US signals rescue of Detroit carmakers

Scramble after Senate rejects bail-out loans

White House prepares ground for U-turn

By Daniel Domby in Washington,
John Reed in London
and Bernard Simon in Toronto

The US administration was last night scrambling to save Detroit’s troubled car industry, as General Motors said that it was closing most of its North American manufacturing plants for the month of January in the wake of the Senate’s failure to agree to a $14bn ($9.3bn) loan for about 5,000 people in the UK, is close to running out of the cash necessary to keep its operations going.

GM’s bonds fell to a new low of 9-10 cents on the dollar on fears of a bankruptcy, before recovering to 16 cents on the news that the Bush administration was looking for other financing.

Markets in Hong Kong and Tokyo fell by more than 5 per cent, while London was down 2.47 per cent.

For weeks George W. Bush, the US president, has resisted using the $700bn troubled asset relief programme to provide aid to the carmakers, arguing that such an interventionist step would be a mistake.

EU urges world to follow its climate lead

EU leaders urged the world to follow their example and adopt tough new climate targets, as the US administration resisted calls for a jointly binding agreement.

Ms Robinson’s favourite ports and sherries

Jancis Robinson’s favourite ports and sherries

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News Briefing

EU urges world to follow its climate lead

Hedge funds faces losses in Madoff ‘big lie’

By James Mackintosh in London
and Joanna Chung in New York

Some of the biggest-name fund managers in the world, including Nicola Horlick, Man Group, Santander and Union Bancaire Privee, have been caught up in an alleged $50bn (£33bn) fraud after trusting Bernard Madoff, the Wall Street trader arrested this week.

Many wealthy investors in Switzerland, Spain, Israel and Austria, in particular, were tempted to invest in funds which produced such steady returns that sceptics believed them too good to be true and in what could potentially be the biggest fraud in corporate history.

The case now threatens to create panic among investors and exacerbate withdrawals from hedge fund managers already struggling to raise enough cash to meet redemptions.

Mr Madoff, who was released on $10m bail, told senior employees – including his sons – that his operations were “all just one big lie” and “basically creating a false frame of reference.”
Early warning signals are ready to step in with funds intended to prop up the financial system to prevent the biggest industrial failure in US history.

"Because Congress failed to act, we will stand ready to prevent an imminent failure until Congress reconvenes and acts to address the long-term viability of the industry," the Treasury said.

In Britain, ministers were considering extending a lifeline to Vauxhall, a GM subsidiary, after it offered staff at its Ellesmere Port plant in north-west England substantial redundancy packages of up to nine months at 30 per cent of their salary.

GM, America’s largest domestic carmaker, which employs about 8 per cent of UK staff, is preparing to cut 1,900 jobs in the UK next quarter, the deputy economy minister said, the first time a state intervention investigators that disposing of Gatwick alone would curb its passenger traffic in Scotland and London, where it also owns Stansted. The company is estimated to enjoy 84 per cent of passenger traffic in Scotland and 90 per cent in the south-east of England.

The Competition Commission is next week due to reject lobbying by the company against a sale to make it sell at least two of its three London airports and one of either Glasgow and Edinburgh, people familiar with the investigation say.

The demands on BAA, which has already begun an auction of Gatwick, will put it on a collision course with the commission, according to sources familiar with the final results of the probe by March. The commission’s latest interim report will echo its earlier criticism of BAA – a subsiary of Ferrovial, the Spanish construction and infrastructure group – as dominating an airport network that has hurt airline and passenger interests.

The watchdog will confirm its recommendation for BAA to sell the three airports in Scotland and London, and one of its three London airports and one of either Glasgow and Edinburgh, people familiar with the investigation say.

The commission is due to make its final ruling by the end of March, which most analysts say could raise £2bn.

BAA has been seeking indicative bids for Gatwick next month in an ambitious sales schedule that aims to bring the deal to an advanced stage before the commission’s final ruling.

At least five consortia – which include infrastructure funds, pension funds and rival international airports – are considering bids in an auction that analysts say could raise £2bn.

BAA has attacked the commission’s plans as “flawed” and likely to create “uncertainty, delay and confusion at exactly the wrong time”. The company has argued that the break-up model would undermine efforts to add more runway capacity in the highly congested southeast of England.

Both BAA and the Competition Commission declined to comment.

Santander cuts

Spanish bank Santander is to cut 1,900 jobs in the UK next year as it integrates the acquisitions that have made it one of the largest lenders in the country. The job losses, about 8 per cent of UK staff, will come after Santander this year bought Alliance & Leicester and the branches and deposits of Bradford & Bingley, the failed mortgage lender, to add to its acquisition of Abbey.

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World Markets

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In order to cut 1,900 jobs in UK

Shell pension scheme value falls 40%

By Ed Crooks and Norma Cohen

Investments in Royal Dutch Shell’s Netherlands pension fund have fallen to 23.6 per cent of its value since the start of the year and the scheme has failed to meet the regulatory minimum requirement, the company has told employees.

It said in a letter that contributions from some employees and the employer would have to rise. It could need increased investment of billions of pounds to comply with Dutch regulations, which demand that schemes in deficit are brought back to asset levels of 105 per cent of liabilities within three years.

Shell will increase its contributions by 0.6 per cent to 23.6 per cent of pensionable salary.

Although the measures will only affect Dutch pension scheme members, the financial moves are bad news for Shell, which is listed in London.

The scheme is now only 85 per cent funded compared with 160 per cent at the end of last year. The Netherlands has one of the toughest pension funding regimes in the world and requires companies to make large contributions to their defined benefit pension insurance fund to guarantee benefits for workers who become insolvent without a fully funded scheme.

The letter was published by royaldutchshell.com, a website used to air complaints against Shell. The letter said that its assets were 70 per cent invested in equities and there was “an above average allocation to emerging markets”, both sectors that have suffered badly in the downturn.

Shell confirmed that the fund had fallen into deficit, but would not say how much more it expected to have to pay in. It is reviewing its investment strategy and has stopped paying dividends to government bonds.

Shell’s UK pension fund shifted out of equities and into bonds in 2007, and remains in surplus.

The company said the deficit would have no effect on current pension payments, but could affect whether workers’ pensions kept pace with future inflation.

UK hand out leaflets outside the HBOS meeting yesterday

The platform, developed in Spain and deployed across large parts of Santander’s network, allows bank employees to view the bank’s entire relationship with a particular customer, helping them to sell a broader range of products.

Santander transferred its operations to the Partenon system following the acquisition of Abbey.

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