

Business

Boeing to reduce 787 production after identifying a new jet issue

EU airlines fear fuel tax as climate push takes off

LOS ANGELES: Boeing will temporarily reduce production of the 787 Dreamliner plane after identifying a new issue with the jet during inspections, the company announced yesterday.

Boeing is "reprioritizing production resources for a few weeks" after it "identified additional rework that will be required on undelivered 787s," the company said, without providing further details. The aviation giant has been working with regulators at the Federal Aviation Administration (FAA) on a system of 787 inspections after earlier production problems on the plane.

The FAA described the problem as a "manufacturing quality issue near the nose on certain 787 Dreamliners in the company's inventory of undelivered airplanes," an agency spokeswoman said. "Although the issue poses no immediate threat to flight safety, Boeing has committed to fix these airplanes before resuming deliveries. Based on data, the FAA will determine whether similar modifications should be made on 787s already in commercial service." The latest 787 problem adds to the headwinds facing Boeing even as the travel industry begins to rebound from a deep downturn caused by COVID-19, and commercial airlines announce significant new plane orders. A Boeing spokesman said new 787 deliveries remain halted as the company negotiates with the FAA on an inspection protocol for the jet's fuselages.

The announcement means Boeing's 787 output "will temporarily be lower than five per-month and will gradually return to that rate," the company said. "Boeing now expects to deliver fewer than half of the 787s currently in inventory this year."

Boeing has previously said it has about 100 787 planes in inventory. The disclosure about came as Boeing reported 79 second-quarter commercial

plane deliveries, up from 70 in the year-ago period.

The figures include a big jump in 737 MAX deliveries after the FAA cleared the jet to resume service in November 2020 following a 20-month grounding due to two deadly crashes. Boeing's shares fell 1.9 percent in pre-market trading to \$233.85.

Meanwhile, the European Commission will propose a raft of measures to slash EU aviation emissions when it unveils a bumper package of legislation aimed at reaching its climate goals.

But the push, including an unprecedented tax on highly polluting jet fuel, is facing strong headwinds from airlines in the bloc, who fear they will have their wings clipped.

Brussels argues that a new levy on kerosene for flights inside the EU is a must if the 27-nation bloc is serious about reaching its ambitious target of cutting greenhouse gas emissions by 55 percent compared with 1990 levels by 2030. The aviation sector—which makes up about three percent of current EU emissions—insists the tax would make it unable to compete with rivals from outside the bloc.

And the proposal is set to be one of the thorniest issues when European lawmakers, EU member states, lobbyists and green activists start what is expected to be months of furious haggling to shape the final laws.

The proposed legislation, seen by AFP, lays out the strategy envisioned by the EU executive. The tax-to be introduced gradually over a decade—would be based on how energy efficient and environmentally friendly different types of kerosene are.

The aim is to convince carriers to switch to more "sustainable" mixes that contain some biofuels. These would not be taxed.

Due to international legal constraints, private jets



LOS ANGELES: In this file photo a grounded United Boeing 787 Dreamliner is seen on the tarmac at Los Angeles International Airport. — AFP

and cargo planes would remain exempt from the new levy. The commission also plans to issue a separate directive aimed at boosting the-still very modest-use of "sustainable fuels".

Cheap fuel havens?

Some member states have already come up in favor of the plan. Belgium, Luxembourg and Austria wrote an open letter calling for a kerosene tax to be applied "without delay" in the EU—and pushing for the same measure to be adopted internationally. Meanwhile, the EU's airline sector has hit back with

its own concerns.

A group of eleven major companies including Air France-KLM and Lufthansa warned that the moves would "significantly increase the competitive advantage of non-EU airlines and non-EU hub airports compared to their EU counterparts".

The carriers, struggling to overcome the huge hit to business from the coronavirus pandemic, cautioned the plan could spur so-called "carbon leakage"—including seeing airlines fill up in countries on the EU's fringes like Turkey or Britain to avoid the charge. — AFP

JPMorgan Chase profits surge

NEW YORK: JPMorgan Chase said yesterday that second-quarter earnings more than doubled to \$11.9 billion, as it reported profits from funds that had been set aside earlier in the pandemic for bad loans.

