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Business comment

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FOR OUR OWN SAKES, BRITAIN MUST LEAD RESCUE OF WTO

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The more I think about it the more urgent it is that the UK takes the lead in fixing the World Trade Organisation. Prosperity and peace go hand in hand but prosperity and protectionism do not.

That the UK should play a crucial role in trying to mend the WTO process was brought home to me by some figures from an aerospace consultancy called Ascend. It measures the top 10 fastest-growing long-haul air routes over the past decade. Of the 10, six are routes to and from London.

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The largest growth has been in the London-Dubai route, going from 405,433 seats sold in the first half of 1996 to more than 1.2m this year. London-Mumbai has gone from 225,100 seats in 1996 to 616,000 this year while London-Hong Kong has gone from 576,568 to 1.06m.

Other London routes in the top 10 are London-Chicago and London-New York. But those are the only two routes the Americans have in the top 10 growth league. Worryingly for an increasingly protectionist and unpredictable US, the top five shrinking long-haul routes involve US hubs. Honolulu-Tokyo, LA-Osaka, Honolulu-Osaka, LA-Tokyo and Miami-Buenos Aires have all shrunk dramatically.

Now, there are lots of reasons for this but there is no doubt that the US is losing out while the UK is gaining. These sorts of statistics reveal how influential the UK is in the world. For much of the post-war era we suffered an inferiority complex as the US grew a strong right arm holding off the Soviets. Global threats and opportunities have now changed but America's political and economic physique has not necessarily developed in a way that best matches those new challenges.

The UK has arguably made a better fist of embracing globalisation but the advantages we've carved out are now at serious risk.

FEW WINNERS AS BROWNE GETS EXTRA MONTHS

- **Browne: I'm staying on at BP**

Lord Browne was going to leave his post as BP chief executive age 60 at the end of February 2008. Now, however, he is staying nearly another year until the end of 2008 - as long as he possibly could without undermining the authority of the board.

Meanwhile the chairman, Peter Sutherland, will stay on longer as well, pushing his tenure into 2009 before handing over to a new chairman who will take up the reins with a new chief executive (identity of both yet to be decided). Confused? Well Lord Browne gets his way by being thrown a fig leaf by the board allowing him two and a half years before he has to go rather than 18 months, while the non-executives can still claim their original decision that Lord Browne should stand down in 2008 has been adhered to, even though the company has always previously made clear it was supposed to be February rather than December.

I still believe it is better for a new chief executive to be chosen by a chairman who is going to be around for a while rather than a chairman, as in the case of Sutherland, who immediately then retires as well. Reputationally, Lord Browne probably comes off worse from this episode. At least Sutherland has re-established the principle of primus inter pares at BP - a temporary leader required to instill order. Some sense of decorum has now been established again.

The internal candidates vying for Lord Browne's job are probably the happiest with this outcome. They know their man is leaving and when. The question now is, will they resurrect the merger that Sutherland supposedly kiboshed in December?

Talk of a deal with Royal Dutch Shell, for instance, has been floating around for a while. But crashing two oil giants together doesn't solve the oil majors' biggest problem, which is how to replace reserves.

A BP-Shell merger would strip out a layer of costs but simply magnify the reserves problem. Better deals exist in expanding in the Middle East and Russia where there are still reserves to exploit. Mega-mergers between oil majors may well be a thing of the past but corporate governance arguments will rumble on forever. Companies, no matter how big or sophisticated, just never seem to learn.

TIME FOR VODAFONE TO BRING ON THE NEW BLOOD

- **Sarin survives as Vodafone gets 'yellow card'**

One such corporate beast that has suffered more than most from recent boardroom strife is Vodafone. However, yesterday's annual meeting drew a line under its recent problems.

Sir John Bond has taken over as chairman and although the company still has some big problems shareholders, I think, can begin to see the beginning of a solution to most of their woes. A sale of its 45pc stake in the Verizon Wireless joint venture in the US would seem sensible but Sir John can hold out for a knock-out price. The cash from that deal can be recycled to shareholders or reinvested in growth markets in places such as Eastern Europe and India.

Cash, however, is not the problem for Vodafone. The issue is strategy and execution. With the company losing Bill Morrow, one of its key talents, on Monday I believe changes at the top are now a priority. Arun Sarin, the incumbent chief executive, survived yesterday's annual meeting with a bit to spare. But as Lord MacLaurin, the outgoing chairman accepted, the company has been flashed a yellow card by shareholders over issues such as remuneration.

Sir John has some time, but not a lot, to make the necessary substitutions to ensure that yellow does not turn into a red.