Uber locks horns with NY city hall over fleet expansion

NEW YORK: The ride-booking app Uber is fighting New York's city hall, which wants to keep in check a fleet of vehicles that already far outnumbers the Big Apple's trademark yellow cabs. Townhall in the largest US city could vote as early as next week to limit increases in what it calls new for-hire vehicles (FHV) pending a study on their impact on traffic, and in particular traffic jams. The limitation could be severe: an increase of just one percent per year for companies with more than 500 vehicles, and five percent with those with between 20 and 499 vehicles. "What is good for Uber may not be good for New York City," said Wiley Norvell, a spokesman for city hall. He cites figures: more than 20,000 Uber vehicles now operate in New York, compared to 13,587 yellow taxis.

And 2,000 new permits for for-hire vehicles are granted every month, and the FHV fleet, of which Uber cars are just a part, has shot up 63 percent in size since 2011. To back up its argument against unleashing more Uber cars, city hall cites such issues as quality of life, public health and businesses' ability to thrive. It notes that average traffic speed in Manhattan has gone down nine percent between 2010 and 2014, going from 9.3 miles (15 kilometers) per hour to 8.5 miles per hour. City hall says the New York's streets cannot necessarily handle a "tide of new vehicles." Months of talks with Uber have gone nowhere.

Ideological clash

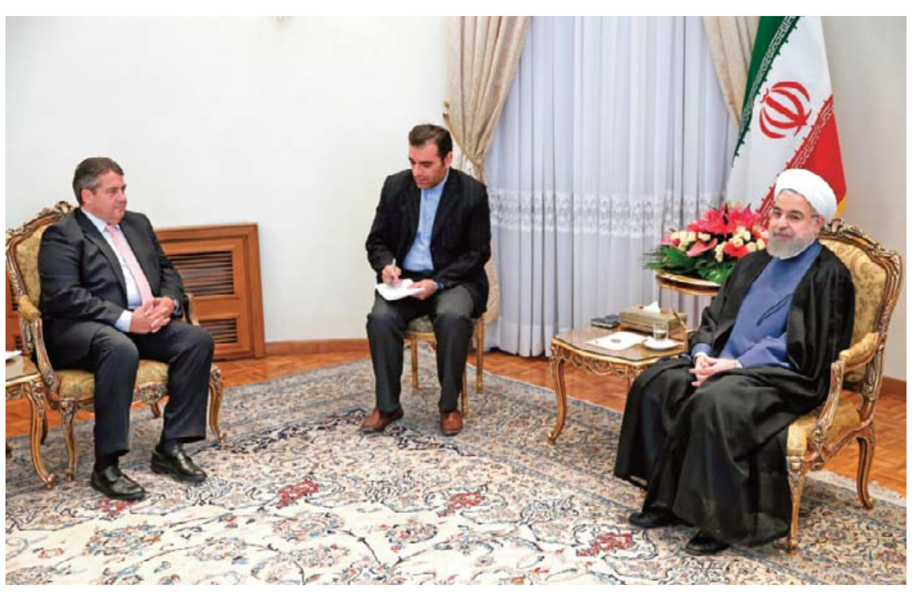
City hall blames what it calls an "ideological clash." David Plouffe, a former aide to President Barack Obama and now chief strategist for Uber, made a special trip to New York this week for meetings with city officials. Tensions got even worse. In recent days, Uber has gone all out with TV ads and a campaign of emails and petitions accusing Democratic Mayor Bill de Blasio of "pushing the agenda of his big taxi donors." "I think it is less about traffic congestion than it is about political contributions," Plouffe told reporters. The price of a medallion-the city-issued license required to operate a yellow cab-has dropped 23 percent since 2013, when it topped $1 million. Uber's ads feature drivers from minority ethnic heritages and say the mayor's proposals will destroy more than 10,000 jobs.

