

# COMPANIES & MARKETS

Power to the people Aggreko plugs African electricity shortfall **Page 15**

## Regulator bars RBS from debt buy-back

By Adam Jones,  
Jennifer Hughes  
and Anousha Sakoui

Royal Bank of Scotland has been barred by the City regulator from redeeming £951m of its own debt for fear the buy-backs would have damaged talks between the UK and the European Commission over the state-owned bank's restructuring.

The move was unexpected and sent the price of the bonds involved sharply lower.

The Financial Services Authority said yesterday that its action, which affected four different

Swaths of hybrid bonds have been downgraded because of moves to curb pay-outs

hybrid issues, reflected the European Commission's hostility to rescued banks using state aid "to remunerate their own capital".

Hybrids have characteristics of both equity and debt. They have become contentious because investors treat them as debt – and therefore senior to shares – while regulators and politicians consider them equity.

"The Commission has made it clear to the UK authorities that a decision by RBS to call these instruments would adversely affect the ongoing state aid discussions in relation to RBS," the FSA said.

The RBS move comes nine months after Deutsche Bank became the first big bank to break with convention by not redeeming hybrid debt at the first opportunity, a move that angered investors who had believed they had a "gentleman's agreement" with banks to redeem their bonds as early as possible.

Yesterday RBS acted to calm investors, telling them it had wanted to redeem the paper and would do so as soon as it was able to.

However, prices for the main bond affected dropped to about 69 per cent of par value, compared with just over 90 per cent before the announcement. "There was always a risk but this wasn't really expected," said Richard Thomson, a credit analyst at Henderson Global Investors.

Investors were also worried that Lloyds, another state-rescued bank, would also be forced into similar capital-saving measures. "Lloyds doesn't have a subordinated bond that is due for call soon, but if the FSA is willing to stop calls on RBS, there could well be



On track: Yo! Sushi is looking to step up its delivery service, which is available at only nine out of its 43 branches

## High-end restaurants join rush to offer delivery service

### News analysis

Table numbers are falling but takeaway web services help buck the trend, says Pan Kwan Yuk

The Bombay Bicycle Club has achieved something of a recession miracle during the past six months.

The Indian restaurant and takeaway chain, which counts Gordon Ramsay among its customers, has

number of operators are seeing home delivery as a way to lessen losses.

It's not hard to see why. Even as consumers held back from spending on other consumer services such as restaurants and hotels, takeaways increased – by 2.5 per cent to £1.5bn last year, according to figures from Mintel.

Just-eat.co.uk, the online takeaway ordering site, and its smaller rival Hungryhouse.co.uk have both seen a sharp spike in the number of restaurants look-

ing to offer delivery services, he says.

But ordering in is no longer just about cheap Chinese food or pizza.

Nobu – best known for its £32 black cod with miso – is looking into the idea of offering home delivery, although no decision has been made yet. Yo! Sushi is looking to step up its delivery service, which is available at only nine out of its 43 branches in the UK.

RoomService.co.uk, an upmarket food delivery service that works with restaurants such as Goldfish

high-end restaurants have very high operating costs," she says.

If they can sell a little bit more through delivery ... This is money they are getting through the door and will help alleviate cash-flow pressure."

But in the rush to expand delivery services, Helena Spicer, analyst at Mintel, cautions that there are a number of potential pitfalls.

To begin with not all food travels well, so careful selection is important when deciding which menu items

## Weekend briefing

### The big stories

#### Digging deeper

The consortium bidding for National Express looked as though it might walk away last week after the rail and bus operator rejected a 450p-a-share bid and announced it would raise £350m in equity. But the bidders, led by the Spanish Cosmen family and private equity group CVC, returned this week with a sweeter offer of 500p a share.

Stagecoach, which hopes to take over the UK rail and local bus businesses of National Express as part of the deal, secured commitments from the Department for Transport that it would press on with its planned takeover of the loss-making East Coast rail franchise and would not enforce its right to terminate other franchises.

Deutsche Telekom is also hoping that suitors for its UK mobile business, T-Mobile, will be prepared to dig a little deeper. When talk of a possible sale first came out in June, it seemed the German telecoms company would have to settle for something towards the lower end of the €3bn-€4bn (£2.6bn-£3.5bn) value of the unit. But this week it emerged that Deutsche Telekom is in preliminary talks with Vodafone, France Telecom and Telefónica – and there are hopes that the stock market rally will have boosted T-Mobile UK's price tag to €4bn.

The Brussels hustle  
Industry lobbying groups

#### National Express

Share price (pence)



Source: Thomson Reuters Datastream

too sweeping and would lead to an exodus of business from the EU. Boris Johnson, London's mayor, travelled to Brussels to defend the City's hedge funds.

