."

Over the next two years, Cellnex will focus on reducing debt and limiting capital expenditure, among other things.

Cellnex's net debt rose to €17.1bn from €14.3bn in June due in large part to the acquisition of CK Hutchison's European towers, which closed this month.

Mining

Tesla supplier warns of risks in 'opaque' graphite market

HARRY DEMPSEY

Western supply of graphite will be constrained in the coming decade by the "opaque" market for the key battery material, the world's largest natural graphite producer outside China has warned.

Shaun Verner, chief executive of Australia's Syrah Resources, a Tesla supplier that operates a huge mine in Mozambique, said the graphite market's lack of transparency over pricing was making bankers hesitant to fund new projects. "The single biggest impediment to new investment is the opaque nature of the market because to get the commercial debt in place is really challenging," he added.

A battery's anode, which is made of graphite plus, increasingly, a silicon additive, is more dependent on China than other materials as the country mines 65 per cent of graphite, processes 85 per cent and is home to the world's six

largest anode material producers, according to the International Energy Agency. China dominates the refining of other battery materials such as lithium, nickel and cobalt but the raw minerals that feed those refineries are mined all over the world.

The centralised nature of the graphite market means supply agreements are done bilaterally through long-term deals between producers and consumers. That leaves small volumes traded on exchanges, providing limited pricing transparency.

Few analysts follow the industry and there is a lack of visibility on future projects, making forecasting on long-term prices difficult. Natural graphite demand is set to treble in the next four years as sales of electrical vehicles soar. The material can also be created synthetically from pet coke but this process is carbon-intensive and struggles to combine with silicon, which improves the anode's performance.

Reflecting the hot demand for the mineral, Syrah's market capitalisation is \$1.7bn (\$1.13bn), despite a pre-tax loss of \$9.7m on revenues of \$50m in the first half of the year.

The passing of the US Inflation Reduction Act this year has boosted interest in graphite producers. The legislation says EVs entering the market after 2024 will not be eligible for tax credits – which can go up to \$7,500 – if any of the critical minerals are extracted, processed or recycled by a "foreign entity of concern", which includes China.

Eric Desaulniers, chief executive of Nouveau Monde Graphite, which is developing a graphite mine and battery-grade anode material plant in Canada, said discussions with cell manufacturers over supply deals had accelerated because of the IRA.

However, he agreed that challenges remained in securing project financing because the "cellmakers are cash-constrained" and had their hands full trying

to scale up battery manufacturing sites. Syrah has been able to bridge the funding gap. It received a grant of up to \$220m from the US government last month to expand the anode material facility it is building in Louisiana.

Prices of graphite have risen a third compared with a year ago to Rmb5,300 (\$740) a tonne, according to Argus. This represents a reversal from price falls in 2019 that forced Syrah to cut output at its Balama mine, a facility that can produce 350,000 tonnes a year into a global market consuming 1.3m to 1.4m tonnes today. Its production out of Mozambique was disrupted at the end of September by a workers' strike that was eventually resolved.

Nico Cuevas, chief executive of Urbix, which aims to build a graphite processing hub in the US, said Korean battery manufacturers had also been prompted into action by the IRA but were still some way from signing deals to buy upcoming raw materials.

Transport

US moves closer to rail freight strike as workers reject deal

ALEXANDRA WHITE — NEW YORK

US freight rail workers have voted to reject a labour contract that the Biden administration helped negotiate, bringing the country a step closer to a rail strike before the holiday season.

The train and engine service members of the transport division of the International Association of Sheet Metal, Air, Rail and Transportation Workers (SMART-TD) voted to reject the five-year collective bargaining agreement with the railways.

But the yardmaster members voted to accept the contract, while members of the Brotherhood of Locomotive Engineers and Trainmen came out in favour of ratifying an agreement that was reached two months ago, the union said.

The US has been teetering on the edge

of a rail strike for the past few months, even after the Biden administration stepped in to help mediate talks in September between the largest US rail companies and the unions.

Three smaller unions voted against the September deal before SMART-TD said yesterday that its transport division had rejected its proposed contract. SMART-TD representatives will renegotiate another deal for its train and engine service members with the National Carriers' Conference Committee, which represents rail management.

A status quo agreement between the union and management will last until December 8. If they fail to renegotiate a deal by then, SMART-TD will be allowed to urge workers to go on strike on December 9, barring an intervention from Congress.

Tuesday 22 November 2022

★ FINANCIAL TIMES

9

COMPANIES & MARKETS

Babylon's 90% stock price fall since float leads to cost cuts and US pivot

Boss laments 'unbelievable, unmitigated disaster' after service fell victim to mood change on Spacs

CRISTINA CRIDDLE — LONDON

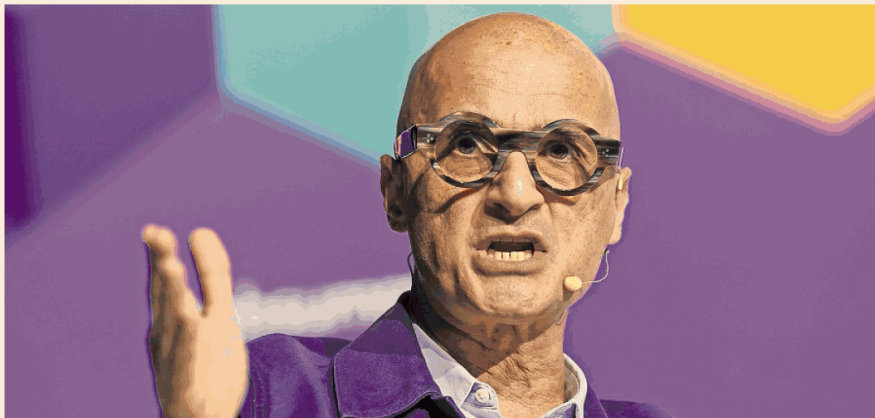
The chief executive of Babylon, the British healthcare service that soared in popularity in the pandemic, has described the company's stock market performance since it went public last year as an "unbelievable, unmitigated disaster" that has required a restructuring of the business.

Alli Parsa had spurned a London listing for the group, which had grown rapidly through partnerships with Britain's NHS, in favour of floating on the New York Stock Exchange through a special purpose acquisition company.

But shares in the digital healthcare service have dropped 90 per cent since its stock market debut in October last year, leading it to pivot its business to the US and to engage in painful cost cuts.

Parsa said: "What an unbelievable, unmitigated disaster."

With the benefit of hindsight, he said, it was "super-simple to understand. We learnt a big lesson, which is we should have done a lot more thinking through Spacs. [We were] unlucky at the time, or



Banks

Top Morgan Stanley chief in London to step down

STEPHEN MORRIS

Morgan Stanley's top international executive, Franck Pettigas, is retiring from the Wall Street bank after a 30-year career in capital markets and investment banking.

Pettigas, 61, who was born in France, announced his decision internally yesterday, according to a memo from chief executive James Gorman seen by the Financial Times.

He will remain an adviser to the bank and continue to represent it at events such as the World Economic Forum in Davos.

The memo, also sent by co-president Ted Pick, described Pettigas as a "trusted adviser to both of us as we navigate the complexities of a global business and client base".

He joined Morgan Stanley in 1993 in New York and worked his way up to run the capital markets division, and ultimately oversaw all the bank's businesses outside the US from London.

Pettigas was instrumental in building Morgan Stanley's relationship with Saudi Aramco, which raised \$25.6bn in the biggest global IPO in 2019, as well as



we made the wrong decisions, but now we fix it."

Babylon was among the victims of the sudden change in enthusiasm for Spac deals and struggled to secure support from US institutional investors at a time when the company was not well known in North America.

Parsa, a British-Iranian entrepreneur and former banker, founded the healthcare platform in 2015, and developed the GP at Hand app, which allows UK-based patients to access their NHS general physicians virtually, acting as their digital primary care practice.

But unable to make NHS partnerships economically viable, Parsa has wound down UK operations to focus on the US market, which accounts for more than 90 per cent of its revenues, through health insurance programmes such as Medicaid and Medicare.

Ahead of the company's stock market debut, Babylon was valued at \$4.2bn and was set to receive \$575m from its merger with blank-cheque company Alkuri Global.

But when the date to vote on the merger approached, about 90 per cent of shareholders asked to redeem their shares despite approving the deal, which left Babylon with only \$275m in cash. The majority of that sum came from a so-called private investment in public equity agreement from investors such as data company Palantir and Swedbank Robur.

To make up the \$300m shortfall, the company has cut staff, ended contracts early, and raised \$80m in additional funds from existing investors such as Swedish venture capital group Kinnevik.

Telemedicine, where healthcare is delivered remotely, surged during the pandemic as hospital costs rose and



**\$4.2bn**  
Babylon's valuation ahead of stock market debut

**100,000**  
Patients on the books of GP at Hand service

demand for services led to a rise in digital solutions. The sector hit a peak of investment in 2021, with more than \$29.2bn in US venture funding invested in digital health, according to figures from Rock Health venture firm.

Its tracking from last month suggests that only \$12.6bn has been invested this year, as the market cools and adjusts to pre-Covid levels.

Babylon almost halved its pre-tax losses to \$89.6m in the three months to the end of September from the previous quarter, while revenues have grown nearly threefold year on year to \$288.9m.

In September, the company received notice that it violated NYSE rules that require listed companies to maintain an average closing share price of at least \$1 over a consecutive 30 trading-day period. As a result, Babylon has issued a reverse stock split, where existing shares are consolidated into fewer, higher-priced shares, due to complete in December before the notice period expires and it is kicked off the exchange.

The company is in the process of selling Meritage Medical Network, its network of around 1,800 physicians in California, by the end of the year. Babylon bought the group for an undisclosed sum 18 months ago but Parsa said it was too difficult to convert to digital.

He said "the competition for it is significant" and he believed that after the sale, Babylon would be able to become profitable.

Despite being headquartered in London, Babylon's presence in the UK is dwindling this year: two NHS trust contracts were terminated early and the company has shut down its Symptom Checker, a chatbot used to answer NHS 111 inquiries and triage patients.

Its GP at Hand service has more than 100,000 patients on its books but Parsa said the group was slowing its growth in the NHS as there was not a way to provide its service without losing money.

"We still lose money on every patient," Parsa said. "There is a structural problem. The NHS doesn't have enough funds itself . . . Services do not get paid enough, and therefore [it is]

NYSE-listed healthcare platform Babylon, led by Ali Parsa, struggled to secure support from US institutional investors

Zed Jameson/Bloomberg

really hard for companies to make [it] work economically."

Babylon has faced criticism from some NHS doctors who say it attracts younger, healthier patients, leaving traditional practices to deal with complex cases with limited resources. They also point to the digital nature of the platform, leading to doctors potentially missing signs of serious illness.

Babylon was slowing its NHS partnerships until it could find a way to break even financially, Parsa said. "Our team is killing itself providing [this service to the NHS] . . . because the money is so tight and because the connectivity in the system is so broken. The brand damage is on us right now."

Additional reporting by Ian Johnston and Raife Uddin in London

listings for Swedish private equity firm EQT and France's Antin Infrastructure Partners. Other clients included Patrick Drahi and his Altice investment vehicle, which is the largest shareholder in UK telecoms company BT.

Once considered among a group of potential candidates to succeed Gorman as chief executive, Pettigass is among several of Morgan Stanley's top executives to have left in recent years, including Colm Kelleher, who went on to become chair of UBS. This year Gorman said he had no plans to step down soon.

While retiring from his executive role, Pettigass hoped to work as a government adviser or take up a non-executive or board role, said a person familiar with his thinking.

## FT ADVISER

### Retirement planning in a bear market: time to reconsider annuities?

19 January 2023 | 2pm GMT

The introduction of pension freedoms in 2015, coupled with a sustained period of low interest rates, has seen annuities fall out of favour over the past decade. Many advisers have eschewed annuities completely, citing them as a low value option in comparison to drawdowns. However, with markets experiencing significant volatility and annuity rates reaching their highest level in 14 years, this advice may now be misplaced. With regulators starting to focus more closely on retirement income strategies and the FCA's Consumer Duty rules soon coming into effect, could we soon see a return to favour for annuities?

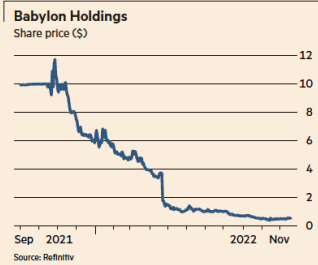
Join FTAdviser and Legal & General for this one hour webinar as our panel of expert commentators from across the financial advisory sector debate the merits of various retirement income strategies in the current market environment and provide practical examples of appropriate use cases for each.

Register now:  
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An event from the Financial Times



## Transport

### Ex-BA boss berates Heathrow over long waits

ROBERT WRIGHT — LONDON

Willie Walsh, one of the world's best-known aviation executives, has said "heads should roll" at London's Heathrow airport if there is a repeat next year of last summer's long wait times and traffic restrictions.

Walsh, chief executive of industry trade group Iata and former chief executive of International Airlines Group, owner of British Airways, said Britain's busiest airport remained a "major problem".

"The problem at Heathrow has been mostly down to Heathrow's inability to get people through security," Walsh said at the Airlines 2022 conference in London. "People ask me, 'Are we going to face these same problems next summer?'" Walsh added. "If they do, heads should roll — let's be clear about that.

There's no excuse for not getting the problems sorted — no excuse at all."

At the same conference, Shai Weiss, chief executive of Virgin Atlantic, called for a comprehensive rethink of Heathrow's regulation in light of what he said was poor service and high prices at the UK's only hub airport.

Backing Weiss's points, Walsh said airports in most of the world had recovered well from the Covid-19 pandemic.

The exceptions, he said, had been Heathrow, Amsterdam's Schiphol, where Dick Benschop, the airport's chief executive, had stood down, and Dublin Airport, where Walsh said the problems had now been resolved.

John Holland-Kaye, Heathrow's chief executive, has laid much of the blame for continued disruption at the airport on airlines, which he said had failed to

recruit sufficient ground handlers to manage the rebound in traffic. Walsh called that explanation "total rubbish".

Heathrow said its regulator needed to give it the ability to invest in the airport and all the operators needed to "work together" to build back capacity.

"Our efforts are firmly directed towards the constructive engagement and collaboration with the regulator and with the airlines to deliver great service for passengers this Christmas and into next year," Heathrow said.

Airlines have criticised Heathrow's cautious projections about the speed of post-pandemic air traffic recovery.

Walsh said it was "lowballing" the speed of recovery because that would enable Heathrow to win a better settlement on prices from the Civil Aviation Authority, its regulator.

## COMPANIES & MARKETS

Currencies. Fed policy

# Dollar pulls back from 20-year high as US inflation eases



## Asset management

### US antitrust adviser hits at 'profusion of junk fees'

STEFANIA PALMA — WASHINGTON

Joe Biden's antitrust adviser has warned of a "profusion of junk fees" in the US economy as he pushes to expand the war on hidden costs to include those affecting investors in the securities market.

Tim Wu, the Biden administration's adviser on competition policy, said there was a "sense there has been a profusion of junk fees across the economy — things that confuse people, coercive fees, deceptive practices".

He added that this was a "perfect area for a whole government . . . approach" to surprise charges that unexpectedly





**Slowing price growth sparks speculation that central bank will cool pace of rate rise cycle**

**TOMMY STUBBINGTON** — LONDON  
**KATE DUGUID** — NEW YORK

The dollar has fallen in the past fortnight from a 20-year high as signs of inflation easing in the US fuel speculation that the Federal Reserve will soon slow down its rate rises.

The greenback has declined more than 5 per cent against a basket of six peers so far in November, leaving it on track for the biggest monthly fall since July 2020, according to Refinitiv data, and sparking a debate in currency markets over whether the currency has peaked. It is still up about 12 per cent for the year to date.

This month's fall comes as investors scrutinise early indications that US inflation may finally be easing, potentially paving the way for the Fed to reduce the speed at which it has been boosting borrowing costs.

Some data, such as those on the housing and manufacturing sectors, have also suggested the broader economy is facing rising headwinds, another deterrent to Fed monetary tightening.

"Everything is pointing to disinflation in the US and with that we will see a slowdown in the US economy in the first quarter of next year... That forms the basis for the weaker dollar story," said Thierry Wizman, a strategist at Macquarie.

The dollar's drop has alleviated some of the pressure on a global economy that was creaking under the strain of a strong US currency, which helps to drive up inflation in smaller economies and adds to debt sustainability problems for



countries and companies — particularly in emerging markets — that have borrowed heavily in the greenback.

The euro has risen to nearly \$1.04 after sinking below 96 cents in September and the UK pound's recovery from September's all-time low gained further momentum.

The yen has rebounded somewhat from a slide to a 32-year low against the dollar that had prompted the Japanese government to spend billions propping up its currency.

But much depends on how the Fed reacts to data showing US consumer and producer prices grew at a slower annual rate in October than September — and whether that trend continues.

At the central bank's November meeting, chair Jay Powell did not explicitly signal a fifth consecutive 0.75 percentage point increase, which traders understood as a sign of the Fed's openness to a half percentage point rise as soon as next month.

Indications of easing inflation have also deepened wildly popular wagers in currency markets on a stronger dollar.

"We expect the US dollar's powerful

climb over the past year to reverse in 2023 as the Fed's hiking cycle comes to an end," HSBC foreign exchange strategists wrote in note to clients last week. "It has peaked."

In recent weeks, traders have trimmed their bets on a stronger dollar to the lowest level in a year, according to figures from the Commodity Futures Trading Commission, which provide a snapshot of how speculative investors such as hedge funds are positioned in currency markets.

The dollar's historic ascent earlier this year came as a wave of rapid price increases swept the globe, prompting big central banks — with the notable exception of the Bank of Japan — to rapidly tighten monetary policy.

But rate rises elsewhere were largely unable to keep pace with the Fed, which thanks to the relatively robust US economy was able to lift borrowing costs faster than peers in other developed economies, bolstering the appeal of the dollar.