The big US bank, kicking off the earnings season for the sector, benefited from \$3 billion that had been set aside as reserves in case clients defaulted. JPMorgan budgeted \$8.9 billion for bad loans in the year-ago period, when much of the economy remained closed due to the Covid-19 pandemic. In the second quarter, it reported just \$734 million in charge-

offs for bad loans.

"Consumer and wholesale balance sheets remain exceptionally strong as the economic outlook continues to improve," said Chief Executive Jamie Dimon. But revenues for the period fell eight percent to \$30.5 billion, as the bank's trading business saw much less activity compared with the year-ago level.

JPMorgan scored much higher profits in consumer banking, thanks to the reserve releases.

But home-lending revenue fell and credit card and auto revenues were flat. Dimon alluded to the heavy role of reserve releases in the bank's results, which topped expectations. "This quarter we once again benefited from a significant reserve release as the environment continues to improve, but as we have said before, we do not consider these core or recurring profits," he said. —AFP



NEW YORK: In this file photo the JPMorgan Chase & Co World headquarters are pictured in New York City. —AFP

N Irish unionists air Brexit bitterness at ceremonial marches

BELFAST: Thousands of pro-UK unionists marched across Northern Ireland on Monday, in a ceremonial tradition freighted with heightened emotion as post-Brexit arrangements stir up ill feeling in the divided province. Marching pipe and drum bands filed through the streets of the British-ruled overseas region marking July 12, the anniversary of the 1690 Battle of the Boyne.

The battle saw the Protestant King William of Orange defeat the Catholic King James II and is celebrated yearly by predominantly protestant pro-UK communities of Northern Ireland. In Belfast, hundreds of musicians and members of the fraternal Protestant Orange Order marched in front of crowds of families waving Union Jack flags in celebrations pared back because of the coronavirus pandemic.

Last year's parades were cancelled but on Monday they went ahead with smaller localized marches. Many of the unionists marching are currently in political turmoil over a post-Brexit "protocol" for Northern Ireland they feel is prying the province loose from its place in the United Kingdom.

Since the start of the year the "protocol" has effectively kept Northern Ireland—and its 1.9 million residents—inside the EU customs union and single market for goods. The special scheme prevented new infrastructure on the border with EU member the Republic of Ireland, a flashpoint in "The Troubles" 30 year-long sectarian conflict between unionists and pro-Ireland nationalists.

But many unionists feel the "protocol" made a hefty concession to nationalists orchestrating a slow slide to a united Ireland and created a border in the Irish sea. At the Belfast march, one band arrived with a banner reading: "North Belfast says 'no' to Irish sea border".

Anger over the protocol fuelled more than a week of rioting in April which stemmed from unionist communities and spread into nationalist enclaves, injuring 88 police.

There were fears the "marching season" which reaches its crescendo on July 12 could herald further unrest. Marches and related bonfire events in the early hours of Monday passed off without reports of violence, however



BELFAST: Spectators watch the bands in the city centre during the 12th July Orange marches in Belfast. July is the main marching day in the Orange Order calendar. The parades mark the 331st anniversary of King William III's victory at the Battle of the Boyne in 1690. — AFP

there remain signals in the unionist community that tensions are still high.

"We as a people feel that we're being marginalized in our own country," Orange Order marcher Fraser Agnew told AFP as the Belfast marches prepared to begin. "We feel completely isolated and the British government, Europe, the Irish Republic are all conspiring against us. So it creates this siege mentality which can be a very

dangerous thing." "Unionists are a bit confused, they're a wee bit angry," confided marcher Bobby Rainey.

"They're certainly angry with the protocol, with what they see as the deceit of the English government." UK Brexit minister David Frost has said London wants a "consensual approach" to resolving issues with the protocol, promising to set out the government's approach before July 22. — AFP

Ukraine to remain gas transit country after Nord Stream 2

BERLIN: German Chancellor Angela Merkel insisted on Monday that natural gas transit through Ukraine would continue even after the controversial Nord Stream 2 pipeline linking the country with Russia is completed. "Ukraine is and will remain a transit country even once Nord Stream 2 is completed," Merkel told a Berlin press conference alongside Ukrainian President Volodymyr Zelensky.

