CBI ATTACKS ‘EYE-WATERING’ COST OF LABOUR’S PLAN TO BRING RAIL, ENERGY AND ROYAL MAIL IN HOUSE

JAMES WARRINGTON

THE LABOUR party’s plans to renationalise water and energy utilities, train companies and the Royal Mail would cost at least £196bn, new analysis by the country’s biggest employer organisation has revealed.

The huge sum is equivalent to the total amount of income tax paid by UK citizens in a single year, and is almost as much as the government’s annual budget for health, social care and education combined.

Under leader Jeremy Corbyn and shadow chancellor John McDonnell, Labour has outlined proposals to bring key privately-run industries under public ownership if it wins a General Election.

In a report published today, the CBI said the upfront cost of this move, which it described as “beyond eye-watering”, would be compounded by ongoing maintenance and running costs, as well as a hefty impact on the UK’s public finances.

The business group said debt could surge more than 10 per cent to the highest level since the 1960s, while servicing this debt would cost an estimated £2bn per year.

In addition, renationalisation could save the holdings of savers and pensioners by roughly £9bn — equivalent to £327 for every household in the country.

CBI chief economist Rain Newton-Smith said the plan’s price tag was “close to £200bn — and that’s only the starting point.

“There are so many other genuine priorities for public spending right now, from investing in our young people to the transition to a low carbon economy and connecting our cities and communities. These issues are what keep businesses up at night and what they want to see the government get on with addressing.”

The CBI said what renationalisation of government’s assets would increase from nationalisation and there would be potential for increased revenue, the confidence of international investors would be severely hit if Labour refused to pay market value for the industries.

The party has already suggested it would not necessarily pay market prices for Britain’s energy networks, while a proposed £15bn offer for the UK’s rail network would not necessarily pay market values.

Previous estimates have also warned that Labour’s so-called inclusive ownership fund, which would hand a tenth of shares to workers, would cost investors £300bn and would effectively raise UK corporation tax to the highest rate in the developed world.

A Labour party spokesperson said the report “sadly reveals that the CBI is more interested in protecting its estimated £2bn per year. The latest figures come after the Centre for Policy Studies (CPS) estimated Labour’s renationalisation scheme would cost at least £176bn.

Robert Colvile, CPS director, said the CBI’s analysis vindicated this figure and highlighted the need to “raise the alarm” over Labour’s plans.

“John McDonnell’s continued refusal to recognise the scale of additional borrowing involved in renationalisation, or to provide adequate estimates for it, is deeply worrying. It is clear to everyone that there is more to do to improve the performance of these companies, but many of the problems stem from an absence of competition, rather than the lack of public ownership. Renationalisation remains a solution in search of a problem.”

Opposition party officials have also revealed that the renationalisation of the Royal Mail could cost £32bn and highlight the need to “raise the alarm” over Labour’s plans.

The act, signed into law by then US President Barack Obama in 2012, is named after Russian accountant Sergei Magnitsky who died in custody after making corruption allegations against state officials in 2008.

It will propose the UK should implement an Australian-style points-based immigration system post-Brexit, which ranks visa applicants based on characteristics such as education, language skills and work experience.

Today’s speech is also expected to include a law similar to the US Magnitsky Act, which allows visa bans and asset freezes on people deemed to be responsible for human rights abuses.

Plans to ‘keep City ahead of the pack’ will form part of Queen’s Speech

EXCLUSIVE

SEBASTIAN MCCARTHY AND STEFAN BOSCA

@SebMcCarthy @Stefan_Bosca

PLANS to safeguard the City’s global pre-eminence after Brexit will be laid bare later today in the Queen’s Speech.

City A.M. understands the government will include a Financial Services Bill in its legislation as part of an effort to ensure the sector stays at the forefront of international trading after it leaves the EU.

A Whitehall source said that chancellor Sajid Javid will reveal measures including the simplification of rules around the sale of overseas investment funds in the UK as well as the delivery of “long term market access” for financial services firms in Gibraltar.

The source said: “We’ve determined the City will stay ahead of the pack after Brexit.”

The Queen’s Speech will also outline plans to reform the Mental Health Act, implement tougher prison sentences and replace the current rail franchising system.

It will propose the UK should implement an Australian-style points-based immigration system post-Brexit, which ranks visa applicants based on characteristics such as education, language skills and work experience.

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Markets have shown what a deal may yield

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If MPs are offered a deal at the end of the week, they must take it.

ANNA MENIN
@annafmenin
FINANCIAL services firms in the UK are integrating robo-advisers into their ranks faster than their global competitors in a bid to harness the technology to retain customers — or poach new ones.

While 37 per cent of UK financial services firms surveyed have implemented robotic processing automation (RPA) — a technology used to automate human activities — only 28 per cent of global firms have adopted the innovation, according to a report published today by PwC.

But the rise of automation is present in many areas of the business. More than 90 per cent of英国 financial services firms reported they are integrating robo-advisers into their operations to meet billing and cash targets, as well as to meet strategic operating model, almost half (48 per cent) of global firms have embedded the technology.

However fintech is driving job creation within financial services in the UK, with the majority (63 per cent) of firms creating new positions as a result of the technology.

Yet despite the majority of UK financial services firms hiring from both technology companies and their own sector to find employees with the skills needed for fintech, almost half (46 per cent) of companies are struggling to fill these new positions.

To bridge the fintech skills gap, firms need to prioritise technology at executive level, Heyen said, highlighting the finding that only 34 per cent of UK firms have a Csuite level executive responsible for leading the company’s tech or digital strategy.

“Increased Csuite involvement will pave the way for more investment and bring a more attractive environment for real innovation.”

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TYPHOON HAGIBIS
Japan sends in tens of thousands of troops as deadly typhoon kills at least 30 and leaves towns underwater

Japanese troops and rescue workers are sending in tens of thousands of troops to rescue stranded residents and fight floods caused by one of the worst typhoons to hit the country in recent history. At least 30 people were killed and vast sections of towns were left under water, public broadcaster NHK said. Another 15 were missing and 177 injured, while 100,000 homes were left without power.

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London focuses east to China in post-Brexit plan

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LONDON must capitalise on the US-China trade war to increase Chinese investment and help offset the potential effects of Brexit, according to the City’s governing body.

The City of London Corporation has proposed to position London as a “top global financial centre” and as a “supporter to China’s financial reform” in a motion to be reviewed by the body’s policy committee this week.

The motion laid out plans to boost investment in the capital by making London a major offshore hub for the renminbi currency, attracting more Chinese asset management firms and increasing co-operation on cross-country green finance initiatives.

The report also said it is vital to encourage more Chinese companies to list on the London Stock Exchange to cope with post-Brexit uncertainty.

The corporation highlighted that London can capitalise on concerns that US President Donald Trump will implement further sanctions on Chinese companies.

“Chinese companies have become more cautious about using the US markets to raise capital because of the trade war,” the report read.

“This presents an additional opportunity for London to be considered as a prime international location for Chinese initial public offerings.”

The motion, revealed by the Mail on Sunday, also discussed the “urgent need” for the UK to work toward a post-Brexit trading deal with China.

Regulatory alignment was stressed as one of the key goals to achieve this. Iain Anderson, executive chairman of public affairs group Cicero, said the City had to “fire up” investment with Beijing at every opportunity.

“China is one of the top global economies and there is a long history of significant trade between here and there,” he said.

A City of London spokesman said the body could not comment on the document until it was reviewed by the policy committee this week.

Spotlight on Pizza Express as debt pile sparks fears for chain’s future

SEBASTIAN MCCARTHY
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SPECULATION over the future of Pizza Express mounted over the weekend amid reports of potential store closures and debt restructuring talks.

The pizza chain, which is looking to slash its £1.1bn debt pile, has denied suggestions that it is mulling mass closures after a tough period of trading.

According to the Sunday Telegraph, as many as two in five of the beleaguered pizza chain’s restaurants are loss-making and at risk of closure, with over 150 restaurants at threat.

One source told the newspaper that an option under consideration was a controversial cost-cutting process known as a company voluntary arrangement (CVA).

However, a Pizza Express spokesperson told City A.M.: “95 per cent of our UK and Ireland restaurants are profitable and there are no plans for closures outside the normal course of business.”

A number of high profile restaurants including Jamie’s Italian and Gaucho have slashed their store portfolio in recent years amid troubles in the casual dining sector from competition and high costs.

Economy to prove resilient as EU exit preparations start to pay off

CONTINUED FROM FRONT PAGE

Enver said although “fear of the unknown is rampant”, preparations that financial services firms have made for a hard Brexit are insulating them.

“Because financial services businesses have been preparing for a hard Brexit for over two years, they are proving remarkably resilient,” he said. “They don’t want a hard Brexit but they’re ready for it.”

A survey published last month found companies in finance and business services were planning to take on new staff at the fastest rate in over a year as they prepare for Brexit. The study also found low levels of unemployment and increasing competition for top candidates was leading to ballooning starting salaries, with some law firms offering £140,000 in an attempt to appeal to prospective employees.

“The resilience of the UK’s financial services sector tells me... the economy is going to come back in full force,” said Enver.

“You can’t keep London down.”
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Deal-making to face further hit from volatility

SEBASTIAN MCCARTHY
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CORPORATE dealmakers are bracing themselves for a further slowdown in business next year, with a new report forecasting a sharp slump in activity as geopolitical uncertainty mounts.

Initial public offerings (IPOs) and merger and acquisitions (M&A) are set to drop in both activity and value during 2020 amid trade wars and growing fears of a global recession.