The ads also depict families in Queens or the Bronx, boroughs where it is hard to find a taxi. "Vital services for thousands of New Yorkers may vanish," says one of the ads. Uber users have received an email asking them to sign a petition denouncing the mayor's plans. And a "de Blasio" tab has been added to the Uber app to show users the extra waiting time that they can expect to endure if the bill limiting expansion of for-hire vehicles wins approval. "New York overall would not see a reduction in congestion from capping for-hire vehicles using Uber, but instead would halt progress made through technological innovation over the past years," the company said.

WASHINGTON: File photo shows an UBER application as cars drive by in Washington, DC. An administrative judge has recommended that the ride-sharing giant be fined $7.3 million and be suspended from operating in California. The controversial private car company must pay the heavy fine or appeal within thirty days and risk a suspension of its license to practice in California, where its headquarters are located. — AFP

"Uber technology has helped expand service to those who were previously underserved." City hall has hit back hard. "Uber-a $40 billion corporation-is spending millions on a misleading political campaign to convince New Yorkers that it doesn't need more oversight from the City," First Deputy mayor Tony Shorris said this weekend. "Meanwhile, there are serious questions about how Uber treats its customers, its workers, and whether it is flooding New York City's already heavily-crowded streets with thousands of more vehicles."

Germany, London and Paris have faced the same problem, city hall says. The war against the ride-booking app looks set to drag on: in San Francisco, the company was just fined $7.3 million for not turning over internal information about rides, including handicap accessibility. The issue is becoming political, too, as the campaign for the 2016 presidential election is taking shape. Republican presidential hopeful Jeb Bush has defended Uber as providing a "pretty vital service." Democrat Hillary Clinton has stressed that the sharing economy raises questions about protecting people's wage levels. — AFP



TEHRAN: German Vice Chancellor and Economy Minister Sigmar Gabriel (left) meets Iran's President Hassan Rouhani (right) at his office in Tehran yesterday. — AP

Germany eyes Iran business but Israel tops differences

TEHRAN: A German delegation led a much anticipated international push for new business in Iran yesterday, but a top official visiting Tehran put Israel at the top of their differences. The remarks by Sigmar Gabriel, Germany's economy minister and Chancellor Angela Merkel's deputy, underscored that despite last week's nuclear deal between Iran and world powers any discussions on wider policy in the Middle East are likely to run into difficulties.

Iran does not recognize Israel-the biggest opponent of the West's diplomatic outreach on the nuclear issue-and officials routinely call for destruction of the leaders of "the Zionist regime". The nuclear deal has been touted as an opening for greater contact between Iran and the leading nations over common interests, particularly on tackling the jihadist Islamic State group in Iraq and Syria. Gabriel, accompanied by dozens of German business leaders, said the accord struck in Vienna "established the foundation" for boosting security in the Middle East, but Israel should fall within such discussions.

And while Germany is willing to re-engage with Iran on economic matters it would not preclude leaders in Tehran having to "bear new responsibilities, at home and abroad", said the vice chancellor. "You must understand that for us Germans, the security of the state of Israel is also of great importance," he said. "I understand how difficult the debate is and we in Germany also believe that the Palestinians have a right to their own state. That must be our shared international goal. "Good relations with Germany also means at the same time that we must not question the security of the state of Israel."

Gabriel's comments came minutes after Iranian officials had laid out their plans to attract foreign business back to Tehran once sanctions are lifted under last week's nuclear deal. Those include favorable tax conditions and faster processing time (15 days) for applications from foreign businesses wanting to do business in the Islamic republic. Iran has said it needs tens of billions of dollars of investment and western technology to revive projects in its oil, gas and petrochemical industries, which have suffered in recent years under sanctions.

Energy remains prime target

The country's oil ministry in the next few months plans to unveil more attractive terms for contracts involving international firms. After mentioning Israel, Gabriel said there was a need to "discuss difficult issues openly, in a spirit of partnership and respectfully" and "nothing needs to change in that friendship even if we hold different views". But during a 20-minute speech he also highlighted other differences with Iran, including human rights, women's standing in society, competition law and efforts to combat corruption. Mentioning the free establishment of business contracts, Gabriel added: "We want to discuss this with you as friends. And we believe that it will be a fruitful dialogue. I am convinced that economic freedom also needs individuality and the development of individual freedoms."

