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Barclays to overhaul back office operations to cope with ring-fencing

Barclays Plc is about to overhaul its back office operations under a restructuring to help it comply with new post-crisis rules forcing British banks to ring-fence their retail operations from their riskier business.

It has formed a new company that will operate as a standalone unit providing support services to both of its two main operations when they are formally separated — retail and investment banking, the bank said.

The ring-fencing rules seek to avoid a repeat of the 2008 crisis, when banks' bad bets threatened depositors' cash. While Barclays was not among those that needed a UK taxpayer-funded bailout, the new rules apply to all lenders in Britain that have retail and commercial or investment banking activities.

At Barclays, the aim is that critical support functions could continue to operate smoothly if either of its two main businesses were to run into trouble, while also keeping costs down by not having several separate back-office units, sources involved in the project said.

The overhaul — including the creation of the new company known internally as ServCo — will affect most of the more than 10,000 people who work in Barclays back offices operations in 17 countries around the world.

It will group together the bank's huge operations in India and South Africa that provide technology support and data management, along with functions such as compliance with regulatory requirements, corporate relations, legal affairs and human resources.

While for some staff this will simply involve a change in the name of the legal entity they work for, the sources said it was also likely to lead to some job losses.

Barclays declined to comment on the possible staff cuts or the cost of the restructuring.

However, sources with direct knowledge of the project said it would soak up much of the £1 billion ($1.25 billion) that Barclays has said it will cost to comply with the ring-fencing rules.

The structural change shows the upheaval that British banks face to meet the rules that come into force in 2019.

Other British lenders are working on similar models. HSBC transferred 18,000 employees to a UK-based service company in 2015, according to a company filing, as part of a move to insulate its back-office functions to comply with the new regulations.

HSBC plans to base its ring-fenced British retail and commercial banking business in Birmingham, shifting about 1,000 staff to the central English city from London. Barclays, however, will keep both main operations headquartered at its building in the capital's Canary Wharf district.

Paul Compton, Barclays' chief operating officer, is overseeing the creation of the new company, which will formally be called Barclays Services Ltd.

"From the outset, we've been keen to use the incoming ringfencing regulations to enhance the banking experience for our customers and clients, and the establishment of the service company is a great example of how we can put this into practice," Compton told Reuters in an email. He declined to comment on how many people will work in the new unit.

Some back office workers are confused about which entity they will end up working for and concerned about losing their jobs, two of the sources said. ServCo's management structure will be formalised by April with a view to it beginning operations by September, they added.

Compton joined the bank in May 2016, one of many high-profile former JPMorgan bankers recruited by Barclays Chief Executive Jes Staley, who himself ran the US lender's investment banking division until 2013.

Regulator suspends IndiGo's security training courses'

Indigo, the country's largest airline, cannot provide security training to its crew now as the license of its centre tasked with this job has been suspended by the Bureau of Civil Aviation Security (BCAS), the regulator in the field.

The airline has 126 aircraft and more than a 40 per cent share of the aviation market.

The move comes after the regulator found that the airline was allegedly violating the mandatory process of such training courses. It is imperative for an airline to impart six-day security training to its pilots and cabin crew because often they are the first to react in the case of a hijacking or bomb threat.

"We found that the aviation safety course of IndiGo was violating norms. Instead of a computerised exam, which is mandatory, it was replaced with written tests without approval from the authority.

Moreover, the questions had been repeated over the last eight courses that the airline imparted," BCAS Director General Kumar Rajesh Chandra told Business Standard.

Chandra said for successive courses, candidates were scoring more than 90 per cent, which aroused the suspicion of the regulator.

IndiGo said in a statement: "We are in discussion with BCAS and are confident of demonstrating compliance with all regulatory requirements to the satisfaction of BCAS."