According to a new report from Baker McKenzie, M&A value will decline globally from $2.8 trillion (£2.2 trillion) in 2019 to $2.1 trillion in 2020, while IPO proceeds are expected to slide from $152bn to $116bn over the same period.

“Make no mistake – deals are getting done, but the current slowdown is inevitable considering the continuing uncertainty around trade and regulation,” said Ai Ai Wong, chair of Baker McKenzie’s Global Transactional Group.

Wong added: “We know that around the world, there are many investors and companies with capital on the sidelines, waiting to move forward with domestic and cross-border deals.”

Many factors have impacted M&A activity, with the ongoing geopolitical uncertainty, including Brexit and global trade tensions, business leaders continue to focus on M&A activity, with the UK remaining a top destination to do deals.”

Rees-Mogg urges the ERG to trust PM Johnson on Brexit compromises

STEVEN BOSCA
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THE LEADER of the House of Commons and arch-Brexiter Jacob Rees-Mogg has said compromises over Brexit “are inevitable” as he seeks to get leavers to trust Prime Minister Boris Johnson.

Rees-Mogg wrote in the Telegraph yesterday that Brexiteers must get behind any deal the Prime Minister strikes with the European Union in a message aimed at members of the European Research Group (ERG) of Tory backbenchers. The comments came as Johnson briefed his cabinet yesterday afternoon that “there is still a significant amount of work” required to get a Brexit deal done.

“The final stages of the Brexit negotiation, compromise will inevitably be needed, something even the staunchest Leavers recognise… but, as a Leaver, Boris can be trusted,” Rees-Mogg said.

Johnson will meet French President Emmanuel Macron, German Chancellor Angela Merkel and European Commission president Jean-Claude Juncker this week. A European Commission spokesperson said Brexit negotiator Michel Barnier briefed EU27 ambassadors yesterday and that “a lot of work remains to be done”.

ROAD TO RECOVERY AA starts search for new chairman amid tech turnaround plan

THE AA has launched a search for a new chairman as John Leach steps down next summer after just three years at the helm. The motoring giant has hired search firm Korn Ferry to find Leach’s successor as it looks to focus on tech, Sky News reported.

Magnitsky Act and HS2 among bills unveiled in Queen’s Speech

CONTINUED FROM FRONT PAGE

Foreign secretary Dominic Raab announced plans for a British version of the Magnitsky Act at last month’s Conservative party conference.

Four pieces of legislation from the last parliamentary session have been carried over and will also feature in the Queen’s Speech today.

Included among them are bills on increasing assistance to domestic abuse survivors, the controversial High Speed 2 rail project and the upcoming 2022 Birmingham Commonwealth Games.

Prime Minister Boris Johnson said ahead of the speech: “The people of this country don’t just want us to sort out Brexit... This optimistic and ambitious Queen’s Speech sets us on a course to make all that happen, and more besides.”

Labour leader Jeremy Corbyn said it was “utterly ludicrous” for the government to call a Queen’s Speech while not having a majority.

“What we’ve got in effect is a party political broadcast from the steps of the throne,” he said.
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Get ready for Brexit
Market jitters hang on trade truce

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INVESTORS will be hoping for more stable trading this week after a preliminary trade agreement between the US and China marked a possible end to months of market volatility.

US President Donald Trump hailed the “biggest deal ever” after reaching a limited “phase-1” trade deal with China on Friday.

The agreement will see the US hold off on further tariff increases, while China has pledged to increase agricultural purchases from the US.

Stocks rallied following the breakthrough, marking an end to a tumultuous week of trading, and gains could carry over into this week.

However, analysts said the agreement lacked detail and warned that it neither rolled back existing tariffs nor offered a solution to rising tensions caused by the US’s crackdown on Chinese tech firm Huawei.

“Traders view the deal in a tentative light as a tariff detente falls well short of bridging the critical trust gap, which is an implicit removal of a significant chunk of existing tariffs,” said Stephen Innes, Asia Pacific market strategist at AxiTrader.

“The next 48 to 72 trading hours are critical given memories of how quickly the post-G20 trade calm evaporated.”

Hong Kong: Xi issues ‘crushed bodies’ threat

YAWEN CHEN
CHINESE President Xi Jinping warned yesterday that any attempt to divide China will be crushed, as Beijing faces political challenges in months-long protests in Hong Kong and US criticism over its treatment of Muslim minority groups.

“Anyone attempting to split China in any part of the country will end in crushed bodies and shattered bones,” he told Nepal’s Prime Minister KP Sharma Oli in a meeting, according to China’s state broadcaster CCTV.

“And any external forces backing such attempts dividing China will be deemed by the Chinese people as pipe-dreaming,” he said.

Xi arrived in Nepal on Saturday on a state visit. Both sides are expected to sign a deal expanding a railway link between the Himalayan nation and Tibet.

Nepal’s Oli told Xi that the country will oppose any “anti-China activities” on its soil, CCTV reported.

China, which is trying to de-escalate a protracted trade war with the US, has seen its political authority tested by increasingly violent protests in Hong Kong against what is seen as Beijing’s tightening grip on the Chinese-ruled city.

Police in Hong Kong have used rubber bullets, tear gas and water cannons against pro-democracy demonstrators in the former British colony, which has been plunged into its worst political crisis in decades.

Trump had said it would be difficult to negotiate with China if anything “bad” happens in Chinese authorities’ handling of the Hong Kong protests.

He also said he discussed the issue of Hong Kong with Chinese vice premier Liu He during their latest round of talks. Both sides reached a “phase-one deal” that has raised optimism for a broader agreement, although many fundamental issues remained unresolved.

Saudis dismiss link to Iran oil tanker attack

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A SENIOR Saudi minister has denied that his country was behind a suspected missile attack on an Iranian oil tanker in the Red Sea.

“We did not engage in such behaviour at all. This is not how we operate and that’s not how we did it [in the past],” minister of state for foreign affairs Adel al-Jubeir told reporters. “The story is still not complete. So let’s wait and find out what happened before we jump to conclusions.”

The Sabiti, which belongs to the National Iranian Oil Company, was hit by two missiles while sailing off the coast of Saudi Arabia last Friday, Iranian state media reported.

Iran has described the incident as a “cowardly attack”, but said it would not issue a response until after the facts have been examined.

“Iran is avoiding haste, carefully examining what has happened and probing facts,” a government spokesperson told local media.

“A special committee has been set up to investigate the attack on Sabiti... with two missiles and its report will soon be submitted to the authorities for decision,” Ali Shamkhani, secretary of Iran’s top security body, told semi-official news agency Fars.

“Pracy and mischief on international waterways aimed at making commercial shipping insecure will not go unanswered,” Saudi Arabia said it received a distress signal from Sabiti, but the tanker kept moving and switched off its transponder before it could provide assistance.

The attack is the latest incident involving oil tankers in the region and risks escalating tensions between Iran and Saudi Arabia.

US prepared to impose sanctions on Turkey

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THE US yesterday said it is ready to impose sanctions on Turkey “at a moment’s notice” as the country ratchets up its assault on Syria.

Treasury secretary Steve Mnuchin said US President Donald Trump was monitoring the situation ahead of a meeting of the National Security Council and was prepared to roll out sanctions.

“These sanctions could be starting small, they could be maximum pressure, which would destroy the Turkish economy,” Mnuchin told ABC News.

Last week Mnuchin announced that Trump had signed an executive order authorising economic penalties if Turkey crossed certain lines during its attack on Kurdish forces in the area.

But Turkey has dismissed calls for talks between the sides, saying it did not negotiate with forces it considers to be terrorists.

Separately, defence secretary Mark Esper said the US plans to withdraw 1,000 troops from northern Syria as Turkish forces push further south.

Turkey launched its offensive last week after the US announced it would withdraw from the area.
UK DIVIDEND payouts have plummeted to their lowest level in three years as storm clouds gather over the global economy.

Underlying dividends paid out to shareholders by UK firms tumbled almost three per cent in the third quarter on a constant currency basis – independent of foreign currency movements – the worst quarterly performance in three years.

Although UK dividends overall rose 6.9 per cent to £35.5bn during the period, this figure was boosted by exceptionally large special dividends and exchange rate gains, according to a report by Link Group.

With special dividends and currency fluctuations discounted, dividends paid out dropped almost three per cent. Telecoms was the worst-hit sector with payouts tumbling 40 per cent, led by Vodafone, which slashed its dividend by three fifths.

Other high street stalwarts including Marks & Spencer and Dixons Carphone also made cuts to their dividends during the third quarter.

Stock market growth has been dampened in recent months, as the escalating trade war and a global economic slowdown combined with an intensifying political crisis in the UK weighed on investor sentiment.

Some sectors delivered double-digit growth, but this was spurred on by special dividends. Banking jumped by two-fifths during the period, led by payouts from RBS, while mining increased almost a third, driven by payouts from Rio Tinto and BHP.

“The predicted economic slowdown is beginning to show as UK payouts falter after years of solid growth despite the gloss of huge special dividends and eye catching foreign exchange effects,” said Link chief operating officer Michael Kempe.

THE UK’s rail franchising system is set to be drastically overhauled. Plans will be announced in today’s Queen’s Speech to scrap the current rail franchising model — where contracts are awarded to private companies to run rail services — and replace it with a system based on “performance and reliability”, according to the Sunday Telegraph. Concrete proposals for a new model will not be revealed for some months, but one option reportedly being discussed is the concession model. The concession model sees private companies contracted to run the train lines, but with local authorities setting fares and timetables.