Transparency International ranks Iran as one of the most corrupt countries in the world. Gabriel's comments on Israel drew a quick response from foreign ministry spokeswoman Marzieh Afkham, who said such longstanding differences with Germany had not affected other "constructive contacts". "The main part of the dialogue is about the prospect of bilateral cooperation and naturally we will express our concerns about the region, including existing threats, including threats of the Zionist regime and the roots of the crises in the region," she added.

Tens of thousands of people gathered in Tehran on July 10 for annual Quds (Jerusalem) Day demonstrations in support of the Palestinians. As is customary at such gatherings, the crowd chanted "Down with Israel" and carried placards that declared "Zionist soldiers kill Muslims". They also burned Israeli and US flags. Such spectacles are cited by Iran's opponents as reasons for not doing business in Tehran, but international trade is expected to boom if the nuclear deal is successfully implemented. Iran's market of 78 million people and educated workforce is long seen as untapped, and its energy sector is considered a juicy target. With the fourth-largest oil reserves and the second in gas, Iran has the biggest combined energy deposits in the world.—AFP

US bank profits withstand hit from China and Greece

Banks report higher second-quarter earnings

NEW YORK: Large US banks reported mostly higher second-quarter earnings this week even as a pullback in trading revenues due to crises in Greece and China dented results. The biggest hit came at Goldman Sachs, where revenues in bonds, foreign exchange and commodities trading fell 28 percent in the second quarter. "Obviously Greece has been in the headlines continuously and that certainly weighed on spread-sensitive parts of the business like credit and mortgages," said Goldman Sachs chief financial officer Harvey Schwartz.

"And so it's not surprising that we saw reduced client activity in the quarter." He said volatility in the Chinese stock market since mid-June also had rattled investors. JPMorgan Chase, the biggest US bank by assets, cited Greece as a key factor in a 10 percent decline in bond, foreign exchange and currency trading. Bank of America saw a nine percent drop in this category, while Citigroup's fell one percent. "The quarter was dominated by EMEA (Europe, the Middle East and Africa) with a bond sell-off and economic and political uncertainty, including Greece," said JPMorgan chief financial officer Marianne Lake.

"This uncertainty slowed the momentum we saw in the first quarter." Bank executives said fewer bank clients are willing to step in and provide key liquidity to facilitate trading. Banks have also cut back on activities following US regulations imposed since the 2008 financial crisis to rein in risk. These include the so-called "Volcker Rule," which takes effect on July 21 and prohibits banks from using their own funds to make some speculative trades. Analysts say bond trading could be especially vulnerable to further pullback in the months ahead due to a plan by the US Federal Reserve to raise zero-level interest rates later this year.

Boost from cost-cutting

Despite the hit from trading, four of five large US banks either met analyst expectations on earnings, or exceeded forecasts, in some cases by a wide margin. The biggest jump came at Citigroup, which reported $4.8 billion in profits, up from just $181 million in the year-ago period. The 2014 quarter had been marred by a $3.7 billion legal charge to settle mortgage securities litigation. The great exception was Goldman Sachs, which saw earnings drop by almost half, to $1.05 billion from $2.04 billion, due to a $1.45 billion legal charge. To boost profits in the wake of the trading pullback, banks are cutting costs and boosting lending to consumers. Citigroup expenses fell 30 percent from the 2014 year-ago period, or seven percent if the effects of huge legal costs were excluded. Bank of America's expenses fell 25 percent, or six percent if its large 2014 legal charge is excluded.

Banks have eliminated thousands of jobs, shuttered bank branches and exited non-strategic ventures. Citigroup said it has reduced its North American branch count by 15 percent over the last year. With the exception of Goldman Sachs, large banks "seem to be putting the period of large litigation charges behind them," said a note from Zacks Equity Research. "Underlying loan demand is improving, as is the outlook for investment banking, with momentum on the advisory side of the business helping offset weakness on the fixed-income trading side," Zacks said. "These modest improvements in business coupled with tight cost controls should keep bank profits in the positive column in an otherwise very unhelpful interest rate backdrop."