"We would like to clarify that this discussion pertains to only one course and that is aviation security training. All other training is continuing as scheduled," the airline further said

Andhra picks Meenakshi Power, Simhapuri for imported coal-based power proj

As the central government mulls allowing pass through of fuel cost for the imported coal-based power projects, Andhra Pradesh has gone ahead to tender the project but with a cap on the fuel cost to safeguard consumers from fluctuating global coal prices.

In a recent bidding for a 1000 Mw imported coal-based power project with 100 per cent imported coal, the state received winning bids from Meenakshi Power and Simhapuri Energy at the rate of Rs 4.5 per unit for 600 Mw. Simhapuri would be building a 400 Mw power plant, while Meenakshi will build a 200 Mw plant.

Officials in the state government's energy department said that the capping was indexed to the Indonesian coal price. "A ceiling price was formulated as per the Indonesian index and fuel rates were benchmarked. Over and above, the pass through of fuel cost was not allowed," said a senior official.

For bagging the projects, bidders have to quote the fixed and the variable component of the tariff. The major cost components of variable tariff are fuel cost, change of law in international coal markets and associated cost. The bidder quoting the least tariff bags the project.

Some industry players perceive the tariff as a risk because a bidder would take the hit if there is fluctuation in the imported coal prices and foreign exchange. "Putting up an imported coal-based power plant does not make sense when the central government is pushing for domestic coal. It would also push up the average tariff of the state," said a senior executive in a power company. Karnataka had scrapped the bidding process after similar tariffs were received, he added.

They argue that with generation capacity of domestic coal-based power plants not being utilised optimally, the state should not opt for imported coal-based capacity.

State government officials, however, maintained that the tariff discovered was in line with the prevailing power rates. "Our average cost of power procurement from hydro and old thermal units is around Rs 4.10-4.30 per unit. So a tariff closer to Rs 4.5 per unit is feasible for a coastal state like Andhra Pradesh," said a senior state government official.

In the past, the tariff discovered was over Rs 4 per unit in long-term power purchase tenders issued by Kerala and UP.

Under the draft guidelines for imported coal-based Ultra Mega Power Plants (UMPP), the Union government plans to allow pass through of fuel cost in the final consumer tariff.

The proposed cost pass through would be both in case of reduction and escalation of coal cost. The power seller will be required to cut tariff when coal costs fall.

Imported coal-based Tata Power UMPP and Adani Power power plant at Mundra are in a long-drawn battle with power procuring states for allowing a pass through of cost escalation due to change in law in the imported coal market and the subsequent price increase.

In-flight movie screen is going extinct

Book a domestic flight on any of the Big Three US airlines, and you won't be sure whether the seat in front of you has a screen. Some do, while most don't. Eventually maybe none will.

The proliferation of iPhones, iPads and Android devices, in tandem with increasingly reliable in-flight Wi-Fi, has led to a profound shift by many airlines, which now view entertainment on shorter flights as best delivered wirelessly, without the expense or hassles posed by screens.

As with most things on an airplane, the determining factor is poundage. Planting a screen in each seat adds weight, which burns additional fuel, which costs more money. On top of that, the screens have a tendency to break as people poke and punch them — often to the annoyance of the passenger in front of them. Today, the new kid on the block for in-flight entertainment, or IFE, is personal-device entertainment — the ability to stream TV and movies to passenger gadgets from a server on the plane. This video is typically free, although United still charges as much as $7.99 to watch live television channels on planes equipped with DirecTV.

"For domestic flights, I really do see the industry trending toward streaming IFE," said Jason Rabinowitz, director of airline research at Routehappy Inc, a New York company that tracks airline amenities. "It's cheap for airlines to install, there's no wiring, no weight penalty. These systems can be installed virtually overnight, and the costs to maintain these things are virtually nothing."

The airlines ask why install seat-back monitors that will be

obsolete in a few years?

Only two of the national US airlines, JetBlue Airways Corp and Virgin America, still have seat-back screens on all of their aircraft. The rest have a mix of both options, given the collections of new and older aircraft in their domestic fleets. Southwest Airlines Co deployed streaming content in 2009 and has never purchased a seat with a video screen. "What we really wanted to do was stay away from the seat screen, even back then," said Tara Bamburg, Southwest's manager of mobility, inflight entertainment, and Wi-Fi. "We foresaw as much as anyone could that customers are going to continue to travel with their devices."