Bruce Williamson from advocacy group Railfuture said: “We have advocated for a change to a concession model for a long time, because it’s been clear for some time that the current system’s not working.

“We’ve been an advocate for a concession model for some time but we’ll have to wait and see what Boris Johnson comes out with.”
ILL there be a global recession? Where are the major financial risks? These questions will be to the forefront of minds this week in Washington as the annual meetings of the International Monetary Fund (IMF) and World Bank take place.

Policymakers from across the globe will be in attendance, plus over 10,000 participants from the financial sector, hosting countless bilateral meetings and events. “What’s the mood?” is usually the key question as the week unfolds.

It will begin with the IMF unveiling its latest thinking on the global economy. Unsurprisingly, it will be pessimistic. Over the last year the IMF has been trimming its forecasts. In July they predicted growth of 3.2 per cent this year and 3.5 per cent next.

More of global growth is coming from emerging economies, led by China. This has suffered under the trade dispute. This has suffered under the huge hit of the trade dispute.

The new IMF managing director, economist Kristalina Georgieva, is expected to talk of a synchronised global downturn.

Thus it would not be a surprise if the IMF cuts its global growth forecast to three per cent or less for this year and to 3.2 per cent next year.

Crucially, to put this in perspective, this is nothing like the Great Recession when zero “growth” was recorded in 2009 on the IMF measure. Even so, three per cent or less is weak by recent standards and would be the lowest since then.

The important message likely to be conveyed is that, following the slowdown over the last year, a global recession can be avoided through a proactive policy response. The best solution would be a resolution of the trade dispute. But monetary and fiscal stimulus will be necessary, too. Monetary policy has been the shock absorber for the world economy. Despite low rates, it would be premature to assume that active monetary policy has run its course. Just look at Japan’s experience.

Last week saw the Bank for International Settlements (BIS) release a detailed report from a working group of central bankers. It took a positive view of the unconventional monetary policies used over the last decade. It did, however, state, “their effectiveness is significantly enhanced when deployed in the context of a strategy that encompasses other areas of public policy”.

In a nutshell, monetary policy plays a vital role, but now, increasingly, fiscal policy is under the spotlight. Although debt levels are high, negative yields mean many governments are being paid to borrow. It would not be a surprise if a host of speeches in Washington highlighted this increased fiscal space.

The most significant change at these gatherings in recent years has been a shift among financial sector participants from a focus on regulatory policy to the threats and opportunities from the new economy.

Cyber resilience has figured prominently, but so too this year will the world of data, artificial intelligence and the future of money. Investing in fintech and preparing for continuous change is one important message, reflected in London’s ongoing success. The IMF’s Georgieva has even talked of trade wars leading to a “digital Berlin Wall” as countries choose different technology systems. That all seems far too pessimistic. The climate agenda, meanwhile, merits a higher profile.

A big concern in Washington will be where are the financial risks? Anyone who attended these meetings during the crisis will not need to be reminded of the fear then that was in the air.

In the financial crisis the epicentre was banks in the west. Now, largely because of tough capital constraints, this core of the financial system is seen as safe.

Of course, inter-connectedness means contagion risks can never be dismissed, wherever the initial problems. With exceptionally low interest rates globally, markets are not pricing properly for risk. This is a cause for concern, as too for some will be the low level of bond yields.

One worry that has been highlighted is global liquidity. Largely because of the printing of money by central banks, global liquidity is ample. The trouble is there is no global lender of last resort in the event of a crisis. There may be calls this week to address that.

In 2011, the Lansum Report was released by the BIS on this topic. It identified the danger of pro-cyclicality of private liquidity. Since then, increased global borrowing by private firms has led to maturity and currency mismatches, with much borrowing in dollars and euros. This is seen as a potential source of financial instability. Emerging economies appear more exposed.

Finally, these gatherings provide finance ministers and central bank governors a wonderful stage to get their message across to the global financial community. For Britain, we need to ensure that the message conveyed is that Brexit is a great opportunity and that the City of London is well placed to seize it.

Dr Gerard Lyons is chief economic strategist at challenger wealth management firm Netwealth.

For more news, features and data, visit CityAM.com.
FINANCE chiefs are tightening their belts in an effort to weather the mounting storm of economic uncertainty across the country.

More than half of the UK’s most senior chief financial officers (CFOs) are focusing on cost-control as a strong priority, marking the highest level since the end of the financial crash.

According to a new report from big four accountancy firm Deloitte, 58 per cent of CFOs said cost reduction is one of their main issues, with almost two-thirds saying that their business faces high or very high levels of financial and economic uncertainty.

The survey, which included responses from 59 FTSE CFOs with a combined market value of £468bn, found that just seven per cent of respondents thought it was a good time to take risk onto their balance sheets.

“Perceptions of uncertainty are elevated and corporate risk appetite is vanishingly low,” said Ian Stewart, chief economist at Deloitte. He added: “The priority appears to be curbing costs, not expansion.”

While the effects of Brexit continued to be the largest risk facing businesses — up marginally from 65 to 66 on a scale of 0 to 100 — domestic economic conditions were found to be weighing heavier on CFOs’ minds.

Weak demand in the UK was found to be the second biggest risk, up from a risk rating of 54 in the second quarter to 62 in quarter three, hitting the highest level in five years.

Poor productivity and weak competitiveness in the UK also rose from 46 to 53 in the same period.

The report showed increasing cash flow was also a strong priority for 48 per cent of CFOs, up from 42 per cent last quarter.

Reducing leverage was a priority for 19 per cent, rising from 17 per cent.

St James’s Place partners warn of revolt over cancelled cruises

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PARTNERS at wealth manager St James’s Place (SJP) have threatened to stop selling investments for the rest of the year unless they are offered compensation for the loss of their annual cruise holiday.

Chief executive Andrew Croft promised to make changes to the lavish incentive scheme offered to SJP partners — which offered rewards ranging from white-gold cufflinks and luxury cruises abroad.

Now some partners are threatening to stop selling investments to clients unless they are compensated for the loss of the trip, the Sunday Times reported.

Gaming group Catalis in £90m takeover deal

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PRIVATE equity group Northedge Capital has bought London-based video games company Catalis in a deal valuing the firm at £90m.

Northedge has invested £46.6m in Catalis, while major backer Vespa Capital and chief executive Dominic Wheatley have reinvested their shareholdings in the company as part of the transaction.

Catalis publishes a range of independent video games, such as hit puzzle game Human: Fall Flat, which has sold more than 7m copies to date. The firm also operates a quality assurance service to the global gaming, TV and film markets.

As part of the deal, Northedge has pledged to provide follow-on capital to support the global expansion of the firm’s testing business, including the opening of new offices in New Orleans.

The funding will also support Catalis’s development pipeline, with a string of new releases due in the coming months, including games based on Netflix show Narcos and hit BBC show Peaky Blinders.
Fossil fuel vote tests EU climate achievements

SEBASTIAN MCCARTHY

EUROPE’s climate change credentials face an acid test this week when the bloc’s lending arm, the European Investment Bank (EIB), decides whether or not to stop funding fossil fuel projects beyond next year.

The decision is due to be made tomorrow by EU finance ministers and other top officials after an intense few months of discussion in European capitals and within the region’s energy industry.

The EIB’s draft proposal in July to end oil, coal and gas financing was widely praised by environmental groups and politicians alike as a strong signal from the world’s largest multilateral lender, but has since seen some pushback.

The European Commission plus Germany, Italy, Poland, Latvia and potentially Spain would like the bank to keep funding some types of gas projects to help the move away from coal or nuclear power, or for energy security reasons.

Some key wording on how emissions targets will be measured has also been loosened, which critics of the changes argue will make it difficult to reliably monitor their impact.

“I think this is going to be the litmus test,” Green EU lawmaker Bas Eckerout told Reuters. “For a climate neutral economy by 2050 you need to make sure your energy infrastructure is zero-carbon.”

EIB figures show it funded almost €201bn (£1.74bn) of fossil fuel projects in 2018 and €24.3m in the year to the end of September, rising 44 per cent on the previous year, according to new Thomson Reuters research.

Higher fines come after a turbulent year for the Big Four accountancy firms, which have come under public scrutiny following high-profile company collapses such as Carillion and Patisserie Valerie.

Next year the EIB is to be replaced by a new regulator — the Audit, Reporting and Governance Authority (Arga) — which is expected to be granted powers to impose tougher fines.

“The increase in fines has set a clear direction of travel for the EIB as it transitions into a new entity,” said Brian Peccarelli, chief operating officer of customer markets at Thomson Reuters.

Additional findings show that US watchdogs have also been taking a tougher approach to the regulation of auditors regarding fines over the last year.

Italian business mogul bids for stake in Gedi

STEPHEN JEWKES

CARLO De Benedetti has made an offer to buy 29.9 per cent of Italian publishing company CIR, Ansa news agency said yesterday, citing the Italian businessman.

The all-cash offer was made last Friday through Carlo De Benedetti’s holding company, Romed, at €0.25 per share for the La Repubblica owner at the equivalent of Thursday’s closing price, Ansa said.

“This move... is aimed at relaunching the group I have been associated with for a long part of my life and that I presided over for 10 years, promoting its extraordinary potential,” Ansa quoted De Benedetti.

In its statement, CIR said the offer could not guarantee the sustainable long-term future of Gedi which it said it had always been committed to.