JPMorgan, BofA and Citigroup reported increases in some key consumer lending categories, or, in some cases, gains among the company's core clients. Lending to consumers is expected to become more profitable for banks in a rising interest-rate environment. Large banks currently pay near-zero interest on money they borrow and then charge clients two-three percent, a gap known as the net interest margin. A move by the Fed to lift rates to 0.25-0.50 percent could permit banks to charge four-five percent on lenders, said Gregori Volokhine, president of Meeschaert Capital Markets.— AFP

Iran nuclear deal a mixed economic win for Russia

MOSCOW: The landmark deal on Iran's nuclear program that Russia helped steer through marathon talks is a diplomatic fillip for Moscow which will boost trade with Tehran but could also hit much-needed energy revenues, analysts said. Iran and the P5+1 group-Russia, the United States, China, Britain, France and Germany-struck an agreement on Tuesday that would progressively lift economic sanctions against Tehran in exchange for limitations on its nuclear program.

As an Iranian ally, Moscow appears to have been central in securing the deal and experts say it could help burnish Russia's international image that has taken a beating over the crisis in Ukraine. US President Barack Obama pointedly praised his counterpart Vladimir Putin for his help, a rare hint of goodwill between the two men locked in a standoff over Russia's meddling in its ex-Soviet neighbor. "Russia's biggest victory in the deal is one of prestige," said Sergei Seregichev, a Middle East scholar at the Russian State Humanitarian University.

"Who made Iran agree with the United States? It was Russia. Without Russia, there would have been no deal." And once Iran's sanctions are lifted, Russia-which has seen its own economy suffer due in part to Western sanctions over Ukraine-could likely be first in line to win lucrative contracts in key sectors such as energy and transport. "Iran will have to develop the sectors that struggled under the sanctions," said Andrei Baklitsky, director of the nuclear non-proliferation program at Russia's Centre for Policy Studies. "It will need foreign companies to come and invest. Russian companies, such as Russian Railways and Lukoil, are looking to take part in this."

The head of oil giant Lukoil, Vagit Alekperov, said in April the company was eager to return to Iran as soon as sanctions are lifted. A number of Western oil companies have also expressed a similar interest. Russia will take on a leading role in developing Iran's civilian nuclear energy sector, experts said. The Kremlin has said the new deal would help "large-scale plans of peaceful nuclear cooperation" between the two countries. State atomic energy corporation Rosatom has helped build Iran's Bushehr nuclear power plant and is planning to build more reactors in the country.

Russian Foreign Minister Sergei Lavrov in the negotiations had called for the immediate lifting of an arms embargo against Iran. Although the deal states that the current embargo will remain for another five years, Lavrov said that deliveries could still be possible with the UN Security Council's approval. In April, Russia lifted a self-imposed ban on selling the S-300 air defense systems to Iran. A Kremlin aide said last month that Russia and Iran were preparing a contract for deliveries of the air defense systems and there has been no official comment on how the deal will affect these plans. "There will be fierce competition for Iran's energy industry, and later in the arms industry," Seregichev said. "I think Russia will mostly strike at the energy sector because of its vast international experience in the field."—AFP

BRASILIA: In this photo, Argentina's President Cristina Fernandez (right) talks with her Economy Minister Axel Kicillof, during a Mercosur Summit at Itamaraty Palace in Brasilia, Brazil. Mercosur is a South American trade group. — AP

Foreign investors try to tap into Iran

LONDON: A few investors are racing to establish funds for Iran following last week's nuclear deal with world powers, and many others are tapping into multinationals already present in the $400 billion economy. The agreement has made some seek a foothold in Tehran's $100 billion stock market even before sanctions are lifted, although others are taking a more cautious approach. Classified as an upper-middle income country, with a population of 78 million and annual output higher than that of Thailand or the United Arab Emirates, Iran is set to be the biggest economy to rejoin the global trading and financial system since the break-up of the Soviet Union over 20 years ago.

