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ALY KHAN'S STAR PORTFOLIO



THE FIT AND PROPER TEST AND THE NSE

THE 'Fit and Proper Test' was what led Tiny Rowland to warehouse his Harrods shares with Mohamed Al Fayed. The story goes that Tiny lent the money to Al-Fayed and extracted a promise that the shares would be returned once Rowland had escaped the hot breath of 'The Fit and Proper Test.' Al-Fayed had a power of attorney on the Sultan of Brunei's account and allegedly he moved something close to a billion dollars into his Kleinwort Benson account, for about 48 hours. On the strength of that deposit, Kleinwort Benson made Al-Fayed a loan and he bought Harrods. It was for this original sin that her majesty's government withheld giving Al-Fayed what he coveted most, a British passport.

Rupert Murdoch's BSKYB takeover offer was recently withdrawn because the 'Fit and Proper Test' was about to be applied and Mr. Murdoch preferred to surrender his hand early versus falling foul of a law that would have stained him as it did Rowland and Al-Fayed.

Tiny Rowland was a totemic and swashbuckling figure. His son was at school with me and I was invited home a couple of times. Rowland was a Jay Gatsby figure and he threw parties that Scott Fitzgerald would have surely seen fit to write about. Mohamed Al-Fayed allegedly kept a photo engraved in the basin

of his latrine of Mr Rowland and on it was written 'I sh² on Tiny Rowland.

The reason I am recounting this story is because that was then and this is now. And it seems to me that once 'The Fit and Proper Test' was a concept without much real bite in Nairobi. However, as I watch developments far away, I see multinational corporations who are making a clean breast of things. From Alcatel to Siemens, from the Swiss banking system to various tax havens. Changes to behaviour can be triggered by the regulator and that's why we have regulatory agencies but changes can also be triggered by the landscape and the environment. There has been an earthquake in our affairs, in many respects. The world is converging and flattening.

That Fit and Proper Test might well begin to rear its head right here.

A great deal of money invested in the Nairobi Stock Exchange is invested via institutions. These institutions surely need to applying stricter criteria around their investments. This will create a feedback loop, which will reward those who are leapfrogging this test and punish those who are not. If you follow the tape like I do. Then just look at the worst performers at the Nairobi Stock Exchange. I have to leave you with some dots to connect, don't you think?

Wananchi Group officially launches Zuku TV

BY STAR REPORTER

WANANCHI Group has officially launched Zuku TV and Zuku Triple play in the Kenyan market.

Zuku TV offers a wide selection of entertainment channels covering news, sports, movies, documentaries and music. These include various third party channels such as BBC,

MTV Base, Setanta Sports and MGM Movies.

The provider also offers many of its own tailor-made channels such as Zuku Africa airing African content, Zuku Life airing documentaries, Zuku Sports as well as a number of themed movie channels. The service is available via satellite throughout Kenya.

Wananchi's cable offering, Zuku Triple play offers high speed broadband, cable TV and voice over internet protocol or VoIP.

Wananchi Group CEO Richard Bell dubbed the launch of Zuku TV a milestone for the company.

The firm, established in 2007, is hoping to become a pioneering provider of affordable pay TV in Africa.

Air fares to drop over joint fuel purchases

BY LOLA OKULO

AIR fares by African airlines are likely to drop starting next year if the operators succeed in ongoing efforts to sign a joint fuel purchase agreement.

Such an agreement will enable them make bulk purchases of fuel and thus marginally reduce their expenses.

The African Airlines Association is working on the project whose aim is to lower fuel costs. For most regional airlines, fuel costs account for over 30 per cent of their operational costs.

The association is working to complete discussions with interested airlines soon and start making orders for joint fuel in 2012.

"We hope to send out the tenders this year and the first delivery on the project will be January 2012," said Julie Indetie, the manager for corporate finance and accounts at AFRAA.

If successful, the agreement would enable regional airlines offer competitive fares in the market. Currently some African airlines offer much higher prices than their main competitors from Europe within similar destinations.

"In Africa, fuel prices are generally higher than other regions due to various reasons among which are the relative small volume required by airlines and their weak negotiating power with fuel suppliers, who in some cases, may be government sanctioned monopoly providers," noted AFRAA.

A committee composed of expert staff from various airlines and AFRAA officials has been set up to come up with an action plan towards dealing with the fuel crisis.

The action plan includes operational and technical ways of reducing fuel costs and boosting of negotiating power in the purchase of fuel.

"A joint purchase will address both



PRICEY: Some African airlines charge more than their foreign counterparts.

the issue of low volume and the weak negotiating power as individual airlines pull together their fuel requirement at various stations thereby greatly increasing the group's total volume," said AFRAA.

Though the association has not released the list of airlines that have shown interest in the project, it may face a challenge when it comes to convincing big airlines like Kenya Airways and South African airlines to join in the project to make the group more powerful. The association has 33 members currently.

Kenya Airways for instance, controls its fuel expenses through holding fuel hedging contracts which shield the airline in times of rising costs of fuel through a fixed cost agreed on during

contract signing.

In June KQ released its 2010 financial results which showed an 87 per cent rise in pre-tax profits largely attributed to favourable fuel hedging and a weak shilling.

The joint fuel purchase project will be on a voluntary basis for AFRAA's member airlines but the current efforts to sign a joint fuel purchase pact will be a great test for the association to prove its relevance to members as this is not the first time such a project has been proposed.

Joint fuel purchase project is part of AFRAA's three year business plan unveiled in February 2011 to give fresh impetus to the association's efforts to lobby for a favourable business climate amid high costs of operations.



RICH DAILY PODCAST

REUTERS INSIDER PLATFORM

BY ALYKHAN SATCHU



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