De Benedetti, one of Italy’s best known businessmen, owned a stake in CIR but transferred his shares to his three sons about seven years ago. They own 52 per cent of CIR.

It was not possible to reach De Benedetti for immediate comment.

Gedi, which is 43.4 per cent owned by CIR, is the publisher of La Repubblica and La Stampa — two of Italy’s leading daily newspapers.

The Agnelli family — an Italian multi-industry business dynasty — is also a shareholder. The Agnelli family have stakes in companies such as the Fiat Group, the Enconimost Group and Italy’s Juventus football club.

La Repubblica said on its web page yesterday its journalists would meet today to discuss the offer for Gedi.

According to Ansa, the offer is conditional on the board members nominated by CIR resigning with the exception of Exor head John Elkann and Carlo Perrone.

In the past there has been speculation over a sale of Gedi, including rumours it could be sold to France’s Le Monde group.

Auditors slapped with bigger fines

SEBASTIAN MCCARTHY

BRITAIN’s bean counters have faced rising fines over the last year, as the industry’s watchdog upped its penalties following a series of major accountancy scandals.

The Financial Reporting Council (FRC) fined audit firms roughly £24.3m in the year to the end of September, rising 44 per cent on the previous year.

The figures come as the Financial Reporting Council’s (FRC) annual report revealed that it has also been loosened, which critics have said could make it more difficult to reliably monitor their impact.

BRITAIN’s beancounters have faced increased scrutiny following high-profile company collapses such as Carillion and Patisserie Valerie.

The FRC fined audit firms roughly £24.3m in the year to the end of September, rising 44 per cent on the previous year, according to new Thomson Reuters research.

Higher fines come after a turbulent year for the Big Four accountancy firms, which have come under public scrutiny following high-profile company collapses such as Carillion and Patisserie Valerie.

Next year the EIB is to be replaced by a new regulator — the Audit, Reporting and Governance Authority (Arga) — which is expected to be granted powers to impose tougher fines.

“The increase in fines has set a clear direction of travel for the EIB as it transitions into a new entity,” said Brian Peccarelli, chief operating officer of customer markets at Thomson Reuters.

Additional findings show that US watchdogs have also been taking a tougher approach to the regulation of auditors regarding fines over the last year.

Sources told Sky News that the new loan could be raised on the basis it would convert into shares in the event the company receives a US banking licence.

The company is also hoping to unveil Martin Gilbert as its new chairman in the coming months, while former boss of Goldman Sachs in Europe, Michael Sherwood, is rumoured as a non-executive director.
India investing $60bn into national gas grid to link up nation by 2024

PROMIT MUKHERJEE

INDIA, one of the world’s largest consumers of oil and coal, is investing $60bn (£47.4bn) to build a national gas grid and import terminals by 2024 in a bid to cut its carbon emissions, the oil minister said yesterday. India has struggled to boost its use of gas, which produces less greenhouse gas emissions than coal and oil, because many industries and towns are not linked to the gas pipeline network.

Gas consumption growth was running at 11 per cent in 2010 but growth slid to just 2.5 per cent in the financial year 2018/19. Oil minister Dharmendra Pradhan told reporters at India Energy Forum by Ceriweek that companies were investing $60bn in the network and building new gas import facilities to link all states by mid-2024, when the government’s term ends.

The minister said the government had started building the gas grid to connect eight states in northeastern India, which borders Bhutan, Myanmar, Bangladesh and China. Indian Prime Minister Narendra Modi has previously set a target to more than double the share of gas in India’s energy mix to 15 per cent by 2030.

Land Securities eyes £650m sale to CIT Partners

ANNA MENIN

PROPERTY giant Land Securities is said to be close to selling a £650m stake in a leisure portfolio to private equity property investor CIT Partners. Land Securities is understood to have agreed to sell its 95 per cent share of the X-Leisure Unit Trust — which is behind developments including Xscape Milton Keynes and Brighton Marina — to CIT, the Sunday Times reported.

Chief executive Rob Noel, who is due to step down from the company next year, is reportedly keen to expand Land Securities’ presence in the London real estate market as its retail and leisure revenues continue to struggle.

A supply-starved office space market in London has led to vacancy rates falling to their lowest level since 2007 over the past year, a recent report found. This lack of supply has driven up rents as occupiers compete over a smaller pool of properties, with prime rents in the West End — London’s most expensive region — climbing seven per cent to £107 per square foot.

Land offices already make up almost half of Land Securities’ £11.7bn property portfolio, while the company also owns shopping centres including Bluewater in Kent and Gunwharf Quays in Portsmouth.

Land Securities had built up its stake in X-Leisure gradually, spending £110.6m on a 42 per cent stake in 2021, and £104m on a further 35.6 per cent.

X-Leisure was created when Capital & Regional merged three property funds in 2004, and later acquired the Xscape centres — two large leisure developments in Milton Keynes and Castleford in Yorkshire.

CIT Partners are a private equity real estate group focused on investments in London. The firm has over £2bn of assets under management, and recent developments include the 41-storey South Bank Tower.

Land Securities declined to comment on the reports. CIT Partners did not respond to a request for comment.

Folded airlines to fly passengers home under new UK legislation

MICHAEL SEARLES

UNDER a new government proposal, aeroplanes owned by collapsed airlines could be used to repatriate passengers to the UK, instead of being grounded.

The proposal would mean the Civil Aviation Authority (CAA) could find 150 aircraft and operate almost 700 flights at a total cost of £100m. The plans would see the collapsed airline carriers placed into “special administration” so aircraft and crew could continue flying in the short-term.

The existing system requires the immediate grounding of planes when an airline goes bust, which leaves passengers at risk of being stranded.

The proposal would mean the CAA could use an airline’s existing infrastructure, planes and staff to bring holidaymakers home, which was previously not possible under UK’s insolvency laws.
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The ferries will deliver essential products if the UK leaves the EU without a deal as Brexit looms

Small firms less likely to invest as Brexit looms

BRITISH small and medium-sized enterprises (SMEs) are the least likely to invest in their businesses during the remainder of 2019, research published today showed.

UK SMEs were the least likely out of 2,300 businesses surveyed in 13 countries to be planning further investment this year.

The research from Bibby Financial Services (BFS) and trade credit insurer Euler Hermes found almost a third of UK firms (29 per cent) said they did not plan to invest in their business during the rest of 2019.

In comparison just eight per cent of US SMEs said they were not planning further investment this year.

British and Irish SMEs continued to be worried about Brexit, with 66 per cent of UK SMEs and 72 per cent of Irish SMEs citing it as their greatest concern.

Almost two-fifths of Irish SMEs said they are considering expanding into export markets beyond the UK in the light of Brexit.

In contrast, over half of German respondents said the trade dispute between the US and China was the biggest threat to the global economy.

David Postings, chief executive of Bibby Financial Services, said: “It’s evident that UK SMEs are anxious about investing over the coming months as a no-deal Brexit becomes a possibility.”

“This is damaging to the economy at a pivotal time for the country. The UK is a highly sentiment-based economy, and it’s confidence that fortifies supply-chains, generates business orders and creates jobs.

“UK and Irish businesses need certainty over tariffs and supplier relationships. Without this, capital investment will continue to be subdued, stifling output even further,” he added.

UK awards no-deal ferry contracts of £87m

The UK is getting ready to leave the EU on 31 October and, like any sensible government, we are preparing for all outcomes.”

Regulator ups scrutiny on law finance officers

JAMES BOOTH

The number of law firm finance officers referred to the Solicitors Disciplinary Tribunal (SDT) has jumped as the regulator cracks down on financial irregularities in the sector.

Compliance officers for finance and administration (COFAs), a role introduced by the Solicitors Regulation Authority (SRA) in 2013, are personally liable for any issues in the management of a law firm’s finances.

Their responsibilities include preventing misuse of client funds, the mingling of client money with the firm’s own money and the financial stability of the firm.

If mishandling of money is discovered at the firm, the COFA can be suspended or struck off, even if they were unaware of the issue.

For this reason, the majority of COFAs are law firm partners, rather than employees.

Accountancy firm Hazlewoods said the rise in the number of referrals to the SDT “reflects the SRA’s crackdown on financial mismanagement at law firms, and suggests that the SRA is doing more than ever to stamp out financial irregularities”.

Recent examples of referrals to the SDT include an individual who was struck off after they made unsecured loans worth £370,583 from a client account to two other clients.

Two individuals were fined £10,000 each for making payments from a client’s account to their own firm’s account, leaving the client short of funds.

Andy Harris, partner at Hazlewoods, says: “The COFA has responsibility for the firm’s finances, even if it’s someone else making the error. Any slip up and the COFA will find themselves in the firing line. It’s not an easy role to undertake.”
Facebook’s Libra to face deadline as members exit

EMILY NICOLLE AND MICHAEL SEARLES
@emlynicolle @michaelsearles
TIME is up for Facebook’s controversial cryptocurrency project Libra, as the final bell for members to cough up their $10m (£7.9m) founders’ fee looms large.

An initial deadline for the strategy, which has been beset by a host of regulatory and internal problems, will today come to pass as Facebook asks its founding members to formally join the cryptocurrency’s independent Swiss-based governing body, the Libra Association.

The project suffered a major loss over the weekend as Mastercard, Ebay and Visa became the latest members to exit the association from the original 28-strong founding crop, following in the footsteps of Paypal and Stripe earlier last week.

Of the six payments firms initially involved in the project, just one remains, with Mercado Pago also having pulled out.