At the same time, fears of a global recession and the financial market volatility unleashed by rapid monetary

tightening also favoured the US currency, which as the ultimate safe harbour of the global financial system tends to rise in times of stress.

Both those tailwinds are now set to fade, according to HSBC, which argued that "gravity should take hold" for the dollar as the often chaotic sell-off in global bond markets, caused in part by central bank rate rises, calms.

Despite the about-turn in markets, a few hawkish speeches from Fed officials in recent days have tempered bets that the Fed is slowing down.

The dip "looks like an overreaction given Fed speakers so far have made it clear the job is not done," said Athanasios Vamvakidis, head of G10 foreign exchange strategy at Bank of America.

While the dollar may not surpass the 20-year high that it hit in late September, Vamvakidis warned that inflation remained high, noting: "We are not out of the woods yet... Even if inflation has peaked it will be sticky and volatile on the way down."

With traders firmly focused on month-by-month US inflation figures, a slight upside surprise could easily cause the entire global currency market to skew back in the other direction, he added.

That sentiment was evident in remarks by St Louis Fed president James Bullard on Thursday, who said that rates would need to be raised to a minimum of 5 per cent in order to tame inflation.

Positions in the futures market currently reflect that investors see interest rates peaking at 5 per cent in May.

"It's premature to call a peak in the dollar, because the Fed expects further rate hikes," said Joe Manimbo, an analyst at Convera.

Wu's comments come as the White House has begun working with the Securities and Exchange Commission to bring junk fees in the securities market into the "broader mandate" of the competition council, which was launched by Biden to help reduce market concentration.

Formed by the heads of federal agencies including the SEC, the council is responsible for implementing the executive order signed by the president last year to curb corporate power across the US economy, from transportation to technology and banking.

An SEC official said the agency has presented several initiatives to the com-

**Wu issued a warning about 'things that confuse people, coercive fees, deceptive practices'**

petition council, adding that the regulator is more focused on expanding fee disclosure than imposing outright bans.

The measures include SEC proposals unveiled in February to increase disclosures on fees charged by private funds to investors and rule amendments adopted in October requiring funds to clarify shareholder reports and present transparent and balanced information in advertising material, the official said.

Wu is part of a new generation of progressive antitrust officials — including Jonathan Kanter, head of the Department of Justice's antitrust division, and Lina Khan, chair of the Federal Trade Commission — appointed by Biden to fight anti-competitive conduct in corporate America.

Among the competition council's tasks is understanding how junk fees manifest across different industries and cutting these hidden costs, an initiative championed by Biden in a speech just days before the midterm elections.

"We're just getting started," the president said. "There are tens of billions of dollars in other junk fees across the economy and I've directed my administration to reduce or eliminate them."

Wu said securities regulation offered "low-hanging fruit" to improve pricing. But he added that there are "other possibilities" to challenge hidden costs in the securities market beyond existing SEC initiatives.

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**Commodities**

**Lack of lithium will hold back rollout of cheaper electric cars, Livent warns**

**HARRY DEMPSEY**

Persistent shortages of lithium over the next decade will lead to fewer car sales and hit the cheaper end of the market hardest, the head of one of the biggest producers of the battery metal said.

Paul Graves, chief executive of Pennsylvania-based Livent, said the lithium supply chain as demand roars would lead carmakers to prioritise material for their more profitable models.

"If you take those forecasts of demand or conversion of sales, then we can never expand lithium supply quickly enough to catch up," he told the Financial Times. "We see no situation where there will be enough lithium to supply all the corners of demand."

Graves, whose company is a supplier to Tesla, General Motors and BMW, warned that the problem meant it would take longer than policymakers expect to phase out internal combustion engine cars and that "low-cost vehicles will be the challenge".

The comments from the former Goldman Sachs banker echo those of Carlos Tavares, head of Jeep and Peugeot owner Stellantis, who has

argued that emissions legislation will push up car prices and squeeze the middle class out of vehicle ownership.

Formed in 2019 as a spin-off from US agricultural chemicals producer FMC Corporation, Livent is seeking to break into the top ranks of lithium companies.

It aims to increase lithium carbonate production capacity in Argentina to 100,000 tonnes by 2030, up from 20,000 tonnes in 2020, and owns a stake in Nemaska Lithium, which is developing a hard rock project in Quebec.



Livent is a supplier to Tesla, as well as BMW and General Motors

The lithium market is set to grow from 700,000 tonnes of lithium carbonate equivalent this year to more than 3mn tonnes by 2030, according to Fastmarkets, a pricing agency.

McKinsey estimates that 15 per cent of lithium demand will be unfulfilled even if all projects under development come to fruition.

Lithium prices have jumped 10-fold in just under two years as electric car sales have taken off, while new supply has been muted following a glut in 2019.

Underlining the boom, Chile's SQM this week reported a 10-fold increase in net profit to \$2.8bn in the nine months ending September.

Lithium projects led by companies outside of the industry's "big four" — Albemarle, SQM, Ganfeng and Tianqi — have generally taken far longer to deliver than management teams have promised.

Lithium mining equities took a hammering this week with Albemarle and SQM both shedding about 15 per cent on unconfirmed reports that Chinese cathode producers were lowering output forecasts in a sign of cooling demand for EVs in the world's largest market.

**Commodities**

**Tech start-ups tap into Australian minerals sector's need to decarbonise**

**NIC FILDES** — SYDNEY

The founder of an energy-saving Australian mining tech start-up has accused the industry of "posturing" over its green credentials — by talking about future plans rather than acting now to reduce its carbon footprint.

"The industry has a credibility problem," said Andrew Job, founder of Plotlogic, which is backed by former Google chief executive Eric Schmidt's fund and the miner BHP.

He said he was frustrated by the mining sector's tendency to issue press releases and marketing materials about plans in years to come to tackle decarbonisation.

"If the technology isn't available now and won't be for 10 years, then it will be decades before this flows through," said Job. "We need to focus on mining operations today and reduce the carbon footprint straight away."

Plotlogic is one of a new generation of Australian mining technology companies that hopes to reduce energy costs for the world's mineral companies and improve the precision of processing large amounts of rock.

The Brisbane-based company uses hyperspectral imaging sensors combined with artificial intelligence software and "lidar" vision-sensing technology that is used in self-driving cars to identify which parts of a mine contain the most valuable ores.

That improves the efficiency of the exploration process and reduces the

**'The time has come for the resources sector to be led by technology and innovation'**

cost and energy needed to process worthless rocks.

"Without the ore body you're just digging a hole in the ground," Job said.

Sue Keay, chair of Robotics Australia Group, said Australian mining tech start-ups, such as Plotlogic, would play an important role in the decarbonisation of the sector.

She highlighted companies that were developing robots that clean solar panels and others operating drones that scope and map mining sites as an

example of how the sector was begetting innovative companies.

"Mines are in the business of moving material, changing it from rock into ore concentrate and transporting it to market," she said.

"Sixty per cent of the energy consumed by mines is used by mining equipment with 40 per cent of that being consumed in the rock-crushing process," Keay added.

Adrian Beer, head of the Mets Ignited Australia incubator, said the country had a long history of developing mining technology but had struggled to commercialise it. "It's been easy to take innovation away from Australia and then to sell it back," he said.

However, he pointed to the growing influence of companies such as Plotlogic and SME Technology, which developed a battery management system that helped electrify vehicles used in underground mines and had since been adapted for military vehicles and helicopters.

"The time has come for the resources sector to be led by technology and innovation and not by who has access to mineral reserves," he said.

**COMPANIES & MARKETS**

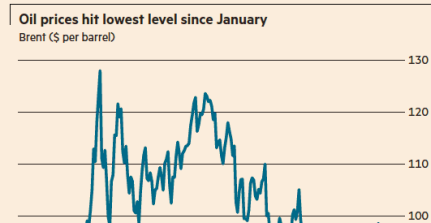
**The day in the markets**

**What you need to know**

- Oil bounces off 10-month low after Riyadh denies supply boost report
- International and US crude benchmarks sharply trim losses
- Wall Street and European stocks slip while China indices also lose ground

Oil prices rebounded from a 10-month low yesterday after Saudi Arabia "categorically" denied a report that Opec was weighing an increase in output that would help to counteract the loss of Russian supplies.

Brent crude, the international benchmark, slid as much as 4 per cent to



**Cult of the star business leader is dangerous**

Peter Atwater

**Markets Insight**



With all the attention on Sam Bankman-Fried and the crypto collapse du jour, it feels as if

With that supersized overnight success came a collection of shortcomings that are only now being exposed. First, these individuals tend to over-

non-existent. Environments of powerlessness and certainty are inherently binary. There's no middle ground. And in that context, a collapse



\$82.79 a barrel before trimming its fall to 2 per cent, to trade at \$85.95.

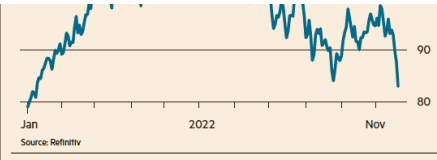
West Texas Intermediate, the US marker, was down by a similar margin but later cut its losses to trade down about 2 per cent at \$78.50.

The prices for each benchmark reached their lowest level on an intraday basis since January before Russia's invasion of Ukraine disrupted crude markets and sent prices soaring.

The volatility came after the Wall Street Journal reported that Saudi Arabia and other Opec producers were discussing a production increase of up to 500,000 barrels a day when the group meets in Vienna on December 4.

Saudi Arabia, the group's de facto leader, later said it was "well known" that the cartel does not discuss "any decisions ahead of its meetings".

Any increase in output would loosen the market after the Opec+ group — including the cartel and allies like Russia — said in October they were cutting production targets by 2mn b/d to support



prices — a move that enraged Washington, which accused the cartel of "aligning" with Russia and damaging the global economy.

In equity markets, Wall Street's benchmark S&P 500 fell 0.6 per cent in early afternoon trading while the tech-heavy Nasdaq Composite slid 1.1 per cent.

Across the Atlantic, the pan-regional Stoxx Europe 600 dipped 0.1 per cent and London's FTSE 100 gave up its gains to trade down 0.2 per cent.

The US Dollar Index, which tracks the currency against six others, added 1 per cent yesterday, extending last week's

rally, though the greenback remains down about 3 per cent for November.

Investors were less optimistic on hopes that China may be about to relax its zero-Covid stance after provincial capitals Shijiazhuang and Guangzhou rolled out tougher controls to limit cases.

Hong Kong's chief executive John Lee, tested positive days after interacting with President Xi Jinping at the Asia-Pacific Economic Cooperation forum in Bangkok.

Hong Kong's Hang Seng index fell 1.9 per cent while the CSI 300 of Shanghai and Shenzhen stocks was off 0.9 per cent. **Myles McCormick and George Steer**

the crowd is missing the big picture.

If we step back and look at the big collapses of organisations over the past five years, they are different from other meltdowns. When the dotcom and housing market bubbles burst, what witnessed was the failure of institutions that then resulted in a subsequent crisis of confidence in their leaders.

Enron's demise took down Ken Lay and Jeffrey Skilling while WorldCom's failure ended Bernie Ebbers.

In 2008, banking failures led to the ousting of bank chief executives. We witnessed a "Lehman moment" rather than a "Fuld finale".

But in this cycle, what we are seeing is the downfall of super-sized dream salesmen — a collection of Harold Hills right out of the 1960s film *The Music Man* — whose personal collapses are taking institutions down with them.

In every case, attention turned first to the outlandish promises and audacious oversteps of a single individual and then to the perilous financial consequences for their organisations. It was the failings of a bold name atop the marquee that closed the entire show.

In an era awash with "move fast and break things" business strategies and social media influencers, I suppose our fascination with disruptive C-suite storytellers shouldn't be all that surprising.

Today's technology and free-flowing capital access have enabled individuals to become huge stars like never before.

without the usual checks and balances.

Whether through highly concentrated shareholdings or share rights, presumed genius or outright aggression, they call all the shots.

Second, blind loyalty was all but a requirement — from employees, capital providers and customers. Pushback was non-existent and doubters were ridiculed for their disbelief.

Third, these individuals were surrounded by loyal and adoring fans. Rock musicians never had it this good.

On the surface, this all looked

### What we are witnessing with the failure of FTX is not a crypto crisis; it is a crisis in cultish celebrity

unstoppable. The founders and chief executives seemed to wield power in the style of autocrats or cult leaders.

The challenge with cults, though, is that they foster environments of compliance, not confidence. Only the leader has certainty and control. Everyone else is powerless. Moreover, whatever certainty exists results from obedience to that individual.

Provided the benefits of compliance and loyalty are high — and the punishment for non-compliance especially brutal — such an environment can be easily sustained.

Problems quickly arise, though, when those factors are reversed. Extreme power is either absolute or

confidence comes quickly.

The failures we've seen have been treated by investors as one-offs — isolated cases of aberrant leadership.

After the collapse of multiple cryptocurrency businesses and the downfall of Do Kwon and Terraform Labs this year, Sam Bankman-Fried was analogised to both JP Morgan and Warren Buffett.

But the question is what happens as more larger-than-life heroes come under the microscope. What if all we've seen so far is merely the demise of the "subprime" characters in this saga?

And let's be honest. It's not as if we lack additional names. Therein lies the problem. Not only is this list of salesmen especially long this cycle but it is also far-reaching. As we've already seen with crypto, the risk of contagion is far higher than popular industry adjectives like "decentralised" suggest.

What we are now witnessing with the failure of FTX is not a crypto crisis; it is a crisis in cultish celebrity. The collapse of confidence in emperors can take down far-reaching empires in a flash. With so much tied to a small handful of star individuals across technology and finance today, we could easily see the same SBFTX phenomenon play out elsewhere.

Unlike the past, what matters most now isn't balance sheet strength or the reputation of institutions but the trust that the crowd has in a few iconic figures. As these figures go, so will the markets.

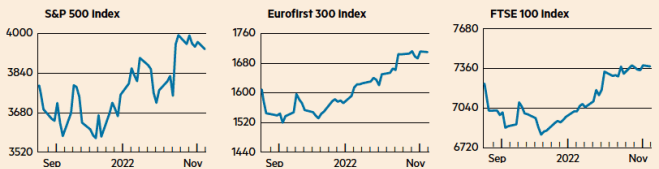
Like it or not, this time it's personal.

*Peter Atwater is an adjunct lecturer at William & Mary and author of the forthcoming book 'The Confidence Man'.*

### Markets update

Table with columns for US (S&P 500), Eurozone (Eurofirst 300), Japan (Nikkei 225), UK (FTSE100), China (Shanghai Comp), and Brazil (Bovespa). Rows include Level, % change on day, Currency, and % change on day for various indices.

### Main equity markets



### Biggest movers

Table listing biggest movers in US, Eurozone, and UK. Includes companies like Steris, Walt Disney, Becton Dickinson, and others with their percentage changes.

### Wall Street

Electric carmaker Tesla sank after informing the National Highway Traffic Safety Administration that it would be recalling more than 300,000 vehicles over "rare instances" of tail lamps intermittently switching off.

Elon Musk's group said it would be deploying an over-the-air firmware update to remedy the fault.

Walt Disney, the entertainment conglomerate, kept on news that Bob Iger, who served as chief executive for 15 years, would be returning to replace his successor Bob Chapek.

Chapek's short tenure was characterised by "significant management turnover and several public relation missteps", said Bank of America, which recalled "contract disputes with talent [and] a public battle with the governor of Florida".

Drug company Imago BioSciences soared after agreeing to be bought by a subsidiary of Merck for \$34 per share — more than double its closing price on Friday.

The transaction, which was expected to close in the first quarter of next year, valued Imago at \$1.35bn.

Companies linked to cryptocurrencies tracked the price of bitcoin lower.

Marathon Digital, Coinbase, Riot Blockchain and Canaan all fell sharply. *Ray Douglas*

### Europe

French steel tubes group Vallourec fell despite reporting net income of €6m in the third quarter against a loss of €7m a year earlier.

These profits were nevertheless well short of the €98m analysts had expected. Negative cash flow of €81m alongside news of rising Covid-19 cases in China — a major metals importer — soured sentiment further.

A legal setback weighed on Salpem, the Italian oil and gas group, which this year appealed against a criminal proceeding related to its Arzew project in Algeria.

Back in February, an Algerian court imposed a fine and compensation for damages against Salpem and its subsidiaries of about €192m — a decision that was upheld by the Algerian Supreme Court.

Salpem said it had "always contested the charges" and reserved the right to challenge the decision.

A ratings change by Deutsche Bank helped to lift Rheinmetall with the manufacturer of weapon and munition systems upgraded to "buy" from "hold".

The broker said the German group provided "decent protection" against macro headwinds as its energy contracts were "largely hedged" and it had been able to pass on rising costs "relatively well" in its defence division. *Ray Douglas*

### London

Gold miner Endeavour rallied on news of a "major discovery" at its Tanda-Iguela greenfield site in Côte d'Ivoire.

Sébastien de Montessuy, chief executive, said the finding ranked "as one of the most significant... in west Africa over the last decade and shows potential to be another flagship asset".

RBC Europe speculated that Tanda-Iguela could be fast-tracked similar to Endeavour's Feteko project, "which went from initial response to construction in less than four years".

A share buyback alongside better than expected results for its full fiscal year pushed Virgin Money up sharply.

The UK's sixth-largest bank reported an underlying pre-tax profit of £789m, ahead of analyst expectations of £686m, and unveiled a £50m share repurchase, adding to the £75m that started in June.

Keywords Studio, which provides services to video games publishers such as voiceover recordings and testing for streaming platforms, rose on issuing an update described as a "positive profit warning" by Citi.

It was benefiting from a strengthening US dollar during the second half of the year, which meant adjusted pre-tax profit "remained higher than anticipated", Citi said. Keywords expected this "positive trading momentum" to continue into next year. *Ray Douglas*

Advertisement for TEDx TinHauWomen event on Thursday 1 December 2022 at Xiqu Centre, Kowloon. Features 8 speakers and 800 seats. Includes the website www.tedxinhauwomen.com and a colorful graphic design.