The largest carrier, American Airlines Group Inc, surprised many in the industry when it recently decided to forgo video screens on 100 new Boeing 737 Max airplanes. American said more than 90 percent of its customers carry a device when they fly, so it just made sense.

Its first new Max 737s arrive later this year, around the time Southwest plans to begin flying its own. American also hinted that its future single-aisle aircraft will omit video screens, even though it has 40 Airbus A321s and 737s already in the pipeline that will still have them.

"Those phones and tablets are continually upgraded, they're easy to use, and most importantly they are the technology that our customers have chosen," the airline said in an internal note

White house in focus: GOP hurries to slash oil and gas rules

The document carried the title "A Roadmap to Repeal," a concise list of Obama administration environmental regulations that a Koch brothers-backed group was pressing President Trump and Congress to quickly reverse after Inauguration Day.

It was a tally of rules that energy industry executives and lobbyists had waged a futile fight against for eight years, donating millions of dollars to lawmakers who vowed to help block them, filing lawsuits to try to overturn them and hiring experts to generate reports that questioned the need for them.

But in a flurry of activity this past week, Congress did what Charles G and David H Koch — who own a conglomerate that sells hundreds of products, including gasoline, jet fuel and coal — and other industry leaders had been asking for. Using a rarely invoked law, the Republican-controlled Congress nullified a measure intended to curb the venting of gas wells on federal lands, and began the process of rolling back other regulations, including one enacted to limit damage that coal mines cause to streams — each items on the "Roadmap to Repeal."

On Friday, with his own executive orders, Trump took up two more items on the list, including a call to rewrite major provisions of the Dodd-Frank Act, legislation crafted by the Obama administration and passed by Congress in response to the 2008 financial meltdown.

Not since the Reagan administration has Washington moved so quickly to roll back or nullify so many federal regulations, one of the clearest signs of an abrupt shift of power in a government now under one-party control that has flipped the script of winners and losers.

"It is a big, fat victory, after all this time," said Luke Popovich, a vice president at the National Mining Association, an industry trade group.

A three-way alliance has now been formed among Congress, the Trump administration and industries that struggled to reverse what they saw as an out-of-control rush to regulate by the Obama administration. This new alignment of powers causing alarm among not only environmental groups but also

other — mostly liberal — advocates who have spent much of the past eight years pushing for new rules to cover Wall Street banks, broadband providers, teacher preparation requirements, prepaid credit cards and even companies that sell high-calorie foods in vending machines. All of these measures, and many others, now stand a chance of being reversed, watered down or blocked.

"For the last several years, whenever Congress would concoct some way to roll back a rule protecting clean air or clean water or undermine the fight against climate change, we always felt confident as we had an adult in charge at the White House," said Michael Brune, executive director of the Sierra Club, an environmental group. "Now, what used to be a wish list of the oil and coal and gas industry has become the to-do list for Congress and the White House."

iPhone SE to be assembled in India

Apple is looking to produce lower-cost iPhone SE at its upcoming facility in Bengaluru as it looks to gain a price advantage in the market in which it has been a fringe player so far.

While the plant in Bengaluru, owned by partner Wistron, is already being upgraded to support assembly of Apple's iPhones, the Cupertino company continues to engage in talks with the central government over full-scale manufacturing of its flagship devices in the country.

For this, Apple is seeking a 15-year tax exemption from the government to make India a hub for exporting the devices rather than just producing devices for the local market, according to officials at the commerce ministry. Apple is facing a challenge of rising input costs in China, apart from the government increasingly cracking down on foreign companies.