Netherlands-based PayU, the fintech arm of investment giant Naspers, is the only firm left in the association from the sector.

The eleventh-hour pull-out represents a major blow to Facebook’s Libra plans, not least as a result of the $60m hit to funding.

Regulators and central banking authorities have frequently questioned the project’s future since it was announced in June, citing concerns regarding the potential for money laundering and the impact on global financial stability.

David Marcus, head of Facebook’s Libra wing, faced questioning from US politicians on the matter in July. Unsatisfied with his answers, the US Congress has now asked Facebook chief executive Mark Zuckerberg to testify on the project later this month.

A spokesperson for Visa said its continued involvement in the programme would be subject to “the association’s ability to fully satisfy all requisite regulatory expectations”.

Skills shortages to be mitigated by more inclusive hiring policies

ANNA MENIN
@annamenin
HIRING dyslexic people will help companies cover skills shortages as workplaces become increasingly automated, according to a new report.

People with dyslexia possess “specific strengths” that will be increasingly in demand as companies adopt technologies such as machine learning, say EY and charity Made by Dyslexia.

In a report released today, the groups say dyslexic individuals show strength in areas such as leadership and creative thinking that are growing more important as demand for reading and memory skills decline.

“Far decades dyslexic individuals have been expected to ‘fit in’, measured and benchmarked for the very skills they find challenging,” said Kate Griggs, founder and chief executive of Made by Dyslexia.

Around one in 10 people in the UK has the neurological disorder, according to NHS figures.

Longer prison sentences given out for tax evasion in dodge crackdown

ANNA MENIN
@annamenin
PRISON sentence lengths for tax evasion rose by 10 per cent on average last year as the taxman pushed for tougher punishments to dodging payments.

The average sentence for the deliberate non-payment of tax rose to two years and seven months in 2018 – an increase of two months on 2017’s figures – according to law firm Pinsent Masons.

“Longer prison sentences are a clear message from HMRC (HM Revenue & Customs) – it will not tolerate tax evasion,” said Pinsent Masons partner Steven Porter.

Just over a thousand people were charged with tax evasion in the year to the end of March 2018. Since 2010, more than 3,400 people have been convicted over the offence.

The maximum fine for income tax evasion in the UK is seven years. An HMRC spokesperson said it “is committed to ensuring all companies and individuals pay the right tax at the right time and will pursue those who fail to do so.”

The government’s tax department has been taking a harder line against offenders after it was slammed by MPs over its slack enforcement approach.

With over 3,000 delegates travelling from across the world, it’s the biggest visit of Chinese and overseas entrepreneurs and investors the UK has ever seen. They are coming to the UK to explore opportunities, build lasting partnerships, and do deals.

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Catherine Neilan speaks to Chuka Umunna on why he believes the Lib Dems can secure a majority victory

NOT SO long ago, Chuka Umunna looked like a Labour leader in waiting. The Lambeth-born smooth talking solicitor-turned-politician, who counts Pass Out rapper Tinie Tempah as one of his friends, was the cool one in Ed Miliband’s shadow cabinet.

However, once Jeremy Corbyn took the helm and steered Labour on a hard-left route, Umunna looked and felt politically homeless.

Today, via a brief and unremarkable stint as a founding member of The Independent Group (see also Change UK and the Independent Group for Change, and assuming Brexit isn’t resolved by then it will be a proxy for a second EU referendum), he is standing as the Liberal Democrat candidate for the Cities of Westminster.

The Cities constituency is staunchly pro-Brexit — voting 72 per cent to Remain — and Umunna rejects the idea that people have made their peace with the decision by now.

“It’s right that those with the broadest shoulders should bear the heaviest burden — but that is the case already. It’s symptomatic of a bigger problem, which is what is happening in our politics.”

Umunna believes the position that people took in the 2016 referendum speaks to a certain perspective. Remainers, he argues, are liberal, global, “open to people of different cultures” and embracing of new technologies. Leavers are “socially conservative, nationalistic and fearful of the future”. When I point out that several prominent Leavers would contest that description of themselves, he insists these are the minority and “in the bubble” — not reflective of the wider population’s reasons for voting to quit the EU.

But what if it is — does that not leave him without a campaign? He laughs. “I think it’s highly unlikely.”

But if it is? “If you think Brexit is the cause of all our problems you are barking up the wrong tree. Brexit is symptomatic of a bigger problem, a bigger change, which is what is happening in our politics.”

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Clearly, given his stance, Umunna is not looking to win over Leave voters. But is it realistic to expect Tory Remainers to pick his name on the ballot box, if that could result in higher taxes and more intervention? “I didn’t go into politics to tax people, but we have to pay for infrastructure and things we need,” he says.

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“It’s right that those with the broadest shoulders should bear the heaviest burden — but that is the case already. We are not in the business of jacking up taxes.”

One of the Lib Dems’ main pledges is reforming the tax system, which includes ensuring “those on the highest incomes and wealth are making a fair contribution” by shutting off loopholes and “excessive reliefs”. Capital gains tax, dividend tax relief, corporation tax and inheritance tax all come under the microscope, with plans to raise some and reverse cuts to others. Under party leader Jo Swinson, Umunna admits the country would see greater state intervention.

“Currently you have a chancellor and business secretary who do not believe in industrial activism, in the state working in an activist way to spur growth… Then you’ve got Labour who think the state is the answer to everything. We don’t want to see the domination of the state or the market — we want an appropriate balance between the two,” he says.

A General Election is tipped for either 28 November or 12 December, and assuming Brexit isn’t resolved by then it will be a proxy for a second EU referendum.

On current polling the Lib Dems could secure around 40 seats. But Umunna says internal polling has that much higher — more than 100 seats if there is a five per cent swing nearly double the number won under Nick Clegg, and a third more than its peak under Charles Kennedy. But even this wildly optimistic projection still keeps the party from the outright majority which would result in automatically revoking Article 50.

Swinson and co will not entertain a coalition with pro-Brexit Tories. Could a vote for the Lib Dems, then, be an inadvertent vote for Labour?

Umunna insists he is “going full throttle” for a majority, that both main parties are “broken, dysfunctional, and cannot agree with themselves, never mind build a consensus in the country”. When pressed he says: “We will not be putting Jeremy Corbyn in Number 10” — but doesn’t rule out working with the party itself.

Either way, he believes, this is the endgame. Despite shying away from predictions (“we all thought President Hillary Clinton was going to prevail”) Umunna does have one forecast.

“We will see a resolution to Brexit in the next 12 months,” he says. If it is up to the Lib Dems, the last three-plus years will be overturned and the UK will remain in the EU. “In some way, shape or form this issue will be resolved — and it will be by the people.”

Why should anyone vote for him as Lib Dem when they weren’t even his first party of choice?
LONDON LISTED companies with exposure to the domestic economy soared on Friday for their best day in nearly a decade as hopes that Britain can seal a Brexit deal triggered expected gains and a major reversal of fortunes for the much-shunned UK market.

Investors pounced on everything from banks to housebuilders and retailers such as Kingfisher, which owns DIY chain B&Q, after Prime Minister Boris Johnson and his Irish counterpart Leo Varadkar said they had found a “pathway” to a possible Brexit deal.

The buying spree targeted some of the market’s most shaken-down stocks and those considered most vulnerable to a downturn in consumer spending if the country crashes out of the European Union without a deal.

The FTSE 250 surged 4.2 per cent, while the Dublin bourse, often considered a barometer of Brexit sentiment, jumped 3.7 per cent to its highest since May.

The blue-chips, however, added a modest 0.8 per cent in comparison as a rally in sterling triggered by Ireland’s optimism of Britain leaving the EU in an orderly fashion hit the dollar-earning constituents of the index.

The JP Morgan index that follows UK-listed companies making their money at home soared nearly eight per cent on its best day since the basket was created nearly three years ago.

Four of the so-called UK Big Banks, namely RBS, Lloyds, HSBC and Barclays, together added roughly £12bn to their combined market cap with share price rises of between two per cent and 12.3 per cent.

Housebuilders Barratt, Berkeley and Taylor Wimpey, whose businesses are heavily reliant on the health of the UK economy, jumped between 8.8 per cent to 12 per cent. The gains for UK stocks come despite Johnson offering little details on the terms of a divorce deal.

A notable blemish on the main index was a four per cent drop for advertising firm WPP after French rival Publicis cut its sales view. The JP Morgan index that follows UK-listed companies making their money at home soared nearly eight per cent on its best day since the basket was created nearly three years ago.

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### CRYPTO A.M. DAILY

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**CRYPTO & COFFEE**

The final application for an ETF tied to the Bitcoin (Bitwise's Bitcoin ETF) has been denied by the SEC. However, given the low market expectations surrounding the event, the market was largely unfazed by this. Instead, the sentiment remained supported by the positive developments coming out of the DevCon 5 conference in Japan. Ethereum gradually advanced past $190 level, while Bitcoin is now trading in mid-$8,5k area.

The Bitcoin curve remains in contango, albeit the delta is off the levels observed earlier this year. Interestingly, the latest Commitment of Traders report shows that a lot of positions might have been left to expire in September.

There are several reasons that will cause the contango to collapse. For one, interest rates would have to decrease a large amount. Another reason is so called “delivery concern”. When a producer, dealer, or speculator is short the front month, come expiration, it has a choice whether to make delivery or not. If not, the holder essentially needs to cover shorts and lease/borrow the asset from someone else and/or roll your shorts to a back month.