"There are big worries about this on the Ukrainian side and we take those seriously," she said, adding that Germany would do "everything we can" to guar-

antee the key revenue source for Ukraine.

The nearly finished 10-billion-euro (\$12-billion) pipeline is set to double Russian gas supplies to Germany, Europe's largest economy. But the project is fiercely opposed by the United States and several European countries which argue that it will increase energy dependence on Russia and Moscow's geopolitical clout. The pipeline bypasses Ukraine's gas infrastructure, depriving the nation of around a billion euros annually in transit fees and, Kiev fears, removing a key check on potential Russian aggression in the region.

Speaking in Berlin, Zelensky reiterated that Nord Stream 2 posed "a potential security threat to Ukraine and the region". To soothe tensions, Germany has helped broker a deal that will see Russia's Gazprom pay transit fees to Ukraine until end-2024, regardless of whether it actually uses Ukrainian pipelines.

Germany has repeatedly said it stands ready to play middleman in discussions to ensure Kiev keeps receiving the fees beyond that date. Merkel said Germany would strive to keep Russian gas flowing through Ukraine "in the future". "That's what we promised Ukraine," she said, "and I keep my promises and I think any future German chancellor will as well".

The veteran German leader, who is bowing out at September's general election after 16 years in power, will travel to Washington this week for talks with US President Joe Biden in which Nord Stream 2 is expected to feature heavily. Despite strong criticism of the pipeline, Biden in May waived key sanctions on Nord Stream 2 after concluding that it was too late to stop the project and it was better to seek cooperation with Germany. US officials have previously voiced hope that Germany will agree to outline automatic retaliatory steps that would be triggered if Russia steps up pressure on Ukraine. —AFP

Summer marketing campaign for Wafra Real Estate clients

KUWAIT: The Marketing Department of Wafra Real Estate Company launched its summer marketing campaign for its customers, in cooperation with many cafes and restaurants and the Kuwaiti National Cinema Company (Cinescape), which includes special discounts, various offers and free gifts, to achieve the highest levels of satisfaction for its customers.

Assistant Marketing Director Shaikha Al-Fadala stated, "It comes out of the desire of many of our customers to spend the summer in Kuwait, especially in light of the difficulties and restrictions of travel, as the campaign contributes to revitalizing the local shopping movement, in addition to achieving the best service and the highest satisfaction rate for (Wafra) customers."



Shaikha Al-Fadala

BoE matches Fed on lifting dividend curbs

LONDON: The Bank of England yesterday axed pandemic curbs on shareholder dividend payouts in the commercial banking sector, mirroring a move by the US Federal Reserve. British-based lenders had axed billions of pounds in dividends and share buybacks after the BoE requested the move to boost liquidity at the height of the coronavirus crisis.

"Extraordinary guardrails on shareholder distributions are no longer necessary," the BoE said in its latest financial stability report after declaring the resilience of the sector.

The curbs were imposed in March 2020 but loosened in December with the resumption of limited shareholder dividends. "We expect bank boards to be appropriately prudent in distribution they make both to their shareholders and their staff given the vital role banks can play in supporting the recovery," said Sam Woods, BoE deputy governor for prudential regulation.

"That is the message that we're giving to the banks," he told a press conference.

The BoE added that the economic outlook had brightened thanks to rapid vaccinations. At the same time, it expressed caution over risks to the nascent recovery, as Delta COVID variant infections continue to spike.

The update comes after recent Federal Reserve stress tests concluded that the largest US financial institutions had sufficient capital to weather a severe downturn. That cleared the way for US restrictions on dividends and share buybacks to be lifted from this month. The Bank of England yesterday added that it expected UK lenders to continue aiding the recovery from pandemic turmoil, particularly as emergency stimulus measures are withdrawn. —AFP