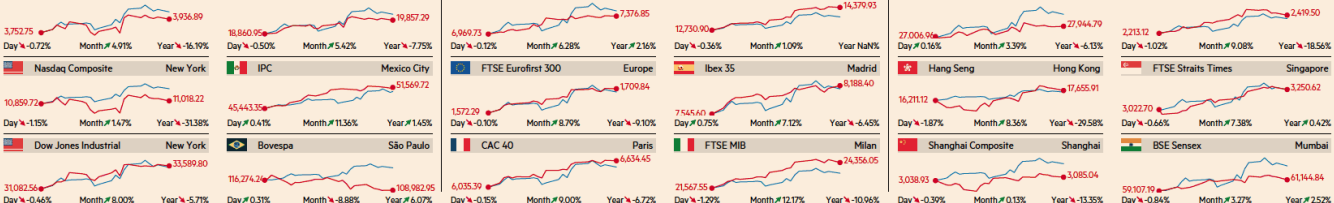
### MARKET DATA

#### WORLD MARKETS AT A GLANCE



Table showing stock market movements over the last 30 days for various regions: AMERICAS (S&P 500, New York), EUROPE (FTSE 100, London), ASIA (Nikkei 225, Tokyo), and others.





Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Nasdaq Composite	15711.86	15471.80	+240.06	+0.72%	+4.91%	+36.19%
America	S&P 500	4395.89	4354.89	+41.00	+0.72%	+4.91%	+36.19%
Asia	Hang Seng	16210.22	16189.22	+21.00	+0.16%	+3.30%	+6.34%
Europe	FTSE 100	4354.89	4354.89	0.00	+0.00%	+0.00%	+0.00%
Japan	Nikkei 225	27130.75	27130.75	0.00	+0.00%	+0.00%	+0.00%

### STOCK MARKET: BIGGEST MOVERS

Index	Stock	Change
DOW JONES INDUSTRIAL	Apple	+1.2%
	Microsoft	+1.1%
	Amazon	+0.9%
	Google	+0.8%
	Facebook	+0.7%
NASDAQ COMPOSITE	Netflix	+2.5%
	Twitter	+1.8%
	Zoom	+1.5%
	Slack	+1.2%
	Dropbox	+1.0%

### UK MARKET WINNERS AND LOSERS

Index	Stock	Change
FTSE 100	Shell	+1.5%
	BP	+1.2%
	British Airways	+1.0%
	BT Group	+0.8%
	HSBC	+0.7%
FTSE 250	Next	+2.1%
	ASDA	+1.8%
	Debenhams	+1.5%
	ASDA	+1.2%
	ASDA	+1.0%

### CURRENCIES

Pair	Rate	Change
USD/GBP	1.37	+0.01
USD/EUR	1.07	+0.01
USD/JPY	150	+1
GBP/JPY	110	+1
EUR/JPY	140	+1

### FTSE 100 INDEX

Index	Value	Change
FTSE 100	4354.89	+0.00%
FTSE 250	2450.00	+0.00%
FTSE All-Share	3900.00	+0.00%
FTSE 100 Div Yield	4.5%	+0.00%

### FTSE 250 INDEX

Index	Value	Change
FTSE 250	2450.00	+0.00%
FTSE 250 Div Yield	4.5%	+0.00%

### FTSE 100 SUMMARY

Index	Value	Change
FTSE 100	4354.89	+0.00%
FTSE 250	2450.00	+0.00%
FTSE All-Share	3900.00	+0.00%

### FTSE 100 SECTORS: LEADERS & LAGGARDS

Sector	Index	Change
Healthcare	+1.2%	
Consumer Goods	+1.0%	
Financials	+0.8%	
Energy	+0.7%	
Telecommunications	+0.6%	

### FTSE 100 SUMMARY

Index	Value	Change
FTSE 100	4354.89	+0.00%
FTSE 250	2450.00	+0.00%
FTSE All-Share	3900.00	+0.00%

### UK STOCK MARKET TRADING DATA

Index	Value	Change
FTSE 100	4354.89	+0.00%
FTSE 250	2450.00	+0.00%
FTSE All-Share	3900.00	+0.00%

### UK RIGHTS OFFERS

Company	Offer Price	Current Price
British Airways	1.00	1.00
BT Group	1.00	1.00
HSBC	1.00	1.00

### UK COMPANY RESULTS

Company	Revenue	Profit
British Airways	1.00	1.00
BT Group	1.00	1.00
HSBC	1.00	1.00

### UK RECENT EQUITY ISSUES

Company	Issue Size	Issue Price
British Airways	1.00	1.00
BT Group	1.00	1.00
HSBC	1.00	1.00



Main market data table with columns for Stock, Price, Day, High, Low, Vol, P/E, M/C, and various regional indices including Australia, Canada, Europe, and Asia.

FT 500: TOP 20 and FT 500: BOTTOM 20 tables listing top and bottom performing stocks in the FT 500 index.

BONDS: HIGH-YIELD & EMERGING MARKET and BONDS: GLOBAL INVESTMENT GRADE tables showing bond market data for high-yield and investment-grade categories.

VOLATILITY INDICES and GILTS: UK CASH MARKET tables displaying volatility indices and UK government bond market data.

BONDS: BENCHMARK GOVERNMENT table providing benchmark government bond market data.

BONDS: INDEX-LINKED table showing index-linked bond market data.

BONDS: TEN YEAR GOV SPREADS table detailing ten-year government bond spreads.

COMMODITIES table listing various commodity prices and market movements.

Equity Research from Morningstar table featuring research reports and analyst insights.

Equity Research from Morningstar advertisement with a large graphic and text describing investment solutions and research services.



ARTS

Magical revivals of *The Nutcracker* by Northern Ballet and Birmingham Royal Ballet kickstart the festive season. By Louise Levene

A gigantic Christmas tree, toys that come to life and all the sugar plums you can eat. The tutu/Tchaikovsky combo doesn't always cast its spell but for many that first trip to *The Nutcracker* delivers a sugar-rush of delight that dooms them to a life-long ballet addiction. There are four productions on offer in the UK this winter. London will have the choice of the Royal and English National Ballet versions next month but Northern and Birmingham have stolen a march on both.

"Difficult to imagine anything more boring and foolish than *The Nutcracker*," moaned the *St Petersburg Gazette* after the 1892 premiere – but such large helpings. The battle of rats, mice and toy soldiers was bulked out with Life Guards from the Finnish Regiment, and the "grandiosely poetical" ensembles for flowers and snowflakes (56 of each) were on a scale modern directors can only dream of.

David Nixon's 2007 *The Nutcracker* for Northern Ballet is a chamber work in comparison but his thrifty, stylish touring production works its magic nonetheless. Nixon returned the action to the period of ETA Hoffmann's 1816 story, and Charles Cusick Smith's Regency setting for the Stahlbaums' act one Christmas party is a neat fit with the gilded, red-lacquer chinoiserie of the act two divertissements – think Brighton Pavilion on pointe. Nixon's pretty classical routines were a bit of a stretch for last Saturday's snowflakes (all eight of them) but Kirica Takahashi was a grand but girlish Clara, Sarah Chun made light work of her Sugar Plum variations and Mlindi Kulashane danced and partnered nobly as her cavalier. John Longstaff's orchestration for the 33-strong Northern Ballet Sinfonia highlights the delicacy and pathos of the score. ★★★★★ [northernballet.com](http://northernballet.com), touring to Norwich, Hull and Leeds to January 7

Peter Wright's 1990 *Nutcracker* for Birmingham Royal Ballet boasts an orchestra nearly twice the size and a strong stable of soloists. Tzu-Chao Chou was ele-



From left: Tzu-Chao Chou in Birmingham Royal Ballet's production; Northern Ballet dancers in their version – Bill Cooper

# Nutcracker sugar-rush

gant and engaging in the dual role of *Nutcracker Prince* and *Sugar Plum Cavalier*. Beatrice Parma brought crystalline musicality to Lev Ivanov's *grand pas de deux*. Wright's reading of Clara demands a tricky mix of ballerina skills and adolescent manners which Miki Mizutani negotiated beautifully.

Wright's earlier 1984 *Nutcracker*, due for revival at Covent Garden next month, enjoys seamless transformation scenes thanks to Julia Trevelyan Oman's toy-theatre-like cloths which

John Longstaff's orchestration for the Northern Ballet Sinfonia highlights the delicacy and pathos of the score

whisk us to the Kingdom of Sweets and back again.

John McFarlane's sublime sets for BRB, gloriously refurbished after nearly

£400,000 of donations, work the same magic but on a truly massive scale. The Stahlbaum drawing room has a remarkable solidity: an estate agent could do a floor plan, an upholsterer could quote for the curtains.

This very reality compounds our sense of awe when the Christmas tree quintuples in size and the fireplace becomes a blazing portal for a horde of murderous rodents.

The thrill in the auditorium on Sunday afternoon was palpable and a packed house that had babbled unstopably through the overture – Paul Murphy and the Royal Ballet Sinfonia deserve better – was suddenly dumb with wonder. ★★★★★

[brb.org](http://brb.org), at Birmingham Hippodrome to December 10, plus a modified arena version at the Royal Albert Hall, December 28-31

# An effervescent night with Vivaldi

OPERA

**Il Giustino**  
Staatsoper Unter den Linden, Berlin  
★★★★★

Shirley Apheror

René Jacobs has taken a hatchet to Vivaldi. From more than five hours of rambling content, he has made a taut three, mostly by trimming away excess arias but also by adding other instrumental music – some of it from the painfully familiar *Four Seasons* – to aid the dramatic flow.

*Il Giustino* is the first Vivaldi opera ever performed at Berlin's Staatsoper Unter den Linden, part of a small baroque festival born to fill the time when Daniel Barenboim was on tour with his Staatskapelle orchestra. Jacobs was on top form and deservedly won a standing ovation at the end of Sunday's opening night.

Vivaldi's operas are often slighted for their poor dramaturgy. Jacobs has no compunctions about fixing their structural weaknesses, and the result is an effervescent evening where one hit follows the next, with fine singing centrestage.

The plot is the usual tangle of jealous lovers, impetuous rulers, mistaken identity and cross-dressing – shepherd Giustino turns out to be the long-lost brother of Vitaliano, the bad guy who turns into a good guy just in time for the final chorus. You'd be forgiven for spending half the evening wondering if this is a woman playing a man dressed as a woman, or a woman playing a man dressed as... whatever.

The main thing is that there is excellent singing, from Christophe

Dumaux's robust, tender performance in the title role and Katerina Kasper's fiery, formidable Arianna to Raffaele Pe's wildly camp good guy Anastasio and Siyabonga Magungo's loveable bad guy, Vitaliano – his vocal fireworks shaped with wonderful musical intelligence and phrased with melting beauty.

Jacobs carries the singers in the palms of his hands, breathing with them, keeping tempi consummately singable and giving the score organic shape.

It is a pity, then, that Barbara Horáková's production is such a muddle. Eva-Maria Van Acker's costumes are a mishmash of baroque bustles with modern hoodies and sports shoes, Thilo Ullrich's sets a clever glimpse into the inner workings of baroque stage mechanics.

Horáková introduces an "audience" of children who become involved in the action. This is yet another device in a jumble of incoherent slapstick.

Where Vivaldi's arias offer a

The plot is the usual tangle of impetuous rulers, jealous lovers and cross-dressing

chance to explore the most elemental of human emotions, Horáková opts for Brechtian deconstruction and a wearying catalogue of we-know-we-are-in-the-theatre statements.

Her production saps the opera of all sincerity, without lending any overarching substance. Berlin can and should do better.

To December 6, [staatsoper-berlin.de](http://staatsoper-berlin.de)

Katerina Kasper's fiery Arianna, left, and Robin Johannsen as Leocasta – Matthias Baus



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FT BOARD DIRECTOR PROGRAMME



### ARTS ONLINE

**London Jazz Festival**  
The packed 10 days looked back to African-American and Afro-Cuban roots and offered compelling narratives, writes Mike Hobart  
[ft.com/arts](http://ft.com/arts)

# Florence + the Machine's last dance

POP

**Florence + the Machine**  
O2 Arena, London  
★★★★★

Arwa Halder

The first London date of Florence + the Machine's long-awaited UK tour would transpire, very unexpectedly, to be the last for a while. Well into Friday night's spirited set, vocalist/songwriter Florence Welch breezily informed the packed O2 Arena that her bare feet were bleeding ("which is always a good sign"). Though she briefly stepped off-stage to consult a medic, she returned within minutes, determined to power through the show. Unfortunately, as Welch's Instagram account revealed the next day, the damage turned out to be a broken foot, forcing her to postpone the remainder of her tour until 2023.

It was impossible to gauge the extent of Welch's injury during the set. She has always been a mesmerising performer, but here she appeared a particularly relentless force, more intent than ever on communing with live crowds after the lengthy pandemic hiatus. Her arrival was glacial and graceful; the set's frosted chandeliers parted and ascended around her as she floated centre-stage in a dusky pink gown, part alt-rock diva, part Pre-Raphaelite heroine. There was an exhilarating energy to her lofty vocals and movement, right from the opening numbers "Heaven Is Here" and "King", both taken from her fifth and latest album, *Dance Fever*,

Welch's audience rapport and the intensity of her delivery seemed to surge as the setlist delved into her catalogue, including the 2015 anthem "Ship To Wreck" and 2008 breakthrough "Dog Days Are Over". She was clearly delighted to be back in her home city, embraced by her devoted fanbase, though she also mused how a newcomer might react to this spectacle ("Is it a cult? Is it a pagan ritual gathering? It's so much better if you really give into it," she assured us).

Welch instructed everybody to pack their phones away for the concert, but few could resist snapping souvenir pics when she left the elevated stage and serenaded the adoring fans along the front row. Such eye-to-eye intimacy, and the trust and tenderness it exuded, felt even more startling in a vast venue.

Later, she dashed barefoot around a full circuit of the arena floor, before

reappearing to shimmy, whirl and pogo onstage. The standout tracks bared Welch's soul with formidable courage and defiant beauty, including latest album confessional "Free" and 2018's "Hunger" ("At 17, I started to starve myself/I thought that love was a kind of emptiness").

When she noticed her blood on the stage, she wryly highlighted *Dance Fever*'s impulsive tune "Choreomaniac" (named after a Middle Ages phenomenon, where people seemingly danced themselves to death).

When she played an encore, she seemed elated to revive a classic, "Never Let Me Go" (from her 2011 album *Ceremonials*). Hopefully Welch's recovery and live return will be relatively swift, because she was in her element here: expressive and emotionally in the raw.

[florenceandthemachine.net](http://florenceandthemachine.net)







which lent this tour its title. Florence + the Machine's suited musicians smartly struck a balance between fragile, folk-laced melodies, clubby beats and explosive riffs, but the band also lingered in the shadows throughout what was fundamentally a one-woman show.



Part alt-rock diva, part Pre-Raphaelite heroine: Florence Welch — Jim Dwyer/Getty

FT BIG READ. MEDIA

Chris Licht, the network's recently appointed chief executive, is looking at a fresh editorial approach and job cuts after a slump in revenues. But is there an audience in a divided country for more neutral news?

By Alex Barker, Christopher Grimes and Anna Nicolaou



# CNN's search for a new centre ground

Barley six months into his new job, CNN chief executive Chris Licht strode into a sunlit conference room to make his pitch to rescue America's first 24-hour news channel from a serious mid-life funk. It was mid-October and around the table was perhaps Licht's single most important audience: the board of parent company Warner Bros Discovery, gathered in a luxury Los Angeles hotel a strategy "retreat".

Warner's restless chief executive David Zaslav was in the room, along with his mentor John Malone, the libertarian cable billionaire and one-time Trump donor, and Warner's biggest shareholder Steve Newhouse, the scion of the media dynasty behind Condé Nast. Between them these three men had a century of experience in the cable business, and no shortage of views on what was best for CNN.

Licht, a respected television producer who most recently ran Stephen Colbert's *Late Show*, came armed with sprightly patter and a deck of slides. But nothing could hide the ominous turn in CNN's fortunes.

By every conceivable financial measure, the network that brought America cable news was floundering. Revenue, advertising sales and profit were down, while costs were up. Ratings, meanwhile, were dreadful; earlier this month, CNN fell behind MSNBC on an US election night for the first time in its history, attracting 2.6m viewers versus Fox News's 7.4m and MSNBC's 3.2m. "I hate to say it but when I look ahead, I see problems without end," says one CNN executive. Deep cuts, including potentially hundreds of jobs, are imminent.

Licht's plan, spelt out to the board, was to take CNN back to its roots; closer to the founding spirit of Ted Turner, who sought to "make news the star" rather than the opinion coursing through the channel in recent years. In Zaslav's words, the new CNN would be "fighting for journalism first", and "more than just politics". Licht's own twist was trying to make CNN feel more like a newspaper; packaging breaking news with other lifestyle and sports content in the hope it might keep viewers glued, even on slow days.

Some opinion would remain, but with a markedly different tone. "One of the biggest misconceptions about my vision is that I want to be vanilla, that I want to be centrist. That is bullshit," Licht told the Financial Times. "You have to be compelling. You have to have edge. In many cases you take a side. Sometimes you just point out uncomfortable questions. But either way you don't see it through a lens of left or right."

7.4m

Fox viewers on election night in the US this month

3.2m

MSNBC viewers on election night in the US this month

2.6m

CNN viewers on election night in the US this month

For all the gloom, CNN is a worldwide news brand that is still generating significant amounts of cash; Licht's team estimated operating profits this year will be \$700m-\$750m, according to three people familiar with the accounts. But that is almost half a billion dollars down on CNN's peak profitability under Zuckerman's predecessor Jeff Zucker, a television impresario who drove a more opinion-heavy CNN through the Trump



news boom. If the slide continues, it is a problem that Warner Bros Discovery, carrying \$47.5bn in net debt, cannot afford. Only six months after the \$43bn merger of Warner with Discovery closed, Zaslav is under investor pressure to cut billions of dollars in expenses through a restructuring he recently described as "messy". The company's stock has been cut in half this year as Wall Street lost its patience with the extravagant "streaming wars" of Hollywood. One way or another, in the years to come, CNN will need to earn its living within Warner. Can Licht turn it round?