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**The Digitisation of the Global Economy**

The skills gap is already costing the UK economy an estimated £56bn, which could grow even bigger unless we act now. The reality is that we are still not doing enough, with more than 11m UK British adults lacking the vital skills needed to communicate and solve problems online, while three quarters of “offline” adults say that nothing could motivate them to change.

Technology has made it easier and cheaper for businesses to manage savings, set up a business, or send money to loved ones in other countries. It is a huge opportunity to improve the lives of millions of people.

That is why future now will help to shift perceptions of digital skills from boring and niche to playing its part to address this national problem. We are calling on organisations around the country to make the pledge to prepare their workforce for the smarter jobs of the future and motivate their customers to build their digital intelligence. This coalition will help us all to enjoy the benefits of the digital revolution.

Peter Estlin

**LETTERS TO THE EDITOR**

**Phantom 5G**

[Re: BT Mobile rolls out 5G for consumer and business plans]

BT has supposedly rolled out its 5G network in 20 UK towns. While 2G cities seem like a big upgrade from the original launch madness, the devil is in the detail: when it comes to coverage of 5G - and all is as it seems, in a test with a central London postcode. BT’s coverage tracker came back with only “moderate 5G coverage outdoors”, with no mention of any speeds that could be achieved.

For this patchy coverage, the pricing starts at £45 for only 2.65 – a £2 premium on their closest tariff of £15 on 4G. Every network expert will tell you that the cost of running a 5G network is much more efficient than a 4G network, so how can they justify this?

As it stands, these launches are just dishonest marketing. Customers will be required to purchase a new phone and a more expensive tariff for only patchy coverage, so why bother?

Honesty and transparency are the currency of the modern consumer. There has to be a fundamental shift in the behaviour of mobile networks towards both consumers and innovation - it can just be about profiting their bottom line.

Asad Hamir, founder, Klyk Tech

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**BEST OF TWITTER**

Me: “THAT’S IT!”

Deputy editor: “Dunno, ask the subs.”

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@NickCohen4

Me: “I want to say Farage treats Johnson like a sadist treats a gimp.”

Deputy editor: “That’s not quite right.”

Me: “I know, what do you call someone who is beaten by a dominatrix?”

Deputy editor: “Dunno, ask the subs.”

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@NickCohen4
Care about the kids? There’s no excuse not to legalise cannabis

F WE have the chance to reduce harm, we should take it. That idea – harm reduction – lies behind much of what any government seeks to do. It is an uncontroversial principle. Yet there is a key area of government policy which does not abide by it: drugs. Our government’s approach is to pursue a misguided and ineffective War on Drugs, which does not reduce use, but instead makes things worse for individuals and for society.

So when I propose the idea of a legal and regulated market for cannabis, it is with harm reduction as the central focus. In my paper for the think tank Radix, “Protecting Children and Young People from Harm: The Public Health Case for a Legal Regulated Cannabis Market”, I set out five key points in support of the case for reform.

First, it can decrease use among young people. New evidence published in the Jama Pediatrics medical journal shows that in US states which legalised recreational cannabis, there was an associated eight per cent decrease in cannabis use among high-school pupils.

Obviously, we must be cautious about the results of any one paper, but this was a significant and substantial study. The researchers used data from 1.4m US pupils over the last 25 years. This finding is fascinating. It flies in the face of the central argument used by prohibitionists – that legalising cannabis will lead to a free for all and will harm young people.

Second, it can reduce violence – a crucial consideration, given that the violence associated with the illegal drugs trade has the biggest impact on the most disadvantaged communities, especially teenagers, too often fatally.

US states on the Mexican border have seen much violence from the illegal drugs trade. Mexican drug trafficking organisations supply illicit drugs across the border and are allied to local gangs within the US states.

Yet when medicinal cannabis was legalised in these states, a new source of production opened up – reducing the power of the Mexican gangs. There was a 15 per cent drop in crime in California, and seven per cent in Arizona.

Third, legalisation cuts the vast profits going to organised crime. Estimates of the size of the illegal cannabis market in the UK vary between £1.3bn and upwards of £3bn each year. Imagine if we could use tax revenues to fund the NHS, our police, or schools. Instead, the government chooses to line the pockets of criminals.

We could use the tax revenues to fund the NHS, our police, or schools – instead, the government lines the pockets of criminals.

Fourth, we have a model for how this could work. Canada provides an excellent case study for how we could legalise cannabis in the UK.

There, the liberal government introduced a regulated system a year ago. It’s early days, but already the criminal market is diminishing. Even better, new jobs are being created.

Finally, if we’re concerned about protecting teenagers from harm, we have a duty to act. By persisting with prohibition, the government directly puts young people at risk by pushing them towards the criminal market, where highly potent, dangerous strains of cannabis are available.

In London, 94 per cent of the street market is skunk, which is the cannabis strain linked to higher risks of mental illness. Milder, safer variants that are sold legally in other countries are not as easily available.

The obvious approach is to regulate, providing clearly labelled products so people know what they’re consuming and can avoid the damaging stuff. Legalising cannabis might seem counterintuitive if the aim is harm reduction. But once you recognise the horrific unintended consequences of a violent criminal market and dangerous unregulated substances being sold on the black market, any rational person is likely to conclude that this must be the way forward.

Leaving things as they are is an abdication of responsibility. To coin a phrase, we need to take back control from criminals who have no concern for the welfare of teenagers.

We need to use the tax revenues from cannabis to fund important areas of government. Whether that is with harm reduction as the central argument used by the current government, or with a War on Drugs that does not work, we need to take action.

The idea that legalising cannabis will lead to a free for all and will harm young people is outdated. We need to legalise cannabis to protect the kids from harm.
Vaping was meant to be the saviour of both Big Tobacco firms and those that are addicted to its products, providing a safer alternative for smokers and some much-needed growth for an industry in decline. But, following 12 deaths and over 800 cases of damaged lungs being linked to e-cigarettes in the US, the future of vaping could be about to go up in smoke.

Most of the cases are thought to have been caused by people buying illicit products, and nearly 8 out of 10 became ill after using an e-cigarette to vape products containing THC, the psychoactive element in marijuana. Investigations are underway, but initial reports suggest dodgy products sold on the street are the root cause. That has not stopped the Centres for Disease Control advising Americans to stop using e-cigarettes altogether until more is known.

But there is no smoke without fire. The US adopted a different approach toward vaping than other developed nations. Rules and regulations vary state-by-state. E-cigarettes are freely marketed to consumers as a new habit to take up, and vaping plays a role in the country’s legalised cannabis market. Analysts from Swiss bank UBS have previously described the US vaping market as the “least regulated” in the world. Plus, the industry is under fire for targeting children and creating a new generation of nicotine addicts. This comes after a report earlier this year estimated 21% of American teenagers now vape. The finger is predominantly pointed at Juul, which controls over 70% of the country’s vape market. States including Michigan and New York have now banned the sale of flavoured e-cigarettes that are popular with teenagers, and President Donald Trump has threatened a federal ban. It is unclear whether that threat will become a reality, but some of the country’s biggest retailers, including Kroger, Walmart and Walgreens, have already announced they will stop selling e-cigarettes altogether.

There is an unmissable urgency in the US to limit any further damage, but it runs the risk of over-compensating for its lax approach to regulating the vaping market by banning it altogether. The US is the biggest vaping market in the world, and developments there are closely watched by everyone else. At least 14 countries have already banned e-cigarettes, but since the US health scare broke, China has stopped importing Juul vaping products and India has announced it intends to ban all e-cigarettes under emergency orders.

There is a lot at stake if the US leads the world to go against vaping. Altria, the largest tobacco firm in the US, has spent $13 billion on a 35% stake in Juul. This investment, along with billions deployed by other tobacco firms, is now at risk. Imperial Brands cut its sales growth target in September in part because of the “challenging” market for its new products in the US. All-in-all, the crisis shows the importance of regulation and the need for companies to embrace it. The industry has already done this in Europe. In the UK, e-cigarettes are touted as a smoking cessation aide rather than a new habit, and they have gained the support of public health bodies that have rallied round them as a safe alternative to smoking. There has been a handful of cases of e-cigarettes causing illness, but again linked to illicit products - and there has been zero deaths linked to e-cigarettes in the UK.

Still, some may benefit. Many believe Philip Morris International, which pulled out of a merger with Altria when the crisis erupted, has had a lucky escape. Plus, it is just about to launch its heated tobacco product named IQOS, which is not the same as an e-cigarette, in the US at a time when people will be looking for a new way to get their nicotine fix. It has already had success with IQOS in Japan, where e-cigarettes have been banned.
W hat do a flower shop and an investment app have in common? More than you might think, says the co-founder of two flourishing British businesses, Moneybox and Bloom & Wild.

The latter was featured in City A.M. in 2017 and remains one of the fastest growing tech companies in the country, according to Deloitte. “I know these businesses sound very different, but I see similarities all the way through,” Ben Stanway tells City A.M. over coffee in his office on London Bridge. “In both sectors, customers were having a bad experience, which was usually a result of the existing players being really old-fashioned and taking their customers for granted.”

It’s a complaint that we hear time and time again about financial services, and it’s for this reason that in 2016 the former analyst and stock-picker launched Moneybox with fellow founder Charlie Mortimer.

RISE TO THE OCCASION
The app aims to make investing really simple, even for beginners. You select the type of savings or investment product you want (it’s one of the few providers to offer the Lifetime Isa), and sign up from as little as £1. You’re then given the option of whether you want to be a cautious, balanced, or adventurous investor.