Brokerage Renaissance Capital predicts $1 billion will flow into Iran in the first year after sanctions end, although that is not likely to happen for months and may not occur in one go. London-based boutique First Frontier Capital Ltd. is in the process of setting up a sanctions-compliant fund dedicated to Iran, hoping to allow investors to take a position in Tehran's bourse before sanctions are lifted.

"This is a market where everyone is totally underweight and there will obviously be a lot of money going in, hot money at first but then also others," said First Frontier's co-CEO, Richard Adley, who plans to launch the fund in the next couple of months and aims to have 100 million euros invested by year-end. "And then there is a big valuation gap there, Iran has a lot of catching up to do when you look at other frontier or emerging markets," said Adley, who estimates valuations at a very cheap five to six times earnings. First Capital are not alone. In April, British-based Charlemagne announced it had teamed up with a Tehran-based firm, Turquoise Partners, to establish funds that will invest in Iranian securities.

Others, like MENA Capital CIO Khaled Abdel Majeed, are also getting ready to invest, but worry that a dedicated country fund carries too many risks at this point. Instead, Majeed is aiming to invest part of his firm's funds under management in Iranian shares - once the sanctions are lifted. "At the moment it may be very marketable, but at some point it will become too expensive," he said, adding that the firm was starting its search for suitable local partners in Tehran. "And there is also a lot of risk in the deal that has been agreed, and the regime itself is not stable enough to last another 50 years." Both Renaissance Capital and the investment consultancy Ecstrat have reported a sharp pick-up in demand for Iran-related research from asset managers preparing to make the leap.

Cheap valuations

Some 780 million shares traded on the exchange on July 12, the latest data available on its website, representing about $64.2 million. Iran mirrors Saudi Arabia in that both are diverse, geopolitically important markets with attractive demographics and stable populations, said Asha Mehta, portfolio manager at Acadian Asset Management in Boston who runs $500 million in frontier market assets for institutional investors.

Yet with issues of access and other trading logistics yet to be worked out for direct investments, international companies already doing business in Iran will stand to benefit, at least in the short-term until restrictions fall away, said Joana Arthur, equity product manager for London-based Ashmore, which has approximately $1.2 billion invested in frontier strategies. Larry Seruma, portfolio manager of the $434 million Nile Global Frontier fund, said that he expects Iran will eventually become a "destination" for his fund. In the meantime, he is holding on to companies such as South African mobile network firm MTN Group Ltd, which owns 49 percent of Irancell, Iran's second-largest mobile phone operator.

MTN Group told investors in April that it expected to repatriate about $1 billion in accumulated dividends and a loan repayment from its Iranian unit that had been frozen by international sanctions once a nuclear deal was finalized. Multinational mobile phone companies, car makers and hospitality firms are seen as the most primed to benefit from the lifting of sanctions. Bank of America Merrill Lynch said it sees Turkey and the United Arab Emirates as likely beneficiaries from Iranian foreign trade, which could increase to $200 billion by 2020 from $80 billion now.

Higher imports are likely going to come from the machinery, vehicle, iron, steel, food and consumer goods sectors, BAML said. Dubai's real estate and hospitality sector could also see an influx of Iranian cash and visitors. Specific companies that could benefit in the short-to-medium term, highlighted by BAML, are Dubai real-estate company Emaar Properties, Turkish oil refiner Tupras, Italian oil services company Saipem, and Saudi Arabian food and packaging distribution company Savola Group. Among automakers, Turkey's Tofas Turk Otomobil Fabrikasi and Dogus Otomotiv could get a boost, as well as French carmakers Renault and Peugeot. Iran's urgent need to upgrade its fleet of planes could bring a potential bonanza for Brazil's Embraer, Europe's Airbus and Boeing of the United States. —Reuters