### Tricky hand to play

All the main cable news channels have lost viewers since Trump's exit from the White House, but CNN's ratings are the worst in the pack. At the end of October, CNN's US audience sank to the lowest level since 2015, drawing only 431,000 viewers a day. On election night its audience fell 49 per cent from the last mid-

term vote in 2018, sending chills across the newsroom. "We usually own the night," commented one CNN journalist.

Perhaps most worrying, CNN's share of cable subscriber fees, the boon that made its business model one of the greatest in the history of news, is expected to fall by as much as 5 per cent in 2022, according to two people familiar with the accounts. That is the second successive year of decline; executives see no end in sight. After three decades of distribution money propelling the business, CNN's leadership needs new sources of revenue just to stand still.

One veteran at CNN called it the "bleakest time" at the network since he joined in the mid-1990s. The same point was put to Licht last week during a town hall hosted by CNN anchor Alisyn Camerota, where blunt questions submitted by staff cast doubt on the chief executive's strategy, credibility, and even whether his staff message warning of upcoming job cuts was "humane".

"This has been a hell of a year," said a contrite Licht, according to a recording obtained by the FT. "I said in my first town hall how this organisation has been taking gut punches. The last thing I want to be is another gut punch. And I know what we are doing right now is another gut punch."

Over CNN's 42 years in the cable business, Licht's predecessors have seen plenty of ups and downs: ratings panics, editorial scandals and strategy troubles. Settling on CNN's identity has also been a near-constant struggle since it was outflanked by Fox News on the right and MSNBC on the left.

But the programming challenges were always against the backdrop of commercial growth. Even if ad sales fell, steady cable distribution revenue kept rolling in. CNN's profit has fallen precipitously this year, but it remains in the 42-year-old company's top six results.

Licht's unique challenge stems from being CNN's first leader to face a ratings crunch, an ad recession, low morale, tough cost-cutting targets, an editorial reset and structural decline in CNN's business model—all at the same time.

"He's been dealt the toughest hand," says a third fellow executive. "It looks like he hasn't done a good job. It's not the case. His predecessor enjoyed much more benign conditions." Within a few weeks of becoming premier, Licht was charged with cancelling CNN Plus, a \$300m streaming project that itself was just a few weeks old.

Adding to the challenge is an organisational still grieving the departure of Zucker, who was ousted earlier this year after falling to declare an affair with a senior colleague. Intense, hyper-driven, and with an eye for size and spectacle,

he had become a singular presence at the modern CNN.

"Jeff was much adored in many ways," says one 25-year veteran of the CNN newsroom. "He drove the whole organisation in a very personal way and that all dropped off a cliff after he left... [Zucker's exit] threw us for a loop. And we haven't really recovered."

The first CNN executive adds: "Licht has no superpower, not like Zucker." "The only person saving him is Zaslav and that's because they care about the politics more than the business."

The downside to the ratings bump under Zucker—and the Trump presidency that drove it—was the impact on CNN's brand. What was once billed as the most trusted name in news had become the most polarised news brand. No other television news outlet has as big a gap between left-leaning respondents who trust CNN's output, and those on the right who think it is biased, according to surveys since 2018 from the Reuters Institute for the Study of Journalism at Oxford university.

Rick Davis, a celebrated former CNN executive who retired last year after America's longest career in cable news, argues the network's uncomfortable position with right-leaning viewers pre-dates Trump's attacks. He recalled conservative talk-radio pioneer Rush Limbaugh lambasting the "Clinton News Network". "You can put CNN aside. The whole country has changed," says Davis, who produced CNN's second hour on air in 1980. "Nobody in America thinks the political landscape is the same as 10 or 20 years ago in terms of how you cover news... It made sense to include more analysis and informed opinion that would be distinctive programming."

Licht has begun to recalibrate the tone. Outspoken talent such as media anchor Brian Stelter and John Harwood, White House correspondent, have left CNN. "Once ever-present 'breaking news' banners are now more infrequent. Licht also launched *CNN This Morning*, backing a trio of presenters from Louisiana, Alabama and Minnesota. CNN wants to be seen to be climbing down from a metropolitan pedestal.

It is far from a revolution, but CNN insiders say polling suggests audiences have already noted the change in tone. Licht simply sees it as a return to basics after the mission-creep of the Trump years: "If everything is a crisis, if everything is it, if everything is breaking news, then no one listens when there actually is a crisis. When you say, 'No, no—really—the house is on fire now?'"

The unanswered question is whether the editorial shift makes commercial sense. Jon Klein, who ran CNN's US operation in the pre-Zucker era,

betting on his strategy reinforcing that gap.

But serious questions remain, even among Licht's top team. Regular cable news viewers are at the most partisan, news-obsessed edges of an extremely polarised country. With Fox and MSNBC catering to those audiences, CNN had in the past relied on big events. But the sheer range of digital news outlets and entertainment options has even undermined that advantage.

Licht brushes off the scepticism. "There are tens of millions of people who have decided the old cable news is not part of their life any more, that it is not worth their free time," he says. "I have to imagine we can get to a place where, I don't know, you got 250,000 of them between the ages of 24-54 that will engage with you. That would look like one hell of a success."

His other big bet will be on CNN's digital assets, which includes one of the world's biggest English language news websites, hosting more than 500m visits a month according to Similarweb. The operation has been neglected within CNN for the past two years; Licht has invested in the tech to improve a clunky user experience.

It speaks to CNN's need to ultimately find new sources of growth in a world where cable television fees, which still account for the majority of its revenues, are in long-term decline. For now, contracts with cable distributors effectively stop CNN from being able to stream its news channel on online platforms (the US version of CNN Plus had no live news). But Warner executives are hopeful that can be overcome. A new platform will be released next year to replace HBO Max; CNN is expected to be a prominent brand in the Warner streaming package.

Licht's more immediate concern is cuts within CNN, which is already reeling from the abrupt cancellation of CNN Plus. While Licht asked his executive team to look at ways to "right-size" the network, in recent weeks this hypothetical exercise became a full-blown cost-cutting drive. About \$100m of savings must be found this year, which equates to just under a tenth of CNN's budget. It is expected to lead to not just hundreds of job cuts but closures of programming and even potentially whole stations in the CNN empire. Licht told staff the cuts would be unveiled in early December.

Warner's need to repair its balance sheet and pay down some of its debt has fed perennial speculation that CNN may be put on the block in months to come. One former Warner executive said he had been approached by potential buyers as they sized up whether to bid.

Some of Warner's top ranks see CNN

as a

strategic

asset

to

sell

if

needed

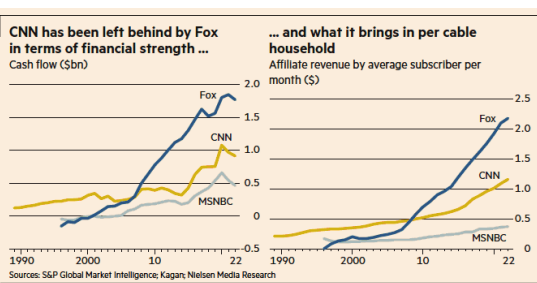
to

raise



aspect to the board briefing. Licht faced no financial interrogation, according to people familiar with the meeting. Zaslav, Malone and Newhouse made it plain: the numbers were secondary to rebuilding a brand they saw as tarnished by left-leaning advocacy that became more pronounced in the Trump years. They wanted it fixed, and they were full-square behind Licht.

Licht had a mandate from the top. But to his detractors within CNN's top ranks, that was precisely the problem. "What does it say about our editorial independence?" asked a second-disgruntled CNN executive, who was furious at Warner board members "trashing" CNN in public, notably Zaslav's call for "less yelling" and Malone's plea



believes "objective journalism" is the "smartest strategy for CNN and the only strategy that will work".

"They will get higher ratings if they stop pushing opinion but they have to hurry. Cord cutting is happening," he says. Klein reckons "trusted news that is not coming with you with a spin" is "an enormous" business opportunity. "It will be like turning the light in the light-house back on. Everyone will go: what took you so long?"

Warner's ad sales team is also convinced advertisers will prize the chance to appear alongside a trusted brand and pay a premium for it. CNN already sells ads at higher rates per viewer than Fox News or MSNBC, according to S&P Global Market Intelligence. Licht is

complaining that the talent was too opinionated. Look, there is no audience in the middle. It doesn't exist. It's a mirage

as a detachable asset that could be sold without harming Warner's core streaming business. But Zaslav has quashed serious talk of a sale; he is what Licht has called a "CNN fanboy" who sees the asset as too valuable to lose. Even if it was to be sold, CNN's dip in profitability could mean the asset might change hands for as little as \$6bn-\$8bn — not enough to transform Warner's debt pile.

During last week's town hall, Licht said he had heard "zero discussion" of a sale. His focus for now is on the grim business of laying off staff, but he hopes quick decisions will lift the fear-gripping organisation. "There is no worse thing that a leader has to do," he said. "It is absolutely gutting. I wake up at 3am thinking about it."

# The FT View



**FINANCIAL TIMES**  
"Without fear and without favour"

ft.com/opinion

## Iger returns for a management sequel at Disney

*Entertainment company's restored leader faces financial challenges*

In Hollywood, a superhero often returns: when an action film does well at the box office, the lead character gets at least one sequel. Walt Disney this week extended this approach to the company's governance, electing Bob Chapek as its chief executive after he lost the confidence of investors, and bringing back his predecessor Bob Iger.

Disney shares initially rose 9 per cent on the hope that Iger, who oversaw its acquisitions of Marvel and Pixar and launched the Disney Plus streaming service during his 15-year tenure as CEO, will display a defter touch than Chapek. He must soothe discontent within Disney, address growing losses in streaming and restore its confidence.

Many leaders secretly dream of being asked to return because their successor

has failed, but it happens only rarely. AG Lafley returned to the top job at Procter & Gamble in 2013, while Howard Schultz has come back twice to lead Starbucks, which he founded. The most spectacular return was that of Steve Jobs to Apple in 1997, when it was on the verge of bankruptcy.

Susan Arnold, Disney's chair, called Iger "uniquely situated" to lead the company. That is a tribute to his ability to make temperamental film stars and directors feel valued while restructuring Disney for a new technological age, but it also exposes the flaws in his succession planning. A board should always have more than one suitable candidate to succeed its current leader.

Iger, who delayed his departure four times, compounded the problem by stepping up to the chair at Disney when Chapek took over as chief executive in 2020. The flaws in this arrangement quickly became apparent: he cast a long shadow over Chapek, and clashed with him over the best way to take the com-

pany forward through the pandemic. Chapek was unlucky to start just as the pandemic was emerging, but he also made needless missteps. He alienated Disney employees over legislation in Florida to regulate what schools can teach about LGBT+ issues, clashed with Scarlett Johansson over the streaming release of her film *Black Widow* and abruptly dismissed Peter Rice, a senior television executive.

Iger, widely respected in Hollywood, is well-placed to ease these difficulties. "A little respect goes a long way and the absence of it can be very costly," he wrote in his autobiography *The Ride of a Lifetime*. The returning boss has an easy charm that works well in the entertainment business, and will be a welcome contrast after Chapek's brusqueness.

But Iger is responsible for the shape of Disney and his reappearance does not negate the challenges it faces. It was under him that it bulked up through acquisitions to attain the strength needed for a decisive shift from tradi-

tional films and cable television to streaming entertainment. He judged that it needed to confront disruption by Netflix head-on or be undermined.

In many ways, this has worked out for Disney: it now has more subscribers to Disney Plus and its other streaming businesses than Netflix. But the costs are enormous, and its losses are mounting. In common with rivals such as Warner Bros Discovery, which runs HBO Max and Discovery Plus, it may face a "streaming recession" as consumers cut subscriptions.

Although his restoration is acclaimed, Iger will need to show quick wins in the content and streaming wars, or pivot fast. The company faces activist investor pressure both from Daniel Loeb's Third Point Capital and Nelson Peltz's Triun Partners, and it needs to demonstrate quickly that it has answers. Re-establishing stability in management is only the first step. Iger has earned himself a sequel at Disney with his first performance, but now he has to do it all again.

### Opinion Politics

## End-stage governments can get a lot done



Stephen Bush

**A**kira Kurosawa's 1952 film *Ishu* tells the story of Kanji Watanabe, a Tokyo bureaucrat who, upon discovering that he has just months to live, devotes his final days to building a children's playground. The movie is the subject of two modern remakes. The first stars Bill Nighy, the second Rishi Sunak.

Like Watanabe, Sunak has a terminal diagnosis: happily for him his expected demise is political not physical. The Conservatives trail badly in the opinion polls and it is highly likely that the party will be defeated at the next election.

The good news is, like Watanabe, Sunak and his ministers are in a position to make real and lasting change over the next two years. In private, Sunak tells his allies to draw comfort from John Major's surprise victory in

can still make change by appointing the right junior ministers. It is at minister-of-state level that so many projects are driven forward and completed.

The bad news for Sunak is that unlike Watanabe, who kept his illness secret from his colleagues, the prime minister's internal opponents know that he is fatally wounded. That is a particular problem because the British premiership is a relatively weak position, institutionally.

Prime ministers have no budget, and the ability to dismiss ministers is their only real power. And as Major once complained, sacking ministers only swells the ranks of the "dispossessed and the never-possessed" on the backbenches. A former Downing Street aide once compared the powers of a prime minister to that of a parent: in reality you have few sanctions and once you have grounded someone or revoked their pocket money one week, you can't easily do it again until the following week rolls around.

As a result, any obsessive focus that Sunak has is most likely to succeed if it commands broad support in his own party or, better still, if there is consensus on the other side of politics too. This is one reason why Jeremy Hunt's decision to ask Patricia Hewitt, a Blair-era health secretary, and Michael Barber, a Blair-era education adviser, to lead two policy reviews is clever: it increases the chance of the policies that emerge from those processes finding champions in the Labour party and not just among Conservatives.

Then there are measures that don't require the prime minister to legislate or manage his internal opponents. Major's Downing Street Declaration

### Letters

## Climate change is the biggest market failure ever experienced

Alan Beattie (Trade Secrets, November 18) is right to decry the crusaders on both sides of the environment versus free trade debate. The world no longer has the luxury of looking at this issue through binary lenses. The horrors of a possible environmental apocalypse should goad us into reshaping the rules of global exchange on the basis of a shared understanding of our interdependence and how all 8bn of us benefit from it. There cannot be partial or regional solutions to the many challenges of climate change.

An exclusive focus on defensive measures, based on the often overworked logic of supply chain

resilience, or of levelling the playing field, can potentially lead to unsustainable outcomes that negate the benefits we have all derived from our interdependence. At the same time, they can pose serious threats to the rules of the multilateral trading system.

Similarly, free trade purists need to recognise that the rules of engagement devised in a different era may require serious tweaking to enable trade to make a positive contribution to a sustainable future. Climate change is clearly the largest market failure the world has experienced and requires governments to intervene in several

ways to allow the global economy and the trading system to tackle this challenge in an orderly manner. It is the nature and extent of government interventions that needs to be discussed, not their necessity.

Subsidies are required for greening the economy, and this will mean revisiting the subsidy disciplines of the World Trade Organization.

But, there are other things we need as well, like an international framework for sharing green technologies and finance. Nation first approaches risk creating, as Beattie puts it "a vast and inefficient archipelago of discrete markets rather

than an efficient critical mass". These transformations require a co-operative framework that builds on existing frameworks like global value chains, while at the same time exploring other policy options to prevent future supply shocks.

Similarly, the non-discrimination principle of global trade rules needs to be nurtured rather than weakened. The expanded role of geopolitics in global trade is a sad reality. But it will be even sadder if this becomes the dominant principle in policymaking for trade.

Ujal Singh Bhathia  
Delhi, India

### Britain requires a green taxonomy to hit net zero

While warning about the "claptrap" of net zero targets, Stuart Kirk's representation of the immense task of decarbonising our economy will likely discourage readers who would like to see a liveable future on Earth ("The banking approach to net zero is just claptrap", Opinion, November 12).

Insufficient data, as noted, does present a challenge to companies and investors when translating net zero targets and commitments into action. One of the data gaps which has vexed investors in particular has been the availability of climate-related financial disclosures. The lack of hard financial data is one of the drivers of greenwashing accusations, leaving investors — as it does — to rely on more subjective proxies.

But the author stops short of providing a solution to this challenge, one that will deliver on the important commitments we are seeing from businesses that stand ready to act by setting out their transition plans. I suggest an alternative that will help provide decision makers with the transparency they need to make informed investments.

Filling the data gaps for financial institutions in the UK will require a highly usable, science-based UK "green taxonomy" which will play a critical role in helping to accelerate the transition to net zero, by clarifying to the market where capital needs to be deployed.

It will provide a mechanism for financial institutions to factor climate science and price sustainability into their financial decision making

### BANK



existing financial regulatory framework, rather than on terms that the crypto industry itself is proposing.

While this is the approach that US regulators have been pursuing, in the absence of new legislative initiatives for regulating crypto finance, she fails to recognise that the collapse of FTX reflected a failure of US and foreign regulators to supervise the firm in the entirety of its opaque and globally distributed operations and to insist on greater transparency through accurate financial reporting.

Even though FTX was a private company and not a publicly traded financial enterprise, it is clear now, on the basis of its bankruptcy filing, that the corporate governance of its operations was exceptionally weak in terms of internal financial controls, record-keeping and the oversight of an

### UN population projections on a different trajectory

Your article on reaching an 8bn global population is disappointing ("World population passes 8bn and grows older", Report, November 16).

The main problem is that it considers only the median variant of the 2022 UN population projections (ie two children per woman). Actually, the future demographic trajectory of the world population could well be between the median variant and the high variant (half-a-child more than the median variant). This trajectory would warrant a higher peak population (which would be attained later) than the peak of 10.4bn people projected in the 2080s by the UN median variant.