But insurers take the prize for shouting loudest. The Association of British Insurers claimed that European rules set to come into force in 2012 could force the UK industry to raise £50bn in fresh capital. In a letter to Alistair Darling the ABI called the rules a threat "to the industry, to its customers and even to financial stability".

#### Bashing bankers

Politicians scored some easy points in the run-up to the G20 finance ministers' meeting this weekend. Leaders of the UK, France and Germany issued a joint letter calling for "binding rules" on bankers' remuneration, though they fell short of recommending an absolute cap on bonuses.

Bonus or no bonus, however, hiring is picking up in the banking industry: Hays, the recruitment group, said on Thursday there were "signs of life" in financial services recruitment.

#### Land grab



of recapitalising at least in the case of the banks rescued by the state.

The European Commission has already approved state aid for several banks on the condition that they skip, where possible, paying coupons on hybrids.

The UK government this year awarded itself the power to change the conditions of outstanding debt, which it then used to avoid paying interest on Bradford & Bingley debt.

at other UK banks", Mr Thomson added.

Tier one bonds usually allow investors to skip interest payments. Lloyds benchmark tier one bond slipped to trade at 96 per cent of par value yesterday from 98 per cent.

Rating agencies have downgraded swaths of hybrid bonds.

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[www.ft.com/ukbanks](http://www.ft.com/ukbanks)

during this period even as the wider restaurant industry remains in the doldrums. Its secret?

"It's our delivery business," says Pritesh Amlani, chief executive of V8 Gourmet, the company that owns the Bombay Bicycle brand. "That has been our main growth driver."

As the recession drags on and restaurants struggle to entice diners with lower-price options and discounted specials, a growing

"Restaurants are seeing table numbers drop and understand there is demand over the internet," says Klaus Nyengaard, chief executive of Just-eat. "Many don't use the internet as a medium, so they use us."

The site has more than doubled the number of restaurants on its database to 2,000 last year and is adding about 250 new eateries a month. Of these, as many as a fifth have only recently

South Kensington, said it has been contacted by 100 restaurants this year about joining it, an increase from 20 the year before.

"Those who eat out in expensive restaurants will not eat cheap takeaway food when they eat at home," says Chipo Murira, managing director.

Ms Murira estimates that by ordering in, the average diner saves £20 to £40 for the same meal because of the difference in service and alcohol costs. "These

minute the food leaves your kitchen, you don't know how it will end up," says the manager of an upscale restaurant that has looked into offering deliveries.

Then, there is question of logistics. "You have to make sure the kitchen has the capacity to handle the extra orders," says Stephen Wall, founder of Pho, an up-and-coming chain of Vietnamese noodle shops. "And you have to be able deliver within 30 minutes, otherwise don't even bother."

hedge funds, building societies and investment banks have all been clamouring that proposed European regulations are



Boris Johnson

some of its huge portfolio of property assets, most of which were picked up in its acquisition of HBOS, and which it increased yesterday by agreeing a debt-for-equity swap with Gladedale Homes. There should be no shortage of buyers. Housebuilder Bovis on Thursday announced a £60m share placing to take advantage of "attractive opportunities" to invest in residential land, after similar moves by Bellway and Berkeley.

Jack Farthy

## Whitbread pension closed

By Adam Jones

Whitbread, the hotel, restaurant and café group, has become the latest big employer to close its defined benefit pension scheme to existing members.

The move by the owner of the Premier Inn and Costa Coffee chains followed the closure of the scheme to new members in 2002, and will affect about 800 people, or 3 per cent of its staff.

Employers are scaling down pension schemes that pay retirees sums linked to the size of their final salary – known as defined benefit schemes – because they are costlier and present more uncertainty than alternative "defined contribution" arrangements, where payouts are based on the investment performance of funds put in by the employer and employee.

Whitbread said it had carried out four months of consultation with staff before taking the decision to close its defined benefit scheme

to future accruals by members at the end of 2009.

At the same time, it said it would pay more into the pensions of some defined contribution scheme members, increasing its average contribution from 4 per cent of salary to 5 per cent.

In addition, it said another 14,000 staff who had not previously been eligible to join the defined contribution scheme – such



Whitbread: owns Premier Inn and Costa Coffee

as waitresses, cleaners and receptionists – would be allowed in. However, only about 700 of the 9,000 staff eligible have joined. Whitbread employs about 33,000.

The Whitbread defined benefit scheme had a deficit – the gap between assets and projected liabilities – of £233m on February 26 under the IAS19 accounting standard.

Lesley Williams, Whitbread pensions director, said the changes announced yesterday were not linked to the deficit. She said the number of active members left in the defined benefit scheme was dwarfed by the 16,000 pensioners it supported, as well as the 45,000 deferred members who used to work for Whitbread but had not yet retired.