“Rather than overwhelming customers with information, the most important thing is to make everything really easy to understand,” Stanway says, adding that the aim is to get customers – many of whom are young professionals – in the habit of saving a little and often.

This comes at a time when the vast majority of the population is seriously underserved by the wealth management industry.

Indeed, Stanway points out that if you’re in the top one per cent of the country in terms of wealth, you can afford to get a lot of help with your savings, investment, and financial planning – while the remaining 99 per cent of the population get almost no help at all.

“It’s like having the choice between buying a Rolls Royce or no car at all,” he says.

THE ROOT OF THE PROBLEM
Full-on financial advice is unnecessary for most people, but small nudges or suggestions can make a big difference when it comes to getting your finances on the right track, or saving for a particular goal like a housing deposit.

And while retail banks will openly suggest credit cards or personal loans to their customers, many are far from helpful when it comes to saving and investing.

By comparison, Moneybox will suggest products that might be suited to your goals – so if you’re managing to save lots of money every month, it might ask if you’re saving for a house, and suggest that you open a Lifetime Isa.

One unique quirk of the app is that (if you want it to) it rounds up your spare change to the nearest £1. So if you were to spend £2.80 on a coffee from your bank account and you have this feature enabled, it would automatically put 20p into your savings – all of which adds up.

As for the fees, if you open a Moneybox Stocks and Shares Isa, you’ll be charged 0.45 per cent per month for using the platform, between 0.12 and 0.35 per cent per month for fund management, as well as a £1 per month subscription fee. This makes Moneybox more expensive than some of its competitors, which start at 0.53 per cent all in. But you’re essentially paying for the ease of use.

The business has also recently added pensions to its remit, with customers now able to merge their pots via the platform. “Many pension companies are really archaic – they send snail-mail letters written in financial jargon to old addresses, and then they are surprised when people don’t know about their pensions,” says Stanway, who is eager to shake up the industry.

With auto-enrolment, pensions are likely to become the biggest asset for many people, and yet the lack of knowledge leaves many underfilling their potential. “We are offering people the simplicity of combining their pensions together – you’ll be able to check your balance anywhere, anytime,” he says.

SOWING SEEDS
Stanway is now almost entirely focused on Moneybox, but it is worth reflecting on his flowery past. Bloom & Wild was his first business, which he set up with chief executive Aron Gelbard back in 2013. The online flower shop modernised the way flowers are delivered, and is still growing strong with Gelbard at the helm. The concept is as simple as rounding up spare change into your savings: you order the flowers online and they come in flat boxes that can fit through letterboxes so it’s just like sending a card.

The idea for both businesses stems from looking at the issues from a consumer perspective, considering what hurdles currently prevent people from sending flowers or saving.

I ask how the seed was planted for that first business, and Stanway says it came from him ordering a bunch of flowers for his now-wife, which arrived in a battered box covered in ugly yellow stickers.

“The box may as well have contained a multi-plug adapter – no care had gone into it. Sending and receiving flowers is meant to be a joy, but the reality was a million miles from that. And ordering them was far more difficult compared to other things you might buy online.”

Stanway may have branched away from the flower business, but the unifying feature between that and Moneybox is the way they use modern technology to bring outdated services into the twenty-first century.

And they both look to bring joy to their customers in the process – whether that involves a bunch of flowers or buying a home.
Dotonbori at 11pm on a Tuesday night already feels like a trip. This is the main entertainment district of Osaka, Japan’s third largest city, and it’s a crazy riot of pulsing, Blade Runner neon and glittering, Times-Square-style illuminated billboards, all reflected hazily in the water of the canal which flows under the Ebisu-bashi bridge. Oh, and people; lots and lots of people. This is because Dotonbori isn’t just Osaka’s buzziest area, crammed with shops, theatres and bars, but also one of its culinary hotspots. And when people talk about Japanese food, many of the country’s most famous dishes originated right here. Amusingly, the name Dotonbori itself translates roughly as ‘to ruin oneself by extravagance in food’. Sounds poetic; in reality it basically means wandering around all the street food stalls, conveyor belt sushi dens and restaurants you can, stuffing as much in your face as possible.

At least, that’s what I’ve been doing for the past couple of hours. And I’m not alone; everywhere I look, locals and tourists are standing in the street, brandishing various fried meats or fish on sticks, pouring themselves on gyoza dumplings, and blowing enthusiastically onto lava-hot takoyaki – small, deep-fried balls of octopus in batter. To find out which places specialise in seafood, all you have to do is gaze at the outside of the dozens of buildings which line the main street; they advertise their wares by means of giant, animatronic models. After a few highballs, it’s hard to be sure whether the monster crab adhering to the side of one place actually has a life of its own, and is planning to make a run for it and scuttle off down the road.

When you’ve had enough to eat, Osaka’s bar scene is ready and waiting. Seek out its hidden, basement vinyl bars, and you’ll be richly rewarded; often manned by grey-haired, pensionable rock geeks, these dimly-lit dives are usually so small you might be one of only a handful of customers, and therefore welcome to make requests. I find my thrill at one so dingy I don’t even spot its name, where the long-grey-haired, pensionable rock geeks play the likes of Blueberry Hill, followed by a smattering of Hendrix and Stones. Stumbling back to my hotel, the brand new, towering, glass and steel Conrad, at 3am, I reflect that Osaka can really give Tokyo a run for its money.

The city is under the spotlight right now for a couple of reasons; firstly, because BA recently launched a direct route here from London, and secondly, because it’s one of the twelve host cities in this year’s rugby World Cup. Visitors will find a smart, but not sterile, metropolis, where modernity and history combine. Exploring beyond Dotonbori, I start with the outskirts. In the northern district of Suita is the site of the former World Expo of 1970, held at a time when Japan was slowly starting to open up to the west. 64 million people came over a six month period, which gave Japan not only the chance to display their wares by means of giant, animatronic models. After a few highballs, it’s hard to be sure whether the monster crab adhering to the side of one place actually has a life of its own, and is planning to make a run for it and scuttle off down the road.

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It’s set in beautiful, landscaped gardens, blooming with flowers. In one corner is the Museum of Ethnology, which contains some of the many unusual artefacts which had been on show at the Expo, from regions such as Africa and South East Asia. Standing out on the horizon is the iconic Tower of the Sun, a vast, totem-like sculpture with wings, and three faces – representing the past, present and future – designed by artist Taro Okamoto. You can climb to the top, but I elect to stroll through the scenery, passing through miniature bamboo forests, by small waterfalls, and alongside koi carp ponds. It’s like being in a delicate woodblock print, a feeling enhanced by the number of locals sitting sketching clumps of moss on a rock, or a few leaves of fiery-coloured Japanese maple. Afterwards, I
head to one of the city’s most traditional sights, Osaka Castle – a pretty, tiered, wedding-cake-like confection in white, gold and pale green. Dating from the 16th century, it was home to samurai warriors and their heirs; scaling its somewhat narrow stairs, I find displays of ancient armour and weaponry and information about the castle’s history spread over several different floors.

Osaka has another advantage, in that it’s well placed for fascinating sights beyond the city limits. Love a good temple? Knock yourself out in Kyoto, an hour away by train, where there are over 1,600 of them. Don’t miss Tenryu-ji, with its beautiful landscaped gardens, To-ji, with its pretty pagoda, or the spectacular Fushimi Inari shrine, which impresses with its rows of red gates (there are, apparently, 5,000).

For the ultimate in retirement homes, check out the Golden Pavilion, or Kinkaku-ji, built in 1397 by a rich shogun when he withdrew from military life. Today it’s still almost entirely covered in gold leaf – take that, Kanye. A whizz around Gion, one of Kyoto’s oldest neighbourhoods, might involve the brief, sudden sighting of a geiko – otherwise known as a geisha – or a trainee, known as a maiko. These otherworldly creatures slip discreetly from doorway to taxi, taxi to doorway, clad in opulent, patterned silk kimono, on their way to or from their bizarre, ritual forms of entertainment, where they warble weird tunes, pluck at two-stringed instruments, or play silly children’s games with rich men.

Elsewhere, it’s a 45-minute drive to Nara, a region known for two amazing things. One is the Kehayaza Sumo Museum, in the small town of Katsuragi, which opened in 1990 and is full of information and history about how this rather unusual sport evolved. It transpires it became a thing 2,000 years ago, after a local man, Taimano Kehaya, boasted about his strength, causing the then-emperor to put him to the test, calling for any man in the land to try and beat him. Alas, someone did (resulting in poor Taimano losing his life), but clearly the emperor had found the whole thing highly entertaining, and a sport was born. The museum also gives demos by trainee wrestlers, and the sight of two men who look like giant babies trying to push each other over a rope boundary in the middle of a ring is actually endlessly compelling.

One last essential while you’re here is a visit to Nara Park. Why? It’s home to around 1,200 spotted deer, who have been allowed to live here, and have been looked after, for centuries (something to do with them being sacred, apparently). Today they are worshipped by throngs of adoring tourists who come here specifically to feed them from little packets of special biscuits, sold on site (£1 a pop). Once they get a sniff of them, they surround you like fans at an Ed Sheeran gig, trampling over each other to get to the good stuff. But then, what’s this? They actually start bowing, politely, like all good Japanese do, in the sincere hope you’ll give them their treat. I’ve seen it all now; like I said, it’s a trip...

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Employers, it’s time to add some lances to your armoury

Going freelance is clearly appealing to workers, but what’s the benefit for bosses?