John F May  
Research Professor, Schar School of Policy and Government, George Mason University, Arlington, VA, US

**From Blackbushe Airfield to the London Palladium**

Reading Ludovic Hunter-Tilney's review (Life & Arts, October 22) of Bob Dylan's London Palladium concert and the reference to the title of his opening number reminded how "things have changed" at Dylan concerts over the years.

At Blackbushe Airfield in 1978 I saw myriad Bic fireflies accompany "Blowing in the Wind" (other disposable lighters were available).

Twenty eight years later in Toronto (2006), the younger generation lit up their mobile phones in solidarity.

A further sixteen years on in Glasgow (2022) our mobile phones were

### The money supply horse has already bolted

John Plender's concern that "... central banks cannot recapitalise themselves in the event of insolvency through seigniorage without generating unacceptable high inflation" is misplaced ("Test of central bank credibility looms on risk of bond losses", Markets Insight, November 17).

The permanent increase in money supply that generates his concerns about inflation has already taken place at the point at which the central bank sells a bond at a loss that generates his concern about solvency.

If a central bank buys a government bond at a price of 130 during a period of low bond yields and then sells it back to the market at a price of 100 once bond yields have risen it has permanently increased the money supply by a net 30. Any subsequent recapitalisation of the central bank to make good that loss and avoid insolvency is a mere accounting nicety that has no effect on the money supply. That horse has already bolted.

Martin Allen  
London NI, UK

**Here's how to curb bosses' pay, prime minister**

Regarding your news story "Sunak urges bosses to curb their pay and look after staff" (Report, November 16), if the prime minister is serious about this I have a couple of suggestions for him.

First, the stick: when a company's senior executives earn more than 20 times that of the lowest paid in the company, impose a tax on the company equal to the amount by



REGULATIONS AND LEGISLATION... the UK. Some are superficially trivial but far-reaching, like the creation of the National Lottery. Others are obviously large and significant, like his contribution to the Northern Ireland peace process and the 1997 ban on handguns.

Watanabe's final success in getting a playground built is, as it happens, a much more realistic insight into how politics and delivery works than anything you will see in political dramas like *Baron Noir* or *The West Wing*, however enjoyable they might be.

Finally, Sunak should remember that small things can have a huge impact. Major's creation of the National Lottery has had a massive effect on the cultural and sporting life of the UK.

As Watanabe demonstrated, a terminal diagnosis need not mean the end of your achievements. It can be a spur to do something greater.

WHICH FINANCIAL DESIGN... thereby creating a pathway for delivery. For these game-changing outcomes to be delivered, work on getting taxonomy design right is crucial.

A taxonomy is not the sole solution to this problem. It is part of a suite of tools that includes transition plans and sustainable investment labels, which will work together to help companies and financial institutions make good on their net zero commitments.

There is an army of market and financial experts working on these solutions. Readers do not be discouraged.

**Ingrid Holmes**  
Executive Director, Green Finance Institute and Chair, Green Technical Advisory Group  
London ECL, UK

**No publicly traded entity could operate as FTX did**  
Hilary Allen (Opinion, November 18) makes the case that the recent FTX failure points to the need for strict regulation of crypto finance within the

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...independent board of directors. There were also deficiencies in the scope and scrutiny of outside auditors. No publicly traded financial enterprise would be allowed to operate on the same terms as FTX.

The failure of FTX should not be taken as an indictment of digital finance in general, which seems implicit in Allen's opinion piece. Other centralised digital exchanges such as Coinbase have operated successfully, while financial and business transactions of many private companies have been conducted effectively through both "permissioned" and public blockchain systems, when operating subject to strict financial disclosure requirements within a sound regulatory framework.

However, more can be done to promote greater consistency in global regulatory environments in order to prevent cases similar to FTX from developing.

**Anthony Elton**  
Member of Bretton Woods Committee and its Future of Finance Working Group  
Cherry Chase, MD, US

...impounded on entry. Mobile torches have gone out. I am not sure this enhanced the sensory experience, as suggested.

However with music of this degree of brilliance - I do not think we have to worry about the lights going out...

**David G Connell**  
Inverurie, Aberdeenshire, UK

**What a name makeover says about weekend haunt**  
I note from your article about the Fox at Oddington "Greener getaways from London: The Fox at Oddington, Gloucestershire", FT Globetrotter, FT.com, November 21) that this much loved haunt for weekends away while in our twenties has had a comprehensive makeover. In name as well as substance.

It was always "The Fox at Lower Oddington" in our heyday. Perhaps that adjective didn't resonate with the new owners' aspirations.

**Graham Meek**  
London SE5, UK

...company equal to the amount by which the earnings of each of those individuals exceeds, say, £500,000.

Now, the carrot: when a company pays a bonus out of profits which is distributed equitably among the staff, the bonus will be tax free for the recipient to the extent that it does not exceed 10 per cent of salary or £5000, whichever is less.

**Giles Dixon**  
London TW9, UK

**Tame by the standards of Manrique's lava field cave**  
The cover story in HTSI on "21st century cave woman", about the Mediterranean holiday home of Francesca Amfitheatrof, Louis Vuitton's creative director (November 2) is interesting.

But when one is familiar with the cave house designed and built in a huge field of black lava in Lanzarote by the late César Manrique decades earlier, Francesca's attempt sadly looks very tame.

**Deip Guha**  
Keswick, Cumbria, UK

# Opinion

## How you treat the 'non-elite' is key to beating populism

Joan Williams

**J**air Bolsonaro's loss in Brazil's recent presidential election and the defeat of many Trump-inspired Republicans in the US midterms made for a good couple of weeks for opponents of rightwing populism. But both victories were razor thin, and populists continue to be profoundly influential in Europe and the Americas.

What makes economic populism tick? The standard explanation, made by political scientist Pippa Norris, is that the movement represents a backlash against progress by people with "authoritarian personalities".

Until the 1970s, centre-left parties represented an alliance on economic issues between blue-collar workers and liberal intellectuals. The key goals were good jobs and a stable retirement. Then my generation came of age in the 1970s

and shifted attention away from kitchen-tabled issues to cultural concerns around sex, race and environmentalism. Norris calls this "post-materialism". But she depicts the post-materialist move as a generational shift, failing to recognise that not all of my generation made it - only university-educated elites did.

As the centre of gravity of the US Democratic party shifted from economic issues to post-materialist ones, a key group of voters was left with no political voice: non-elites, who tend to hold conservative views on social issues but are progressive on economics.

Political scientists call this the "representation gap". And far-right economic populists fill it.

When he ran for president in 2016, Donald Trump promised to bring back good jobs (the didn't) and to deliver on post-materialist issues like abortion rights (he did). The far right weaponises the representation gap by offering to stand up for the cultural values of non-elites, turning everything from abortion to climate change to immigration into fodder for culture wars. In Europe, the

gap is expressed in divides between globalisation and patriotism. These, of course, drove Brexit.

Post-materialist culture wars reflect class differences not between elites and the poor, but between elites and the middle. The non-elite voters who flocked to Trump are neither poor nor rich - they are part of a fragile and failing middle-class.

**Voters who flocked to Trump are neither poor nor rich - they are part of a fragile middle-class**

Middle-status people, social scientists have shown, are more conservative and cautious than the poor (who can afford to take risks because they have so little to lose) and elites (whose privilege allows them to bounce back from failures). They show more respect for authority for a simple reason: being "disruptive" may be highly valued among Silicon Valley elites but, in

blue- or pink-collar jobs, it merely gets you fired.

The globalism-patriotism split also reflects class differences. Ethnographic studies find that non-elites are more patriotic than elites are. And again this is for a simple reason: being American, or English, or Norwegian, say, is one of the only high-status categories these folks can claim, and everyone (elites included) stresses the high-status categories to which they belong.

What is the best way to bridge the representation gap? There are lessons here to be drawn from this month's midterm elections in the US.

One reason the Democrats won control of the Senate was because John Fetterman defeated a Trump-backed Republican in Pennsylvania. Fetterman not only secured the Democrats' standard post-materialist constituencies of college-educated voters and people of colour; he also peeled off enough working-class whites in rural and rust-belt areas to win.

Fetterman filled the representation gap by combining traditionally left economic policies and a demand for good

jobs in left-behind areas, with cultural symbolism that signalled respect for working-class values.

He did this by adopting blue-collar modes of dress, speech and masculinity. He also flipped the script on elitism that has been a key engine of support for far-right populists, who have tapped into blue-collar anger against the kind of condescension that the elite unfortunately perpetrates.

Fetterman derided his opponent Mehmet Oz as out of touch. When Oz tried to connect with voters' worries about rising inflation by acting shocked at the cost of "crudities," Fetterman tweeted: "In [Pennsylvania], we call that a veggie tray."

An alternative to this approach is to do what the centre-left in Denmark did and adopt a rightwing immigration policy. I know which I prefer.

But either is better than insulting the intelligence and values of non-elites. That just drives them further into the arms of the far right.

*The writer is founder of Bridging the Diploma Divide in American Politics*

# The mental health recession is deepening

SOCIETY  
Sarah O'Connor



health services at Optima Health, another EAP, ran an online seminar about bereavement for the employees of one client. He expected about 40 attendees, but 1,200 logged on. "People were actually sharing quite a lot of experiences about what they've gone through," he says.

Antidepressant usage is also on the rise. In 2021/22, 8.5mn patients received at least one prescription item for antidepressant drugs in England, according to NHS data - 22 per cent more than in 2015/16.

What's going on? On the positive side, people have become more comfortable discussing their mental health and asking for help. That's an improvement on the past when "we had this undercurrent of need that wasn't even being talked about," says Vicki Nash, head of policy at mental health charity Mind.

But it's clear that's not the whole story. The loneliness, worry, grief and financial problems caused by Covid-19 and associated lockdowns appear to have damaged the mental health of people all over the world.

In the first year of the pandemic, the global prevalence of anxiety and depression increased by 25 per cent, according to the World Health Organization. In the UK, young people are a particular concern: one in nine children aged 6 to 16 had a probable mental disorder in 2017; by 2021 that was one in six, according to NHS data.

At the same time, mental health serv-



with the rise in demand. In the UK, waiting for treatment has become so common that Greater Manchester has created a service called "Waiting Well" to support people while they wait. But the longer people have to wait, the worse they tend to get. Nash says people can be turned away because they are not well enough to qualify for treatment, "so they have to wait until they become dangerously sick".

One study into the experience of people on waiting lists interviewed a woman who said: "I didn't shower, I didn't get out of my bed because I thought in my head, I thought maybe if I stay in bed long enough someone will come and section me and then I'll get help."

**Loneliness, worry, grief and financial problems caused by Covid-19 and lockdowns**

some GPs are telling patients to contact their EAP provider if they have access to one because they're "more likely to get some kind of support quicker than NHS pathways".

On top of that, the UK has now been hit by a severe bout of inflation and a likely recession. The people who are most vulnerable to a steep drop in living standards are those on low and insecure incomes. They are also more likely to have poor mental health - problems that often exacerbate each other.

A recent report by the Joseph Rowntree Foundation highlighted the striking link between antidepressant use and deprivation: in 2021/22, more than twice as many patients were prescribed antidepressant drugs from practices in the most deprived areas in England than in the least deprived areas.

They will need as much help as the money-constrained state can spare. Some interventions don't have to be very costly, such as integrating talking therapies with debt advice. Other policies that would help are already on the table but need to be implemented, such as government plans to make life in the rental sector less insecure.

Leaving people to cope on their own will store up more problems, both for them and the economy as a whole. Already, a rising share of people say they are too ill to work.

Although the over-50s are the biggest driver of this trend, there is also a worrying rise in inactive young people. For them, the biggest cause of long-term sickness is mental illness, phobias and nervous disorders, up 24 per cent since 2019.

Economic problems are hard for people at the best of times, and these are not the best of times. How well or badly we handle this moment will have ramifications long into the future.

## Legacy and reconciliation bill will further divide N Ireland

Eamon Martin and John McDowell

**A** good deal of the Church's pastoral ministry in any society involves being with people who have suffered. In Northern Ireland, too often that has meant supporting those who have suffered the violent death or serious injury of a loved one. Our predecessors, through the worst years of the Troubles, walked in front of thousands of coffins. Our generation of clergy has comforted and prayed with individuals and families for whom the heartbreak has, in some cases, seeped through generations. The legacy of the Troubles remains an open wound and the frailest of seams in our political and social life.

There is no universal remedy for this great pain, but there can be honesty, integrity and compassion in trying to find the best way forward. Most people in Northern Ireland felt that such a way had been found in 2014, with the provisions on legacy contained in the Stormont House Agreement which was negotiated by local political parties and the British and Irish governments. Although the provisions were not acted upon, they surfaced again in a later agreement involving the same parties in 2020. On both occasions, most victims' groups welcomed the decisions made.

The promoters of the Northern Ireland Troubles (Legacy and Reconciliation) bill, which began its journey through the Lords this week, have effectively set aside the toll and goodwill of those who have been journeying with victims for decades. They may say that they are "listening" but the fact that they have produced a bill so heavily

**Nothing in the proposed law goes anywhere near providing the environment for restoring relations**

weighted in favour of the perpetrators of violence suggests otherwise.

The bill contains provisions that set the bar for immunity from prosecution pitifully low (effectively granting an amnesty), and will not, in all likelihood, provide relatives with the quality of information for which they have yearned for so long. There are other issues, too. Virtually all independent legal opinion that we have seen casts serious doubt on whether the case "reviews" provisions of the bill will comply with the provisions of Article 2 of the European Convention on Human Rights which require access to a proper investigation of loss of life. Moreover, anyone with a basic understanding of paramilitary culture in Northern Ireland could not expect many perpetrators to risk offering their accounts for the record.

From an ethical point of view (and not just a Christian one), the inclusion of the word "reconciliation" in the title of the bill - and its liberal scattering like fairy dust throughout the provisions -



intensity of the work. Andrew Kinder, head of mental

ities in many countries were disrupted by the pandemic and have struggled

have hurt people globally

or no work at all are less likely to have such a safety net.

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# Ukraine conflict shows that space is now central to warfare

Anders Fogh Rasmussen

Russia's brutal invasion of Ukraine has made clear how vital space is to our security. In January, GPS images of Russian troops massing at Ukraine's borders signalled an imminent invasion. Throughout the war, satellite links have kept frontline troops connected with their commanders. Meanwhile, GPS-guided HIMAR rocket launchers have helped shift the balance of the war in Ukraine's favour, allowing them to pinpoint and destroy Russian ammunition dumps and artillery well behind enemy lines. This is the first major conflict where both sides have been heavily reliant on space-based capabilities. It will not be the last. The importance of space during the war in Ukraine reflects how central activity in Earth's orbits has become to all our lives. In recent years, the US,

Russia, China and India, have significantly strengthened their space capabilities. In a time of heightened geopolitical tension, Europe must not be left behind. This week European ministers meet in Paris to discuss the future of Europe's space programme. One conclusion is already clear — our continent's security and prosperity will increasingly rely on our ability to act in space. For this we need secure infrastructure, open and safe access, and sustainable human activity. In Ukraine, Russia is increasingly targeting critical civilian infrastructure. Moscow has launched repeated missile attacks against the country's power plants and electricity grid. The aim is clear: to make life as hard as possible for civilians this winter. Russia has even targeted infrastructure outside Ukraine, allegedly sabotaging underwater pipelines carrying gas to Europe. Moscow is making clear that it perceives critical infrastructure as a legitimate target in any future conflict. This includes assets in space. In the early days of the war, Russia launched cyber attacks on Ukraine's satellite communication systems. Last year it carried out

anti-satellite tests in low-earth orbit, proving it has the capacity to conduct physical strikes in space if it chooses to do so. This threat was made explicit last month, when a senior Russian official told the UN that commercial satellites from the US and its allies could be "legitimate targets for retaliatory strikes". Europe must be able to act autonomously in space. Last month, SpaceX

## New rules are badly needed to govern human activity in Earth's orbits

owner Elon Musk tweeted a "peace plan" for Ukraine, and has also threatened to cut access to the company's Starlink satellites. This plan could have been taken straight from a Kremlin disinformation unit. It called for Kyiv to cede swaths of territory to Russia and commit to military neutrality. Musk's foray into geopolitics highlighted the dangers of space monopolies. Europe cannot allow its

critical infrastructure to be subject to the whims or twerps of billionaires. The best way to avoid this is for European leaders to push for a more open and competitive market in space. Our companies must be able to compete on a level playing field, while ensuring we maintain essential capabilities in the continent. This is important as space exploration drives innovation. It expands our technological horizons, creates industries and drives understanding about our place in the universe. But it can only bring these benefits if our activity there is safe and sustainable. Right now, it is not clear that is the case. In particular, low-Earth orbit risks becoming dangerously congested with larger and larger objects. This is due to the launch of mega-constellations of satellites by companies such as SpaceX and Amazon. In 2018, there were just 2,000 satellites in orbit. By the end of this decade this could be 100,000 — a 50-fold increase. Both the European Space Agency and NASA have raised the alarm on the growing threat of overcrowding, collisions and the generation of debris. Just like air, land and water resources,

near-Earth space is fragile. New rules are badly needed to govern human activity there. Unfortunately, global consensus is impossible in the current climate. It is time for Europe to step up. We have been at the forefront of addressing environmental concerns on Earth, we must do the same in space. We must understand and address the risks before it is too late. Our academics and companies must work with allies to understand what activity Earth's orbits can sustain, as we did for sea lanes and civilian airspace. Regulators should then set clear conditions when granting market access to satellite companies, which lower the risk of collisions. Europe must be bold. If we fail to address security concerns, we will be weaker. If we fail to deliver a level playing field, we will be poorer. And if we fail to make our space activity safe and sustainable, then future generations will pay the price. The writer is a former Nato secretary-general and a member of the European Space Agency's advisory group on human and robotic space exploration

remains a mystery. Reconciliation in both the religious and civil senses involves the restoration of relationships; it requires patience, the slow building of trust leading to courageous truth telling, and immense forbearance. Nothing in this bill goes anywhere near providing the environment for that to take place. Perhaps the very opposite. The individual at the heart of this bill is not the victim — rather, they are a strange hybrid of the perpetrator and the secretary of state for Northern Ireland for the time being. The latter is given powers to appoint personnel, make regulations regarding its work, issue "guidance" on the immunity process, initiate reviews, direct a response to historical findings, appoint those responsible for the historiographic work and control the overall budget. In other words, it grants the secretary of state the powers of a commissar rather than a minister of the Crown. Addressing the legacy of the past has been perhaps the greatest failing of both politicians and civil society in Northern Ireland since the signing of the Belfast/Good Friday Agreement in 1998. This bill will not achieve its purposes. On the contrary, it will deepen division and further demoralise all but a tiny minority of those it purports to help. It seems almost as though it has been designed to fail. The writers are the Roman Catholic Archbishop of Armagh and Primate of All Ireland and the Church of Ireland Archbishop of Armagh and Primate of All Ireland respectively