For that reason, closing the scheme to new accruals would not have much effect on the deficit, she said: "It isn't about the deficit at all, it is about harmonisation of benefits."

[www.ft.com/ukpensions](http://www.ft.com/ukpensions)

## Shell set to unveil job cuts

Thousands of staff are expected to go

By Ed Crooks, Energy Editor

Royal Dutch Shell, Europe's biggest oil company, is beginning a series of announcements about job losses as it extends the cost-cutting programme launched by Peter Voser, the chief executive who took over at the beginning of July.

The cuts are expected to run into the thousands, after 150 out of 750 senior managers lost their jobs in the first phase of the restructuring, known as Transition 2009.

Shell is under pressure from the cost of a huge capital spending programme and the falls in the prices of oil and gas. Its debts are rising sharply, albeit from a low base.

On Thursday, Standard & Poor's, the rating agency, downgraded Shell one notch to AA from AA+, putting it on the same

rating as BP, because of its rising borrowings.

Managers are informing staff over the next two weeks of the detailed plans for their business units and, in some cases, beginning consultations with the workforce. The company plans to implement the cuts by the end of the year.

Mr Voser wrote to staff this week, in an e-mail seen by the Financial Times, that, during August, managers had "worked hard at redesigning the rest of their affected organisations or adapting and accelerating their own change journeys". He added: "Transition 2009 and our other change journeys will result in significant ongoing staff reductions."

Shell refused to say how many jobs were expected to go from its workforce of 102,000.

Mr Voser's plan includes breaking up the former gas and power division and splitting the exploration and production business into two divisions: one for

the Americas and one for the rest of the world.

Royaldutchshellplc.com, an independent website used by present and former Shell staff, said: "Although precise figures have not been supplied to us, our estimate based on an analysis of the leaked information received, is that on average, staff numbers [in exploration and production] will be cut by 15 per cent."

It said some experienced staff expected to have to re-apply for their jobs.

Shell has a number of large developments reaching completion around the turn of the decade, including the Pearl plant in Qatar to convert gas to liquid fuels, and the QatarGas 4 liquefied natural gas project in the same country. Once those are complete they will need fewer staff.

However, one analyst said it would be surprising if the E&P operations bore the brunt of the job cuts, because that was the side of the business Mr Voser hoped to strengthen.

### The big numbers

#### 9.4km

The depth of the well that found BP's "giant" oilfield, which is thought to hold at least 3bn barrels of oil. It is the world's deepest oil well

[www.ft.com/companies/uk](http://www.ft.com/companies/uk)

#### 6

The minimum number of bottles that can be purchased from Majestic Wine, down from 12

[www.ft.com/companies/uk](http://www.ft.com/companies/uk)

#### £20,000

The fine given by the FSA to Mark Lockwood, a City stockbroker, making him the first person to be fined for failing to report or stop a client who was engaged in insider dealing

[www.ft.com/companies/uk](http://www.ft.com/companies/uk)

#### 2.807p

Special dividend from Hargreaves Lansdown, the financial adviser

[www.ft.com/companies/uk](http://www.ft.com/companies/uk)

### The big name

**Paul Buccieri**  
President, ITV Studios Inc

Paul Buccieri had never visited the UK before he was appointed president of Granada USA (later renamed ITV Studios Inc) in December 2007, writes Ben Fenton.

With a background in reality television, working for production companies such as Twentieth and Endemol USA, he was steeped in the Hollywood TV industry.

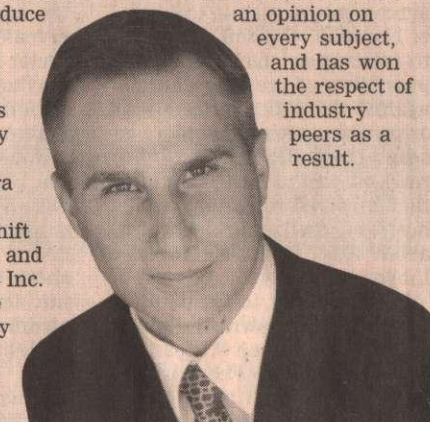
This week, he revealed a deal to co-produce a US version of ITV's hit police thriller *Prime Suspect*, a series made famous by Dame Helen Mirren's bravura performances. This marks a shift for Mr Buccieri and for ITV Studios Inc. Both have done well with reality shows, but scripted programmes

have been harder to transfer to US. "I have a great pile of programmes to work through in the ITV archive, and I think so many of them could work really well."

Watch this space," he said on a rare visit to London this week.

Mr Buccieri, 42, who has produced hits for NBC, Fox and MTV, has a reputation as one of the quieter members of his profession, not thrusting

himself forward with an opinion on every subject, and has won the respect of industry peers as a result.



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