Wistron, which will assemble iPhones in Bengaluru, is one among the few original design manufacturers Apple employs to build its iPhones. The company has previously won contracts abroad to manufacture lower-cost iPhone 5c, 5s, and SE devices, while larger partners such as Foxconn have handled production of flagship iPhone models.

"Wistron manufactures low-cost devices for Apple, the iPhone 5c, 5s, and SE. So the chances are high that only those are going to be manufactured at first. It also makes sense for them to save that extra 12.5 per cent on low-cost devices where margins are slim," said Neil Shah, partner at Counterpoint Research.

The iPhone SE, which was launched in March 2016, was seen as Apple's weapon to win in emerging markets. However, the device saw slow sales in India after being priced close to Rs 40,000, a market where seven out of 10 smartphones sold cost less than Rs 10,000.

"Winston has begun upgrading infrastructure at the Peenya location, indicating Apple is keen to make iPhones here. An agreement is yet to be signed," a government official said. "More details will emerge once Apple's talks with the central government are over."

In a statement on Thursday, the Karnataka information technology minister said that Apple representatives had met the state's ministers and officials on manufacturing devices here. Apple's delegation was led by Priya Balasubramaniam, vice-president of iPhone operations.

"Our pitch to Apple was that they have the entire ecosystem ready here in Bengaluru. No other place in India can offer the pool of hi-tech talent, researchers and app developers," said minister Priyank Kharge in a telephonic interview.

Currently, Apple controls just three per cent of the 100-million-plus smartphone market in India.

In the quarter that ended December, Apple said it had posted record revenue in the country despite a slowdown in consumption due to demonetisation. In the September quarter, the company had said sales of its iPhones grew 50 per cent in the 12-month period, signalling a positive environment.

Apple continues a two-pronged attack in India, wooing customers with its latest iPhones and simultaneously pushing older models at more affordable costs. Nearly 45 per cent of Apple's iPhone sales continue to come from models like the iPhone 5s that cost under Rs 20,000 on popular online retail channels in the country

Multimodal transport to start in PM's constituency

The government's plan to integrate various modes of transport will start being executed in Prime Minister Narendra Modi's constituency, Varanasi. The country's first multi-modal hub with rail-road connectivity will be in the city.

The hub would be a pilot for other 50-60 projects planned by the central government, said officials.

To begin with, the thrust will be on connecting the bus terminal with the railway station to provide a seamless transportation facility to travellers.

According to officials, a study was initiated in Varanasi to ascertain the traffic and its origin and it found that most of it came from Lucknow and Gorakhpur.

The idea is to de-congest Varanasi by developing a bus-rail link, which will cater for tourists visiting the city. It is believed to be a brainchild of Modi, who asked Union road transport, highways and shipping minister Nitin Gadkari to implement it.

Multi-modal transport is a seamless movement of goods and passengers involving at least two different means of transport.

In a post-Budget media briefing on Friday, Gadkari said in most cities, bus stations, airports, and railway stations

were situated far from each other. If all were integrated, a lot of traffic congestion and pollution could be reduced.

He said the ministry was examining the feasibility of setting up multi-modal hubs where all modes of transport — air, road, rail and waterways — were close to one another.

He did not give details of how the government wanted to proceed on this initiative.

In order to reduce traffic congestion and pollution, and make the movement of passengers and goods efficient and cost-effective, the country needs to adopt holistic and integrated transport planning for the sector as a whole, including roads, railways, waterways and airways.

Varanasi serves as a gateway to the nearby religious tourism spots of Sarnath, Vindhyachal, Sonbhadra and Chunar.

According to the Uttar Pradesh government data, more than 200 million tourists visited Uttar Pradesh from 2011 to 2015.

Varanasi is one of the 13 cities the ministry of tourism has identified for development under the Pilgrimage Rejuvenation and Spirituality Augmentation Drive (PRASAD).

In the Union Budget this year, the scheme has received Rs 100 crore. Varanasi is the starting point of the ministry of shipping's programme to develop 1,620 km of the Ganga for transportation. The river's stretch up to Haldia will have 30 ports