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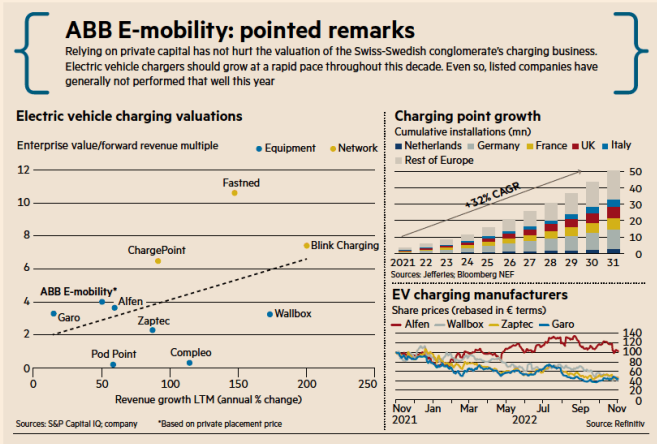
## Disney: return of the Jedi

Bob Chapek recently wrote to colleagues in an internal memo that Disney would have to cut staff to cope with the deteriorating media environment. Little did he know he would himself become a victim. On Sunday night, Disney announced the board had fired Chapek and brought back the legendary Bob Iger as chief. Chapek only replaced Iger in 2020. Shares were up about 6 per cent in New York yesterday afternoon. Wall Street has learned the pricey and cut-throat streaming business — in which Disney has invested heavily — can no longer count on user growth. The moment of truth was when Netflix said in April that it had bled subscribers for the first time in a decade. Disney has since been weighed down by two inexcusable problems, despite a franchise portfolio that includes Star Wars and a gaggle of cartoon princesses. Its direct-to-consumer business, led by Disney Plus, lost \$4bn in the recently concluded fiscal year. That was despite boasting 200m streaming subscribers overall. At the same, Disney's traditionally profitable broadcast and cable networks face accelerated cord-cutting and surging costs for sports rights. For 2022, profits in that business were only flat for the year. Ironically, Disney's best business of theme parks, formerly run by Chapek, made healthy earnings. These have subsidised the ambitions of the rest of the company. Disney shares have fallen more than 40 per cent this year, worse than rivals Comcast and Paramount. Warner Brothers Discovery is down more than 50 per cent but it suffers from a crushing debt load and a messy merger integration. Activist investor Dan Loeb recently took a stake in Disney and suggested that the company halt its dividend and use the cash to pay down debt and buy back shares. He also floated the idea of separating the crown jewel, ESPN. That way, the cash cow sports network and Hollywood assets can get their respective, appropriate valuation multiple. A Loeb representative has joined the board but Disney has demurred on any radical changes. Questions around the best structure for Disney are now Iger's to answer. He

has agreed to a two-year term. His halo of managerial brilliance will reassure shareholders for a short while. But he holds no magic and can create no fairy tale ending — particularly for the cost-heavy streaming business.

## Virgin Money: mature allure

Has Virgin Money been getting the respect it deserves? Its shares have trailed larger UK peers. Perhaps that is because the brand sounds more like a cryptocurrency promoted by Sir Richard Branson than a proper UK retail bank. Yesterday's full-year results forced the market to give Virgin Money a little more credit. Chief executive David Duffy said the retail-focused bank would offer a higher than expected dividend and share buyback. The stock jumped 14 per cent. Duffy had the benefit of reporting after last week's UK Autumn Statement. That gave him a chance to gauge the mood of the markets. Virgin can therefore confidently dole out largesse from its swelling pool of net interest income. This rose 15 per cent in the year to £1.59bn. The net interest margin, already up smartly this year to 1.85 per cent, should improve further. That cheered investors nervous about recent gilt volatility. Some analysts rightly wondered why Duffy could not offer bigger payouts. After all, the bank has plenty of capital to spare. Virgin Money's common equity tier one capital ratio hit 15 per cent, against its own target of about 13 per cent. That should leave a maximum of £483m of excess capital. This surplus should climb higher, too. On current profitability the bank would generate the same amount again in CET1 capital next year. No wonder Duffy says Virgin Money is maturing. It has combined with CYBG while meeting regulatory stress tests. His cheering message was that payouts should follow next year, no matter the economic mood. Analyst upgrades should follow. A conservative full-year result, without need of extra loan provisioning, shows Virgin Money has grown up a good deal. The shares trade at 40 per cent of tangible book value. Even if a quarter of its loan book is buy to let, that does make them cheaper than stock in NatWest or Lloyds, which



Change is unstoppable in the real world, even if stock market fervour for growth companies is waning. ABB has therefore relied on private capital to invest SF200m (\$209m) in new shares of its e-mobility division, valuing the business at \$2.4bn. Mass electric vehicle adoption remains key to decarbonisation. Indispensable to this is charging infrastructure. The role of ABB E-mobility is making charging points for network operators. Ikea owner Intergo is among new investors that now own 8 per cent of the venture. ABB had hoped to raise triple the cash from an initial public offering for the division. But the Swiss-Swedish group postponed a demerger this summer due to weak

markets. Annual sales of about \$500m make ABB E-mobility one of Europe's largest equipment manufacturers. Two trends suggest it may yet join public markets and fulfil the role of consolidator envisaged by ABB. Market growth is supercharged. Operators may have installed 45m charging points by 2030, according to Jefferies, seven times more than today. There is a gold rush into the sector. Everyone from start-ups to energy producers and established equipment manufacturers are staking a claim. Public markets have already done a rough sorting job. Businesses that run charging networks have come out on top because they can offer the promise of lucrative recurring revenues from electricity sales. Although profits are

still scant, these businesses trade on about 7 times forward sales. Listed manufacturers such as Alfen and Wallbox trade at 5 and 5.6 times forward sales, respectively. ABB's placing values the business a little below the latter. Equipment makers have a big growth opportunity and some obstacles along the way. Growth will decelerate fast after chargers become widespread. Meanwhile, there is a cyclical drag from high electricity prices and weaker EV sales. Consolidation will inevitably follow. To play its part, ABB E-mobility will need quoted shares as a takeover currency and proof of its status. Private financings are no more than a stop-gap solution.

## Grindr: swipe left

At first glance, Grindr's public debut marked a rare bright spot for the struggling Spac market. The LGBTQ dating app rose more than 200 per cent on its first day last week after it closed its merger with a blank-check company. That is no small feat given the rout in tech stocks at the moment. But like users who put the most flattering photos of themselves on dating apps, Grindr's own eye-catching performance requires viewing with a healthy dose of scepticism. For starters, roughly 98 per cent of investors in TIGA Acquisition Corp, Grindr's Spac merger partner, opted to redeem their stake rather than participate in the deal. That means there were only about 500,000 shares left for trading. A thin float can result in big price swings for the stock. No surprise, Grindr's shares triggered 17 trading halts for volatility on Friday. The wild swings continued yesterday with the stock dropping 31 per cent. Investors in TIGA had plenty of reasons to swipe left on Grindr. Spac mergers that did complete this year have plunged. These have an average loss of about 49 per cent for the first nine months of the year, according to Spac Research. Compare that with the S&P, which lost 25 per cent over the period. Rival dating apps Match Group and Bumble have shed 66 per cent and 57 per cent of their values this year. Also, Grindr's rich valuation hardly endeared itself to investors. Under the terms of the merger announced in May, Grindr was given an implied enterprise value of \$2.1bn, or 14 times 2021 revenue. Match and Bumble both trade on just 5.5 times. Grindr will need to generate plenty of revenue growth to find a suitable match for its high valuation. A new tax on stock buybacks which could be applied to Spac provides extra incentive to redeem any funds before the tax comes into force in January. Against this backdrop, investors who have asked Spac sponsors to return their money in full, with a bit of interest on top, look smart.

have greater economies of scale. But there is scope for the valuation of Virgin Money to catch up further.

## Lygend/HK IPO: nickel and dimed

China's largest trader and producer of nickel is braving a tough Hong Kong market with a large listing. Lygend Resources can do so because it supplies metal to glamorous electric vehicle makers. But that does not make its shares a good buy. The company is the largest nickel ore trader by volume in China. That alone would once have been seen as a stable business model. But the previously staid nickel market has become highly

volatile. Daily price moves of 20 per cent sometimes occur. That may explain why Lygend has a financing target of just \$600m at the top of its price range. This compares with \$1bn mooted last year. The offering of 232m shares would value the company at about \$4bn. Nickel nervousness is the result of worshipping consumer demand and a short squeeze on nickel futures in March. That tripled the price to \$100,000 a ton. Investors that bet on a fall in prices, such as the tycoon behind Chinese metals producer Tsinghan Holding Group, lost a notional \$10bn in days. Since then, trading volumes have declined sharply. Fortunately, Lygend is not just a trader. It also mines nickel ore and ferro-nickel, and makes related

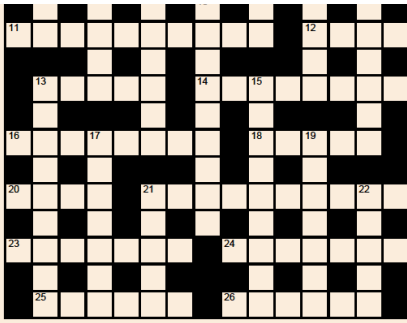
equipment. That should attract retail investors in EV-friendly Hong Kong. Two other EV-related plays pulled off big cash calls this year. Tianqi Lithium secured \$1.7bn in July, while battery maker CALB raised \$1.3bn in October. CALB's shares are down 42 per cent since listing. Tianqi is down 16 per cent and trades at 7 times forward earnings, a more than 30 per cent discount to peers such as US-based Albemarle and mainland-listed Ganfeng Lithium. Would-be Lygend investors will have to weather a double dose of volatility — from Hong Kong's unpredictable market swings and from nickel prices. The benchmark Hang Seng index is down 30 per cent in a year. Medium-term investors convinced by Lygend's pitch should wait for the shares to settle before buying in.

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NIKKEI Asia The voice of the Asian century CROSSWORD No 17,258 Set by ROSA KLEBB ACROSS 1 Physicist Kelvin pursuing second alternative strategy (6) 4 Fearful individual shunning rickety sidecar (6) 8 Grubby relative starts to annoy neighbours (7)



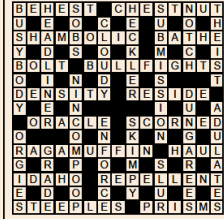




- 9 Officer spoils Will's young prince (7)  
 11 Spooner's spread manure up the wall (10)  
 12 Hang around back of local with loot (4)  
 13 Bear heard stalking shy rodent (5)  
 14 Cut crustless crispbread crookedly (5,3)  
 16 Bloke married in record time: it doesn't last long (8)  
 18 Wise person follows universal custom (5)  
 20 Exhausted girl leaves tropical forest for a month (4)  
 21 Fostering of one youngster welcomed by people (10)  
 23 Film director missing in Italian port (7)  
 24 College does not working for department (7)  
 25 Old theocrat regularly suppressed press (6)  
 26 Comparatively communist, whether viewed from left or right (6)

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Solution 17,257



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- DOWN  
 1 Christmas entertainment long over (5)  
 2 Chap lent you trousers galore (7)  
 3 Each tune's special for singer (9)  
 5 Oddball fled wearing cassock inside out (5)  
 6 Firmness of purpose about what you do (7)  
 7 Rewriting mad satire ready for stage (9)  
 10 Uses panic indiscriminately to get power (9)  
 13 Boy endlessly packing broken teacups in a case (9)  
 15 Trace silly sod in A&E (9)  
 17 European trees rot (7)  
 19 Initially censored, was it bound to shock? (9)  
 21 Bury is not merry, oddly (5)  
 22 Weaselly individual turned up in secret today (5)



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FT SPECIAL REPORT

# Investing in Austria

Tuesday November 22 2022

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## Facing the energy crisis from a position of strength

Hopes for growth remain despite dependence on Russian gas and focus to the east, writes *Sam Jones*

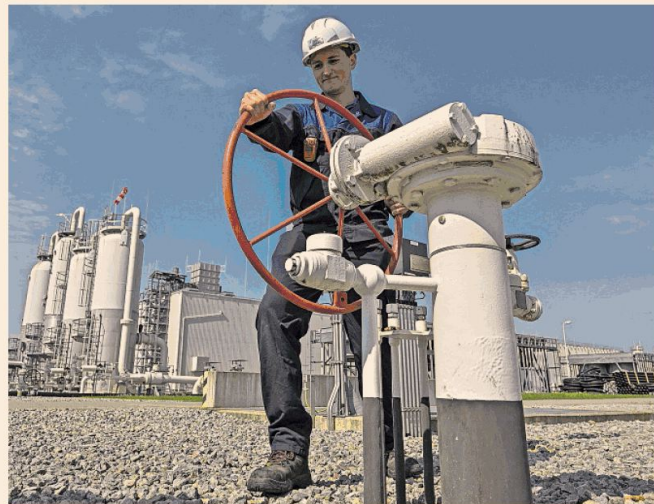
When Russia's war on Ukraine began, it looked like Austria would be on the front line of the economic fallout in Europe. Not only did the Alpine country depend almost entirely on Russia for its natural gas supplies but, for years, its leading businesses had also looked east for their markets.

But Austria's economy has so far proved more resilient than many expected. While the effects of the energy crisis have yet to be seriously felt – thanks to a warmer than expected

autumn and an EU effort to build reserves – there are signs that, with continued political support, businesses will weather the storm.

In a mid-year assessment, Austria's central bank (OeNB) forecast 4.1 per cent growth in gross domestic product in 2022, with 2 per cent growth in 2023 and 1.9 per cent in 2024.

There are caveats: OeNB economists are banking on an optimistic assessment of the course of the war in Ukraine. The bank says it expects the most intense phase of hostilities to be over early next year. A more pessimistic



Pressure: a worker at a gas hub in north-east Austria which handles mainly Russian gas — Joe Khamar/Getty Images

military scenario could see Austria's economy shrink, OeNB noted in a recent forecast.

Harald Mahrer, president of the Austrian chamber of commerce, believes energy prices will be key. "For Austria as a business location, security of supply and affordability of energy are of the utmost priority and need to be addressed by the government," he says. Although Austria is already one of Europe's leading generators of renewable energy, Mahrer says gas will continue to play a major role in meeting the country's needs in the medium term.

While this poses a challenge, it also presents investment opportunities, says Mahrer. "Even though energy prices have fallen recently, they remain at a high level. It can also be assumed [they] will rise again in the coming months. That is why we have a major common EU challenge: namely to lower gas and thus electricity prices. . . new [liquefied natural gas] ports and new pipelines must be built and the entire infrastructure for Europe's energy supply must be better connected."

Austria is well positioned to become a "hub" for such projects, according to

Mahrer. The country has already become a leading centre for innovation and development in green energy – a position that it could capitalise on.

Crucial to how Austria navigates these changes will be government assistance. So far, Vienna has been generous in its financial support. That has surprised some, given the ruling conservative Austrian People's party's (ÖVP) prior commitment to fiscal conservatism – although it governs as a dominant partner in coalition with the Greens.

Some political observers say this may

*Continued on page 3*

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Advertisement

### AVL LIST: A SUSTAINABLE GREEN TECH PIONEER FROM AUSTRIA

As a green tech nation,

PAVING THE WAY FOR THE MOBILITY REVOLUTION  
Combustion engines dominated the scene over



**Austria is also home to a host of innovation trailblazers. Among them is AVL List, a leading pioneer in sustainable mobility technologies.**

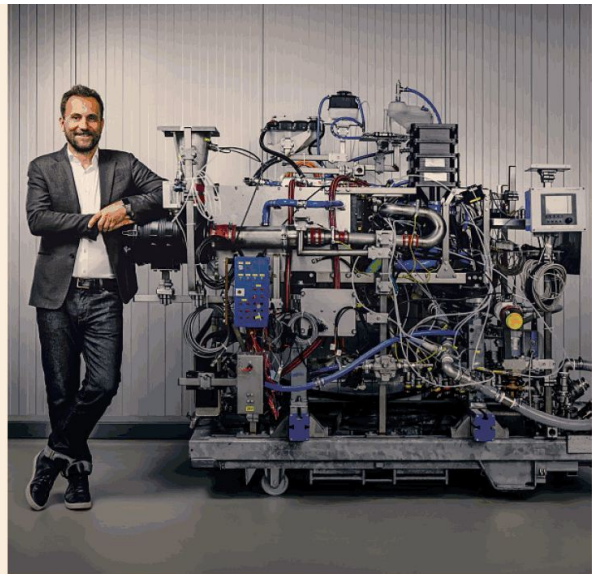
Environmental challenges arise nowadays, with questions about climate change, the search for alternative means of transportation, energy generation and its usage. At the forefront of these endeavours is a company situated in Graz, the capital of Styria (Austria): AVL List. Founded in 1948, AVL is one of the world's leading mobility technology companies for development, simulation and testing in the automotive industry and other sectors.

the past few decades. Nowadays, however, it is batteries, fuel cells and energy distribution that dominate public discussion about the future of mobility. This includes what the next revolution in sustainable and resilient primary energy generation and use in industrial production, transportation and households might look like. The new technologies pose challenges not only in functional integration, but also in designing products with a more environmentally friendly lifecycle. For AVL, all technology options are to be engineered further for future purposes in order to be able to achieve the internationally established climate goals.