TALK to graduates, new mothers, or young creatives about work today, and the one word you’re likely to hear more than any other is freelance.  

The term itself certainly isn’t new. In Walter Scott’s 1819 novel Ivanhoe, paid mercenaries described as “free lances” are offered from one feudal lord to another. Fast-forward 200 years, and freelance has taken on a whole new vigour, spurred on by a more modern army, looking to earn a living flexibly and be their own lord – or rather, boss.

There are now an estimated 2.1m freelancers working in the UK, contributing up to £145bn to the economy. For many employers, hiring them has become the norm, with a recent study finding that two in five business owners predict their use of freelancers will grow faster than their number of permanent hires in the next five years.

So why should employers be caught up in the freelance phenomenon, just because more people are choosing this kind of lifestyle? Well, along with offering an extra pair of hands when permanent staff are stretched, freelancers bring a number of financial and cultural benefits to a company which pay off in the long term.

DIVERSITY OF THOUGHT
Hiring someone who has worked at several different organisations can bring valuable new insights, perspectives, and practices to a company. This diversity of thought will help with problem solving and encourage permanent staff to consider new ways of approaching old tasks.

A freelancer’s experience can also help a company to keep in touch with different parts of the market, ensuring that the business is not missing a trick against the competition.

SAVE ON ONE-OFF PROJECTS
Occasionally, a new project will arise which requires a specific skill set, and the options available are to either train a member of staff to meet this need, or to hire a freelancer for the project.

With the latter option, the freelancer – already skilled in this area – is going to hit the ground running and should finish the job sooner and to a higher standard. This will make it a cheaper option in the long run, while impressing the client with better work.

SECURING THE BEST TALENT
According to the self-employed professionals association IPSE, the number of UK freelancers has risen by 46 per cent since 2008, partly driven by the surge in skilled women going it alone.

With such a vast and growing talent pool, employers who ignore this section of the workforce will miss out on some of the best people, especially in the creative industries where a third of workers are self-employed.

On the other hand, those businesses which consider freelancers when filling gaps in their workforce may elevate the company’s performance, while also inspiring permanent members of staff to raise their game.

Freelancers have come a long way since the days of Scott’s mercenaries, yet the unique skills, experience, and knowhow that they can inject into a business may still be the difference between winning and losing battles.

In a world where the concept of work is fast evolving, I would encourage all employers to evolve their philosophies too, by embracing the freelance phenomenon and reaping its rewards.

Albert Azis-Clauson is chief executive and founder of freelancer site UnderPinned.
Japan stun Scotland with vibrant World Cup display

Hosts produce scintillating rugby to reach quarter-finals for first time, writes Felix Keith

THE FACT that Japan made history, beating Scotland 28-21 to reach the Rugby World Cup quarter-finals for the first time in their history yesterday, was remarkable enough. But to do so on their own turf, in such style and in front of an adoring fan base just hours after the pain and destruction wreaked by Typhoon Hagibis was even more special.

Scotland’s build-up to the game was dominated by what would happen if the game didn’t go ahead. In the end it wasn’t the weather which knocked them out in the group stages for only the second time in their history, but an emotionally charged and high quality performance from the tournament’s hosts.

Having spoken of taking legal action against World Rugby only to lose to the Tier Two nation for the first time in eight games, questions will be asked of Scotland’s squad, and in particular coach Gregor Townsend. They fell short of expectations and didn’t deserve to progress to the knockout stage with South Africa.

And yet, considering the devastating and all-consuming backdrop to the fixture and wider significance to the sport, yesterday’s events in Yokohama were all about glory for Japan. While Japan’s famous 34-2 victory over South Africa in the 2015 World Cup still holds its standing as the biggest upset in rugby union history, wins over Ireland and Scotland in their own tournament have underlined their status as a team on the rise.

Japan don’t play in the Six Nations. They don’t play in the Rugby Championship. But in the last fortnight they have beaten two established nations, finished top of Pool A with four successive wins and moved past France into seventh place in the World Rankings.

“You can just look around and see how special a moment this is for our team and for this country,” said Japan coach Jamie Joseph.

“I think the world has always respected Japan, but Japan have not always trusted themselves. Tonight we went up another level.”

Japan don’t count on a physical forward pack as their biggest weapon. Instead, they rely on all from the ruck via excellent scrum-half Yutaka Nagare, ambitious and exciting running from just about every position and bold, inventive and skillful ball-handling from all 15 players.

Japan winger Fukuoka used his pace to deadly effect, scoring twice

Despite their 12 host petition’s 60-year history being held at Wembley, they are pre-drawn to play at least two group games at the business end of the tournament after the group stage.

Although England have been pre-drawn to play at least two games at Wembley, they would then be on the road for the round of 16 and quarter-finals. As such, the chance to experience different footballing cultures should not be missed as the tournament is being held across the continent for the first time in the competition’s 60-year history, with 12 host cities in all.

Ahead of tonight’s qualifier against Bulgaria, England appear well placed to qualify for the last 16, where Indy Andy will hope a weathered leather jacket and a footache of stars such as Bruno Fernandes and Mason Greenwood can help them to keep behind a paywall.

Sky Sports began broadcasting Spanish football and the best of the rest were on show for all with Champions League nights a staple on ITV.

Nowadays, fans are more likely to have become aware of the likes of the Argentine Juventus star Paulo Dybala or Barcelona youngster Ousmane Dembele through watching him on TV. Football Italia allowed fans to keep track of Gascoigne and the clutch of England stars, such as David Platt and Paul Ince, who followed him to Italy. Then, Sky’s Laliga coverage let them to monitor the progress of Michael Owen, Steve McManaman and David Beckham at Real Madrid.

GREATER SIGNIFICANCE

This season, in order to keep tabs on England right-back Kieran Tripper at Atletico Madrid, fans have had to keep patient while a broadcaster was found willing to meet the reserve price for the chance to experience other footballing cultures should be a huge pull

La Liga football rights in the UK. As it stands, to watch La Liga or Serie A requires a subscription to Premier Sports, which is, in all likelihood, an additional cost for fans to bear along side a BT Sport and/or Sky package.

The huge investment the likes of Sky and BT Sports now have to make to retain their marquee rights – the Premier League and Champions League – mean budgets no longer stretch to the £18m per season Sky was reportedly paying La Liga before deciding to bid for a renewal.

With live club football available but vanishing from terrestrial TV, the flagship international tournaments like Euro 2020 only take on even greater importance. They offer every fan the chance to watch the very best players without having to pay the purse strings of European Championship format will offer a glimpse of footballing cultures that are increasingly closed off to English fans. This time, with Wembley hosting both semi-finals and the final, football really is coming home. England fans will hope the team can go at least one better than their last crusade.

Neil Hopkins is a director and global head of strategy at M&C Saatchi Sport and Entertainment.
England in need of fine-tuning but not dismantling in light of Czech setback, says Frank Dalleres

VERREACTION clings to international football, where the relative infrequency of fixtures lends absurd weight to every result.

So it was inevitable that England’s flat performance and surprise defeat in Friday’s European Championship qualifying match against the Czech Republic prompted not only justifiable soul searching about the team’s level but also some wild calls to abandon the current tactical direction and revert to a five-man defence.

What is clear, however, as Gareth Southgate looks to right his faintly alarming ease at Wembley, Southgate seems intent on rotating his full-backs, with Kieran Tripper and Danny Rose playing one game and Trent Alexander-Arnold and Ben Chilwell the next, and perhaps that is not helping. But the bigger problem is at centre-back, where Michael Keane looks out of sorts. There is no easy solution currently at hand.

When fit again, John Stones and Jordan Henderson were operating at championship level last season, Tyrone Mings and Chelsea youngsters Fikayo Tomori and Reece James were world beaters last month, but disappeared, this is the ideal setting for experimentation. Whatever happens in Sofia, England are not broken, just as they were not world beaters last month. A 4-3-3 system or slight variant has been reasonable feel it is wiser to work on a system that has some legs.

On the other hand, if ever there was a time to try new idea then this is it. Whatever happens in Sofia, England will need a different approach for their World Cup runners-up the lead early on but Hibs’s sweet finish levelled it to keep Scotland’s Group E hopes alive. Scotland ended a run of four defeats as John McGinn scored a hat-trick in a 6-0 thrashing of San Marino.

BOTTAS MAKES HISTORY FOR DOMINANT MERCEDES

While he Botta won the Japanese Grand Prix yesterday to secure a record sixth successive World Championship double for Mercedes. Bottas finished ahead of Ferrari’s Sebastian Vettel and Mercedes teammate and leader Lewis Hamilton. The result sealed the constructors’ title for Mercedes with four meetings remaining, while Hamilton can now only be caught by Bottas.

KOSGEI SETS NEW RECORD FOR WOMEN’S MARATHON

Kenya’s Brigid Kosgei smashed the women’s marathon world record as she retained her Chicago title yesterday. Kosgei ran two hours, 14 minutes and four seconds to comfortably beat Paula Radcliffe’s mark of 2:15:25 set at the London Marathon in 2003. Meanwhile, Mo Farah finished eighth in the men’s race, over four minutes behind Kenyan winner Lawrence Cherono.

FRASER TAKES GOLD ON THE PARALLEL BARS

Britain’s Joe Fraser won his first World Gymnastics Championships gold medal in the men’s parallel bars yesterday. The 20-year-old got a score of 15.000 in Germany to become the first British gymnast to ever win a medal in the discipline.

Simone Biles won two golds to become the most decorated athlete in World Championships history.