Having its origins in the development of energy-efficient propulsion systems and dedicated development tools, AVL today is working on a bigger



Picture: Actively paving the way for the mobility revolution, AVL Fuel Cell Demo Truck



Picture: Jürgen Rechberger, Vice President Hydrogen & Fuel Cell

picture: Achieving the vision of carbon-neutral mobility, AVL drives innovative and affordable solutions for all applications - from traditional to hybrid to battery and fuel cell electric technologies. The company is not only part of the mobility revolution, but actively paving the way for its customers to proceed more quickly to series production in the new technology areas. But the focus doesn't stop at the product, as AVL also looks at the supply chain emissions and recycling as part of the overall product lifecycle.

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"We are driven by a passion to examine the science, mechanics and philosophy of movement. To help create a world that is carbon-neutral and one that makes safe, comfortable, green mobility a reality for everyone", states Chairman and CEO Helmut List, referring to the expansion of AVL facilities with the latest opening of the "AVL Hydrogen and Fuel Cell Test Center" on 19 September 2022.

**Investing in Austria**

# How the Danube can become a model of innovation in agriculture

**Interview Reinhard Wolf**

Raiffeisen Ware CEO tells Sam Jones why it is time for new money, technology and thinking in the sector

According to the head of one of central Europe's biggest farming businesses, Austria is home to the greenest, and perhaps greatest, most underdeveloped piece of infrastructure in all of the region: the Danube.

"The river Danube is like a ribbon — it connects people, it connects countries, and it connects cultures," says Reinhard Wolf, chief executive of Raiffeisen Ware Austria (RWA). "But it could also be a much more highly efficient waterway for transport, and for trade."

A single barge travelling down the river can carry the equivalent tonnage of 50 large trucks, Wolf says, and is also the single most carbon-friendly method of transport, tonne-for-tonne, in Europe.

Russia's invasion of Ukraine has only highlighted the need for a more closely integrated transportation network to take goods — especially agricultural products — from east to west.

For now, though, the Danube remains underutilised.

Raiffeisen Ware, an Austrian farming co-operative, can see the potential having dominated the Austrian and central European agricultural market for nearly 125 years. Established to alleviate the hardships of farmers during the 19th century agrarian revolution, the organisation is now one of the region's biggest agricultural concerns.

While it is primarily focused on supporting the needs of its 100,000 member farmers in Austria, it also runs a sizeable agricultural trading operation

— largely focused on the former territories of the Habsburg empire — that this year accounts for a quarter of its projected €4bn annual turnover (up from €2.9bn in 2021).

Wolf has been chief executive for a decade, having spent his entire career with the company. And agriculture has never faced a more volatile period during his tenure. Russia's war has driven up global food prices, benefiting many farmers, but it has also led to huge rises in the cost of energy and fertiliser, setting the stage for a crisis.

Coupled with a rapidly growing global population — and limits on the future scope to breed, engineer or chemically boost food production — the need for innovation and investment in farming has never been greater.

The Danube is one example in Europe of how agricultural supply chains could be better streamlined, Wolf says. For the moment, seasonal flows and stretches of poorly dredged channels mean the river is navigable for only half of the year, he notes. But, with the right investment to improve its shipping lanes, and the development of more terminals, docks and connecting infrastructure along its reach, there is the potential for it to be usable for use nine days in every 10.

"Why are we not making this a priority I don't know," Wolf says. "We transport grain, oilseed rape and fertilisers along it already, but it's also possible for anything else you could imagine: oil, iron . . . There's currently no container line on the Danube, and you have to ask: why not?"

Raiffeisen Ware operates eight facilities on the river: four in Austria, one in Hungary, one in Serbia, one in Slovakia and another in Romania.

"In terms of making these countries more efficient, by improving export opportunities — which is obviously of great interest now, with the increases in food costs and the war — there have to be more investments in the waterway," says the chief executive.

Europe's energy crisis is an even more urgent problem. Even if it is short-lived, it threatens to permanently change the structure of the European agricultural market, Wolf says. He points out that once nitrate fertiliser plants — which depend on natural gas as their primary ingredient — have to shut down in the region, the economics could mean restarting them is no longer be viable.

"We have to solve our energy problem, otherwise we will not be able to compete here in Europe. If fertiliser plants shut because they are no longer



Liquid asset: investment in the Danube could boost Austria's efficiency — Airbus

competitive, they will never reopen. We in Europe have to be very careful."

Overall, the 62-year-old is sanguine that such problems can be tackled — particularly with the right investments in innovation. Raiffeisen Ware has weathered two world wars, multiple economic crises, and the redrawing of national borders but has endured, he says. Central and eastern Europe remains attractive to farmers, he adds, thanks to its good soils and agricultural heritage.

The co-operative is particularly interested in investing in new agricultural technologies and helping its members to access potentially groundbreaking innovations made by start-ups.

"In agriculture, we are already close to an optimum in fertilising and plant nutrition," Wolf says. "We are nearing

the limits in pesticides and plant protection. But there is a new avenue to develop and that is, firstly, everything in terms of digitisation and farm management and, secondly, in terms of precision farming."

He points to the use of satellite navigation to guide tractors in fields as an example: in Austria, it has been supplemented by a network of radio beacons across the country mounted on Raiffeisen-run silos. Tractors have enhanced precision as a result.

"It's a little easier for us in one sense, because you don't have junctions in fields. But, in terms of precision, we are overall actually ahead of the automotive industry," Wolf says. "I'm talking about tractors with 400hp and 30m spans of equipment that we can now drive over hundreds of metres to 2cm of precision."



Raiffeisen Ware CEO Reinhard Wolf

# Government steps up funding to accelerate green performance

**Investment**

Coalition parties have agreed to back a series

The country is already making progress on renewable energy projects. According to the International Renewable Energy Agency, more than 80 per cent of Austria's electricity consumption

says Margit Schratzenstaller, an economist at the Vienna-based Austrian Institute of Economic Research. "Austria is investing more in railways, they're investing in all these green energy





of environment-friendly projects, writes Kit Gillet

Austria is already one of the greenest economies in Europe. But, with the Greens now part of the governing coalition, money flowing in as part of the EU's Recovery and Resilience Facility, and the country issuing green bonds, there are plans to make it greener. As part of the EU's €724bn post-pandemic loans and grants facility, Austria, governed by a coalition of the Greens and the dominant conservative Austrian People's Party, is investing heavily in green initiatives. The European Commission estimates that 59 per cent of the country's allocation of €3.46bn is earmarked for green investments, far above the EU average of 45 per cent, and behind only Luxembourg, at 61 per cent. Among other measures, Austria's plan includes investing €390m in sustainable mobility to develop zero-emission transport, as well as an additional €545m to expand the electrified trans-European rail network. In total, Austria's national plan consists of 32 investments and 27 reforms, supported by the EU grants.

CELTIC AUSTRIA'S electricity capacity now comes from renewable sources, up from 72 per cent in 2012. It aims to have 100 per cent renewable electricity by 2050. Hydropower plays a particularly important role in Austria, representing about 60 per cent of electricity generated in the country. In March, it was also announced that the government would provide €250m in financing to support the expansion of solar and wind power. The country added 740MW of solar power in 2021, more than double any previous year, with solar capacity of 2,785MW at the end of 2021. Meanwhile, Austria has revamped its renewable heating law, bringing forward the banning of new gas boilers to 2023 from 2025, with broken oil and coal heaters needing to be replaced with green options. An estimated 1m households are heated with gas – about a quarter of the country's gas use. "It's safe to say some important steps have been [taken] in the last few years," says the author. "The incentives being given by the government to private individuals, we are advancing on that, too"

investing in an these programmes to exchange heating systems, to increase thermal insulation. But still there's a lot more to be done." At the municipal level, cities are also pushing green investments. Graz has set up a programme to increase green infrastructure in the city, joining Vienna and Linz in championing green roofs and facades as an environmental solution. Progress has not been even across the country, though. "In Austria, you have a lot of wind energy in the eastern part and a lot of [political] resistance in the western part," says Andreas Treichl, the former chief executive of Erste Group, the Austrian bank, and now chair of the supervisory board of ERSTE Foundation. "But, in principle, you could say that what's going on in Austria on the municipal and regional level is pretty good stuff." "I think we can be relatively satisfied. Also, the incentives being given by the government to private individuals, we are advancing on that, too," Treichl adds. "Where we are still lagging behind, in my view, compared to other European countries, is waste management." Funding channels for green projects are being increased, too. In May, Austria became the latest government to enter the green bond market, selling a 27-year €4bn bond, with the money to be used to



Express commitment: Austria is investing in developing the electrified trans-European rail network – Joe Khamari/Getty Images

fund environmentally friendly projects. The bond attracted €25bn in investor demand, with a yield of 1.876 per cent. Then, in October, Austria launched a green treasury bill, which made it the first government to issue green short-term government debt, though with expectations that the bills will be rolled over. According to the Treasury, more than 85 per cent of the €1bn in debt was bought by green investors, including money market funds and central banks. Austria had identified more than €5bn of expenditure to fund through its green bond programme in both 2021 and 2022 – nearly three quarters of it

channelled towards clean transportation, according to reports from analysts and data providers. "If you look at capital markets, you have to look into two different areas," says Erste's Treichl. "On the capital markets side, we're doing a good job and coming up with innovative products, and I think the co-operation between the regulators, the financial services industry, and business is pretty good." "It's moving and developing, but that's only part of the game. On the equity capital markets, very little is being done. That needs to be resolved. That needs to be a European initiative."

Austria has also pushed back against efforts to broaden the definition of what counts as green, for investment purposes. In October, the country filed a lawsuit against the European Commission over the labelling of gas and nuclear as "green" investments, joining earlier legal challenges by environmental groups Greenpeace and a coalition that includes Client Earth and the WWF. "We need to safeguard the trust of consumers and investors," and ensure that if a product "is labelled green, it's actually green in content," said Austria's minister for climate action, Leonore Gewessler, at the time.

# Start-up scene is coming of age — but domestic VCs lag behind

## Entrepreneurs

Networks and incubators have flourished yet local venture capital is slow to respond, says Kester Eddy

In German-speaking countries, the word *Stammtisch* refers to the regulars' table at the local inn. But in Austria's start-up world, that meaning has evolved: once a month, anything between 100 and 300 people meet up to hear successful entrepreneurs tell their stories, debate, exchange ideas and network at the AustrianStartups' *Stammtisch*. "Back in the day, it was just a gathering of a few start-up people but, over time, it's grown with a stage, speakers and panel discussions – [today], it is the biggest monthly event in the Austrian start-up scene" says Markus Raunig, executive chair of AustrianStartups – which describes itself as an umbrella community platform aiming "to make entrepreneurship as common as skiing in Austria". Founded in 2013, AustrianStartups has more than 1,000 members, includ-

ing almost 80 sponsors ranging from domestic banks, law firms and angel investors to international companies such as IBM and Google. As well as *Stammtisch*, it organises a range of programmes to educate entrepreneurs and even high school pupils about founding and managing their own businesses. AustrianStartups' expansion – from Vienna to all provinces – mirrors the sector in the past decade, which has seen a proliferation of co-working spaces, incubators and mentors in the capital and across the country. The results have been dramatic. In 2021, start-ups in Austria received a record €1.25bn in private investment – five times the €262m in 2020 (itself a record year, despite the Covid pandemic), according to the Start-up-Barometer Österreich report, published by professional services company EY. Florian Haas, the author, does caution that more than half the 2021 figure relates to deals involving just two companies: Bitnanda (a fintech investment platform) and GoStudent (an education platform matching students with tutors), which together accounted for €522m. Even so, with the average deal size up from €4.5m to about €12m, he



Pioneers: AustrianStartups' Markus Raunig and Legitary's Nermina Mumić

says this "financing boom" means "Austria is knocking on the door of the top 10 in Europe – in terms of both the number of financing rounds and volume." In addition, the range of sectors in which start-ups received investment is broad, led by companies in software and analytics, e-commerce and health. One factor driving this growth has been the enthusiasm of Austrian governments, regardless of political colour, for funding start-ups via the Austrian Research Promotion Agency (FFG) and Austrian Promotional Bank (AWS).



"In the recent past, there have been huge developments, a lot of specific programmes," says Philipp Aiginger-Evangelisti, FFG head of design and innovation, general programmes. "There is a lot of understanding about what start-ups need, which was not there 12 years ago." FFG, which does not take any equity in lieu of funding, distributed €78.5m in non-refundable grants and loans to start-ups in Austria last year – double the €38.7m allocated in 2017. Since start-up funding is very diverse, varying from "several thousand" euros

to the biggest research projects of up to €3m, Aiginger-Evangelisti says it is "very difficult" to cite an average figure, but "typical ticket sizes for start-up funding are between €5,000 to €1m". The spread of business incubators has been equally important to overall growth in start-ups. The fourth floor of what was once a police officers' residence near Vienna's Karlsplatz, dating from the time of the Austro-Hungarian empire, now hosts a clutch of developing start-ups. This is iC, the innovation incubation centre of Vienna Technical University, dedicated, says founding director Birgit Hofreiter, to "turning the often groundbreaking research of the university's many bright masters and PhD students into successful commercial operations". Some of the current incumbents have already tasted commercial success – for example, Contextflow, an artificial intelligence-based system to help radiologists rapidly identify health issues from chest X-rays. Legitary, the music streaming auditing software company, is succinct in her appraisal of her homeland. "I think Austria is generally amazing when it comes to science and research," she says.

diabetic patients to replace injections with insulin pills. However, despite the successes, many in the sector say more can, and should, be done to exploit Austria's potential. Lukas Herrmann, a lawyer with Dorda, a Vienna law firm, is one of many who decry the lack of active domestic venture capitalists. "For a lot of founders, the first million is easy, and then it gets really complicated," he says. "When you need real capital for Series A and series B [investments] to get the party moving, you want to look at the US and UK, because this is where it usually comes from." Austria has a lot of "old money" held by wealthy families, but Herrmann says this source of finance is little exploited within the country, as society is far more risk averse than in Germany – where much similar capital is channelled into family investment firms. However, whatever its shortcomings, Nermina Mumić, chief executive and founder of Legitary, the music streaming auditing software company, is succinct in her appraisal of her homeland. "I think Austria is generally amazing when it comes to science and research," she says.

## Investing in Austria

# Alpine resorts feel the heat on climate change

## Environment

Businesses are investing in summer tourism as warmer weather hits, writes Denise Hruby

Snow-capped peaks, glaciers, powdery slopes, and rustic huts serving hot drinks: Austria's appeal as an alpine tourist destination results in almost 60m overnight stays each winter, with the influx of visitors swelling many villages' populations tenfold. The country's economy is heavily dependent on tourism, which accounted for 7.6 per cent of GDP in 2019 – more than half from winter visitors – and is recovering well after the pandemic. For decades, it drove an economic boom. At high altitudes, traditional farming communities bet their futures on the rise of skiing and luxury hotels replacing grazing cows. But climate change is now putting that at risk. In the Alps, average temperatures have been rising by about 0.5C a decade, twice the global average. And snow cover persists for one month less than in the past, according to data from 2,000 weather stations. "It's just not possible to rely on snowy winters anymore," says Karl Morgenbesser, general manager of the Saint Corona ski resort, which has lived off skiers for four decades. It is a realisation that has trickled through even to those who long denied the effects of climate change. Many observers are now asking how communities that have relied entirely on snow and skiing can adapt. Technology is the first line of defence. An estimated 100,000 snow-producing machines are scattered across the Alps. Their cannons can cover pistes in pristine powder. In Schladming, which has twice hosted the world sking cham-

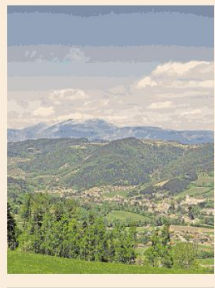


produce the millions of cubic metres of snow for the ski area, but better equipment – including spreading machines with sensors to measure powder depth – has cut that time by almost half. Even so, Schladming must still spend €3m to make enough for the start of the season. The electricity required is another concern, especially as prices have soared. Experts say there is little scope to make the technology more efficient, though: if it is too warm, snow melts. "It's a time of change – that's the new reality – but, in principle, I'm not worried about the future of winter tourism here," insists Bliem, pointing to Schladming's relatively high elevation, with lifts and cable cars reaching 2,000m. Other resorts, however, lie at much lower, warmer altitudes. Climate models show that temperatures rising by another 1.5C would mean about a third of the eastern Alps' winter tourism destinations could no longer guarantee snow throughout the ski season. Saint Corona, nestled below 900m, was one of the first victims of climate

Changing seasons: (clockwise from above) Schladming, high in the Alps; some resorts are developing activities such as mountain biking; Saint Corona is at a lower, warmer altitude; resort manager Karl Morgenbesser. NikoPohl/Dreamstime; Stefan Volt/Alamy; Moritz Abinger he grew up. Without a response, he says, "you'd have an economic downturn – first the bakery closes, then the kindergarten, and on and on". But, that December, he found himself walking the muddy slopes in cargo pants. At 21C, "there was no way we could have even considered making snow," he recalls. Instead, he came up with another idea: investing in summer. In the past seven years, Saint Corona has built an extensive network of mountain biking trails, a toboggan run, climbing spaces and parks, landscaped hiking paths, and paddleboard rentals for the reservoir. An hour south of Vienna, the village now draws more people in summer than skiers in winter, with summer accounting for two-thirds of the gross proceeds.



of climate change on alpine tourism at the University of Innsbruck. "Nobody really denies the effects of climate change here anymore, and almost everyone is trying to diversify," he says. Investments in summer are key. Mountain biking, climbing and hiking are offering models for the future and



mer with hiking trails, a petting zoo and an ice-sculpture park. In 2012, Bliem says, only three out of 10 mountain cabin restaurants were open in summer. Today, the number of visitors has risen so that seven of the cabins can serve dumplings and schnitzel year-round. There is one big caveat. "Skiers spend more money than hikers," says Bliem. In Saint Corona, too, a day when the ski slopes are open reaps higher revenues. In the case of most resorts, Steiger says: "We're not seeing a product that can substitute for ski tourism. Perhaps we'll still find one, but for the moment, it's not quite clear what will happen to these communities." Oliver Fritz, a senior economist and tourism expert at the Austrian Institute



onships, 600 machines spit snow over the slopes, ensuring that the season can kick off by early December.  
 "It's a very good and very efficient system," says chief executive Georg Bliem, of mountain railway and leisure group, Planai Hochwurzen Bahnen. Fourteen days used to be the minimum needed to

change. The regional government had cut financial support, deeming the area too low for large investments that would take decades to pay off. As the ski resort became less attractive, hotels and restaurants closed. When Morgenbesser took over as general manager in 2015, he was intent on saving the resort where

"It's been a tremendous success," Morgenbesser says. "Every product we're planning for the future will need to be something that can also be used in winter, when there's no snow," he says.  
 Across the Alps, most tourism communities are taking a similar path, says Robert Steiger, who studies the impact

as cities and beaches are hit by blistering heatwaves, an increasing number of people are escaping to the cooler Alps.  
 "Many places will have to make a major pivot, and it's going to be the ones taking risks now who will benefit in the long run," Steiger says.  
 Schladming, too, has invested in sum-

'Nobody denies the effects of climate change here anymore; almost everyone is trying to diversify'

of Economic Research, puts a figure on the loss. He says that, without snowy winters, about a third of the €30bn that Austria's tourism industry generates annually would falter. "It would be an enormous economic damage," he says. "And, to a certain degree, we won't be able to avert it."

## Facing gas crisis from position of strength



Green package: minister Leonore Gewessler set out carbon transition measures in October  
 Florian Gaertner/Getty Images

*Continued from page 1*  
 be a legacy of the pandemic, when the ÖVP was forced to spend billions of euros of public money to bail out the economy. The political scandals that have rocked the ÖVP for the past year – relating to an ongoing investigation into government corruption – may also have had some bearing on its appetite for generosity.  
 A number of support packages have been targeted at business. In September, economy minister Martin Kocher announced the government would provide €1.5bn to subsidise the energy bills of the companies most exposed to fluctuating prices, with each business entitled to have just under a third of the cost of price increases covered.  
 The Green party has, meanwhile, pushed through support packages to hasten the carbon transition. Leonore Gewessler, Austria's energy, environment and transport minister, unveiled a €5.7bn package in October that will help to decarbonise industry by subsidising green power costs. Every year until 2040 – when Austria has promised carbon neutrality – €400m will be available to write contracts for difference with industrial businesses, to cover the premium they pay on their energy bills for an entirely carbon-neutral supply.  
 An additional €190m will be spent annually as part of the same package to

help businesses reduce their overall energy footprint.  
 Austria has about 80 per cent of its winter gas needs in reserves, meaning many do not foresee shortages this year. "Austria will be among the fastest growing economies in Europe this year," says Gunter Deuber, head of research at Raiffeisen Bank International. "That means that, although we're facing an industrial downturn across Europe, Austria will go into it on a very strong footing."  
 Nevertheless, Deuber says a "dramatic deceleration" in growth is likely. "We will manage this winter but the interesting question is how things play out next year," he adds. "The picture is mixed. Companies have good order books, backlogs and supply chain issues are getting lighter, and private consumption is still OK. But we shouldn't underestimate the effect of the highest inflation we have seen in decades."  
 Different sectors are likely to be

affected in a variety of ways. In an interview (on page 2), Reinhard Wolf, head of Austria's biggest agricultural operator, the co-operative Raiffeisen Ware, says that, while the energy crisis is a concern, farming in the country is so far proving resilient thanks to high prices that are increasing margins. "I am optimistic for 2024 and 2025," Wolf says. "But it is 2023 we have to be careful to manage."  
 For Austria's tourist sector – one of the single largest contributors to GDP – the end of Covid restrictions has come as a great relief. But climate change is an increasing challenge in a country that is best known as a destination for snow sports. In addition, consumer sentiment – at its lowest level in years in neighbouring countries such as Germany – is likely to hit visitor numbers. Deuber says this winter's tourism revenues will have a crucial impact on GDP.  
 Austria's tech and start-up scene, however, continues to boom: companies such as Refurbed – an online marketplace for second-hand goods that aims to be the "Amazon of sustainability" – are carving out leading positions in their niches in Europe. Austria's scientific and technical higher education system is supporting innovative start-ups in areas such as climate innovation. In this, says Mahrer, "Austria must be regarded as a European pioneer."

'Although we're facing an industrial downturn in Europe, Austria will go into it on a very strong footing'

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## Investing in Austria



Cutting carbon: Austria's green tax reforms aim to shrink greenhouse gas

## The start-up giving old technology a new beginning

**Profile**  
 Refurbed's founder discusses the marketplace's growth and entrepreneurialism in Austria. By **Sam Jones**

"We want to be the Amazon of sustainability," says Peter Windischhofer, founder of Austrian start-up Refurbed.  
 An online marketplace selling refurbished electronic goods, Refurbed has already grown rapidly since it was set up five years ago in Vienna. It has become one of Austria's most successful young companies, and a European tech champion, employing more than 500 staff, operating in 12 markets, and generating "hundreds of millions" of euros of revenue, according to Windischhofer.  
 The proposition is simple: on Refurbed's website, consumers can buy second-hand smartphones, laptops, and tablets that have been renovated so they look and perform like new.  
 The idea is not original but what Refurbed offers is the promise of reliability and quality – concerns which

quite substantial for a young company. "There's a very good ecosystem here that supports start-ups, both with private capital and with public capital."  
 Perhaps most importantly, however, Vienna is also a powerful selling point in the competition for talent in the European tech world, Windischhofer points out. "It's been ranked the most liveable city in the world for something like the last 10 years and that means you can attract a lot of talent to move to Vienna, especially from eastern Europe – where most of our engineers come from," he says. Refurbed staff hail from 50 countries.  
 But being based in Austria also presents problems, he admits. The country's clunky corporate and tax laws – which successive conservative governments have promised but failed to reform – make managing a fast-growing business, taking in new capital, harder than in a city such as London.  
 Every time new shareholders are brought in, for example, appointments with official notaries are required to formally legalise new holdings. Employment taxes are also relatively high, he adds: "There are a few things on the bureaucratic side that are not beneficial."





emissions to net zero by 2040  
Yeremy Sambol/Getty

# ‘Eco-social’ tax reforms target households and industry

**Incentives**  
Cash dividends and allowances are among measures to cut carbon emissions, says *Kit Gillet*

Earlier this year, the Austrian government began rolling out its long-awaited “eco-social” tax reform programme – part a plan to reduce greenhouse gas emissions to net zero by 2040. Although the current economic landscape, scarred by the war in Ukraine, pushed back the start date by three months, the measures came into effect on October 1, marking an important moment for the country and its ruling coalition of the dominant conservative Austrian People’s party and the Greens.

The tax changes, shaped by a commitment to a green transition, are the second stage of an eco-social reform agenda, following green measures introduced in 2020. And, while many of the measures are aimed at households, the government is also trying to incentivise businesses to go green.

A key component of the reforms is the introduction of a tax on carbon dioxide emissions, aimed at pushing households and industries into a switch to renewables.

In October 2021, the government announced that, under this emissions measure, CO<sub>2</sub> would initially be taxed at €30 per tonne, starting in July 2022, gradually rising to €55 a tonne by 2025. “We have united to give carbon dioxide

emissions a price”, finance minister Gernot Blümel said at the time.

Revenues from the CO<sub>2</sub> tax are intended to flow back to the population, and to the economy in general, with residents receiving a cash dividend depending on their place of residency and their access to public transport. Residents of more rural areas will receive up to €200 a year, while those in urban centres will receive €100, with a bonus for those with children.

For this year, the regional climate bonus was raised to €250, in addition to €250 as an inflation bonus, given the current economic climate.

At the same time, the government is preparing an investment allowance of up to €350m to help businesses improve energy efficiency, while establishing a hardship scheme to avoid penalising emission-intensive industries that rely on competitive pricing with international rivals.

Companies investing in low-emission

“

After lengthy negotiations, they agreed on a rather, I would say, not very ambitious price path

Margit Schratzenstaller



buildings and vehicles, meanwhile, can also receive financial support, while money is being made available for the phasing out of oil and gas heating in private homes.

In September, in a review of the Austrian economy, the IMF wrote that this eco-social reform was an important step in the country’s green transition, while advising against increasing broad-based compensation above the medium-term carbon neutrality objective.

Even so, many feel that the measures are insufficiently ambitious, with carbon prices too low to have any significant impact.

“The Greens are in the federal government for the first time, and this was kind of their prestige project,” says Margit Schratzenstaller, an economist at the Vienna-based Economic Research Institute. “The People’s party is not really a fan of environmental taxes. After lengthy negotiations, they agreed on a rather, I would say, not very ambitious price path.”

Karin Fuhrmann, a partner at tax advisers TPA in Austria and an expert on energy projects and sustainable buildings, says the direction is correct, but more must be done to entice companies to invest in going green faster.

“We do have in Austria tax incentives for companies, [an] investment subsidy that means that, from an investment you make as a company, you can offset an additional 10 to 15 per cent . . . from a tax perspective,” Fuhrmann says. She is referring to a new measure that comes into effect next year and allows companies to deduct 5 per cent of their investments in ecological initiatives, up to a

maximum of €1m, in addition to a new investment tax credit of 10 per cent.

However, the fact that these measures are capped at €1m a year limits their impact, says Fuhrmann. “They’re going to need to raise it,” she says, adding that there are also now “lots of other subsidies given to companies if they are going to [make] green investments, especially in the renewable sector.”

Fuhrmann says many companies in Austria are already investing in green solutions to limit their exposure to increasing energy prices, rather than in response to government measures.

Also starting this year, self-produced and consumed photovoltaic energy will be exempt from the electricity tax without limits, while the government is set to lower the corporate tax rate gradually from 25 per cent today to 23 per cent in 2024. Still, some believe that the eco-social tax agenda has so far been aimed primarily at households rather than companies – with individuals not only receiving the cash dividend but also seeing income tax rates dropping from 35 to 30 per cent for those earning between €18,000 and €31,000, and about to drop from 42 to 40 per cent for those earning €31,000 to €60,000.

Thomas Hofer, a prominent political consultant, says that the business-related case for Austria’s eco-social tax reforms has not yet been sufficiently stressed. “I think there’s still room for that,” he argues. “But, so far, at least when it comes to public communication, the government has been concentrating more on households rather than the companies. In terms of business, I think this is still the missing link.”

have previously deterred consumers from buying used electronics. Each item comes with a 30-day trial period, and a 12-month warranty. The company says it rigorously vets the merchants that use its site – professional refurbishers – and removes those who do not meet its standards. It incentivises high-quality work by giving higher margins to the merchants that consistently get the best ratings from customers.

And those customers get to buy devices such as iPhones and Microsoft laptops for a fraction of their retail price. Refurbed also pushes its ecological credentials hard: new smartphones are carbon intensive to make and contain components that require rare earth minerals mined in often highly environmentally damaging circumstances.

“We fundamentally believe we have to change the way we consume as a society,” says Windschhofer. “Technology can be a major catalyst for that. And that’s why we built Refurbed. Because we believe that reusing products that are already there makes a lot of sense.”

The 33-year-old left consultancy firm McKinsey and founded Refurbed in 2017 with fellow Austrians Kilian Kaminski, former head of Amazon’s refurbished products programme in Germany, and Jürgen Kiedl, a software engineer and entrepreneur.

The company has raised more than €60m in equity financing so far, in two fundraising rounds. Its biggest market is German-speaking Europe, but it is also a leading platform in Denmark, Ireland and Sweden. Windschhofer says the site has now sold products to more than a million customers.

“For a company like us, Europe is great, because you have a popular mindset towards sustainability that is far ahead of any other continent in the world,” says Windschhofer. “Sustainability is probably the only industry where Europe is a world leader.”

Austria has proved to be an ideal hub, he adds, just over half of the workforce also live in Vienna.

“We had easy access to early-stage capital here; we had easy access to very good early-stage employees . . . and the grants we were able to get were really

“  
We built Refurbed because we believe that reusing products that are already there makes a lot of sense

Peter Windschhofer, founder



For now, these are an inconvenience rather than a serious impediment. Windschhofer says he expects Refurbed will continue to expand rapidly, even in a challenging economy. “In the current macro environment, we see that people are becoming more price conscious – everyone is wanting to save money right now,” he argues, noting spiralling inflation and soaring energy prices.

“But people can’t cut electronics out of their lives. We can’t live without smartphones. So Refurbed is increasingly the best solution because we are cheaper, we have high quality, and high convenience.”

“People realise that they don’t need to buy a new iPhone 14 for more than €1,000 if they can buy an iPhone 11 from us, which is a very similar product, for a couple of hundred.”

Refurbed is now looking to expand beyond high-end electronics. It is rolling out refurbished white goods and has started to sell scooters and e-bikes. Eventually, Windschhofer says, the platform will expand into sports equipment, and he hopes, after that, fashion.

He dismisses the notion that a titan like Amazon could do the same thing and steamroller competitors.

“Amazon always pushes new products,” he says. “They make much more money with new products than with refurbished products . . . And, from a consumer point of view, if you want to do the right thing, if you want to be saving the world, then it’s quite hard to [reconcile] that with the brand of Amazon.”

# Silent champions at the core of global semiconductor chipmaking

Technology

Austrian companies produce the high-tech tools to make the chips, says *Sam Jones*

Ensuring the security of semiconductor chip supplies is now one of the EU’s biggest strategic and economic objectives. And Austria – one of the union’s smaller member states – is already home to two of the most important, if unsung, companies in the entire global supply chain.

IMS Nanofabrication, in Vienna’s southern suburbs, and EV Group, north of Salzburg, do not make chips themselves. Rather, they fabricate equipment that is essential for the companies that do – including chip giants, such as Intel in the US and Taiwan’s TSMC.

“Austria is not known for semiconductors and is rarely discussed in supply chain security and geopolitics,” wrote Dylan Patel, an industry consultant and

commentator in a recent note. “Despite this lack of notoriety, Austria’s [EVG and IMS] are quietly critical for all advanced semiconductor manufacturing . . . In an age where semiconductors are highly politicised between the [US] and China, we find it humorous that Austria could single-handedly bring the semiconductor supply chain . . . to its knees.”

In Patel’s analysis, Austria has an 82 per cent market share in wafer bonding and a 95 per cent market share in the manufacturing of multi-beam mask writers. Without these, the chips used in everything from flash drives to phone cameras could not be made. For the next generation of even smaller, advanced chips, these Austrian technologies are set to become still more important.

“As pioneers in this field, we dominate the market for wafer bonding systems and enable many ‘More-than-Moore’ approaches and applications,” says EVG’s Clemens Schütte, director of marketing for the privately owned company. More-than-Moore is a reference to

the next generation of chips that will break the rule formulated by Intel co-founder Gordon Moore in 1965, which was that the number of transistors on a chip would double every two years.

“[We are] firmly rooted in Austria . . . there’s a functioning ecosystem of universities, technical colleges and other educational institutions in the region and across the border that [provide specialists],” Schütte says. Good quality of life also means “young people don’t have to look elsewhere if they want to work in a high-tech environment and help shape the future of electronics.”

IMS and EVG exemplify Austria’s “hidden champions”: midsized businesses, often without glamour or public prominence, that are global leaders in what they do. Austria has an estimated 199 of them – successful niche businesses that are the backbone of its manufacturing and research economy.

EVG specialises in equipment for wafer bonding – the precise process by which sheets of silicon wafer are bonded

to make chips. It accounts for about four-fifths of global production.

IMS Nanofabrication makes multi-beam mask writers: machines that effectively create nano-sized stencils through which chip circuitry is printed. IMS machines can draw these stencils at industry standard-setting speeds and levels of detail. Such was the importance of IMS products that Intel bought the company in 2016, after years of close cooperation (IMS Nanofabrication and Intel did not comment for this article).

In Europe, the race is now on to strengthen and build on such expertise.

“We find it humorous that Austria could single-handedly bring the semiconductor supply chain . . . to its knees”

The EU Chips Act, put forward by the commission in February, aims to increase Europe’s share of the global semiconductor production market from 10 to 20 per cent. The European Commission estimates that about €43bn in public funding is due to be made available to spur this semiconductor revolution over the next eight years.

“What the Chips Act contains is a pledge for significant investment – to get production to Europe, and also to support smaller companies in particular, because risk capital in this field just isn’t widely available,” says Paul Timmers, research associate at the Oxford Internet Institute.

“It will be achieved through a combination of measures – they are counting on national funding being available, and European funding, which will be both direct subsidies for businesses but also measures to make investment conditions as favourable as possible,” he adds. The focus is also likely to be on innovative areas of research and production.

Currently, Europe’s semiconductor manufacturing capacity is geared to older, less sophisticated types of chip. So, if Europe wants to compete, it will have to steal a march on global rivals in cutting edge areas of chip miniaturisation. That will mean focusing on technologies that help to develop chip circuits at a two nanometre level, compared with the 10-12 nm chips widely used now.

Countries such as Austria are interesting, says Timmers, because they are already doing valuable research in academic settings on promising technology for such work. Austria, for example, has strong credentials in quantum technologies. The ministry of finance unveiled a €107m package to support development of this last year through its “Quantum Austria” programme, to which the EU will also contribute.

“Until now, Europe has been strong in advanced research, but it’s been less strong in getting it to the market,” says Timmers. “That’s something that will need to change.”