US could take equity shares in coronavirus-hit airlines: officials

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- The massive financial rescue plan passed by the US Congress designates $50 billion for the airline industry

US Treasury Secretary Steven Mnuchin

AFP | Washington

The US government could take equity shares in airlines and other troubled but vital American corporations as it moves to stabilize an economy amid the new coronavirus pandemic, top US officials said yesterday.

White House economics adviser Larry Kudlow said the government should get a stake in companies that receive direct cash grants from the federal government.

"I think in return for direct cash grants, which is what the airlines have asked for, I see no reason why the American taxpayer shouldn't get a piece," he said on "Fox News Sunday."

Treasury Secretary Steven Mnuchin, speaking on CBS's "Face the Nation" talk show, also said the government could take equity positions in return for infusions of taxpayer money.

"As the president said, we'll look at each one of these situations," he said.

"Some of them are very good companies that just need liquidity and will get loans. Some of these companies may need more significant help and we may be taking warrants or equity as well as that.

"The president wants to make sure the American taxpayers are compensated. This is not a bailout."

Mnuchin said any such transactions would take the form of warrants, a type of security that gives its holder the right to buy or sell an asset at a certain price up to a certain date determined when it is emitted. Warrants can thus be converted into shares.

The massive financial rescue plan passed by the US Congress designates $50 billion for the airline industry.

Half that sum would take the form of loan guarantees, and the rest direct cash payments.

Invoking their importance to the economy and the social risks if they fail, Boeing and the US airlines have demanded an unprecedented government bailout.

Govts, central banks must boost efforts to cope with crisis - BIS chief

Reuters | London

Governments and central banks need to step up efforts urgently to support their economies in the face of the coronavirus crisis, the head of the Bank for International Settlements said yesterday.

General Manager Agustin Carstens, who heads the BIS - an umbrella group for the world's central banks - wrote an opinion piece yesterday saying "urgent" solutions beyond those used during the 2008 financial crisis were needed.

Rules brought in after the 2008 crash were designed to prevent banks overextending themselves, but the worry now is that they are not stepping in and lending when the capital markets have slammed shut for many firms.

"To give viable businesses a lifeline to tide them over the economic sudden stop wrought by Covid-19, a solution is needed to complete the last mile from potential lenders to those firms at the edge of the precipice," Carstens said.

Bank of Mexico Governor Agustin Carstens gestures during the delivery quarterly report from the Bank of Mexico in Mexico City, Mexico

Major central banks have rushed to pour trillions of dollars worth of emergency funding into the global banking system but that money needed to reach those who need it, Carstens said.

A first step towards bridging what he called "the last mile" would be for banks to use their capital buffers while "a global freeze on bank dividends and share buybacks," was also needed. A second step he recommended would be government-guaranteed loans by banks to small and medium firms, equal to the amount of taxes each paid last year, although it should only go to those that were profitable last year to limit scope for corruption.

These "tax deferral loans" could be securitised and refinanced by the central bank, with any losses to be borne by governments.

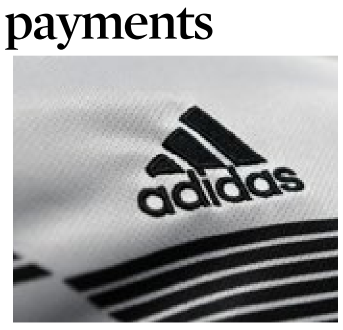
Finally he said, these principles must "go global", building on central bank dollar swap lines to channel liquidity toward preventing global supply chains from unravelling.

Government-guaranteed loans by banks to finance receivables, such as invoices for exports, could also be securitised and financed by a central bank facility.

"For central bank liquidity to reach the far corners of the financial system, it must directly target individuals and businesses that need it most. Otherwise, central bank actions may be just pushing on a string," Carstens said.

Outrage in Germany as Adidas, H&M stop rent payments

Frankfurt am Main



Global retailers including Adidas and H&M sparked outrage in Germany yesterday after announcing they planned to stop paying rent on stores that have been forced to close over the coronavirus outbreak.

Finance Minister Olaf Scholz urged leading companies to refrain from taking rash action that could hurt property owners.

"It's irritating when large companies simply announce a halt on paying rent," Scholz told the Bild daily, urging retailers to reach out to landlords to find solutions.

"Now is the time to work together," he said.

The retailers' move comes after the German government unveiled a major rescue package to protect companies and jobs from the economic impact of the pandemic.

It includes a provision that temporarily shields tenants from being kicked out of their homes or business properties if they experience financial hardship over the coronavirus measures.

But Justice Minister Christine Lambrecht warned company bosses not to take advantage. "It is indecent and unacceptable if financially strong firms now just stop paying their rents," she said in Berlin on Saturday.

German sportswear maker Adidas, which made a net profit of nearly two billion euros ($2.2 billion) in 2019, has been hard hit by a slump in Chinese sales and massive store closures.

The Bavarian company, one of Germany's best-known brands, told DPA news agency that it was "temporarily suspending rental payments, just like many other companies".

German Transport Minister Andreas Scheuer told Bild he was "disappointed by Adidas", pointing out that many small, private landlords would be left out of pocket.

Swedish clothing giant H&M said it too would not be paying rent on its roughly 460 closed stores in Germany, telling DPA that it had informed landlords and hoped to find "a mutually acceptable solution" soon.

German shoe store chain Deichmann intends to suspend rent and service charges from April for the duration of the government-ordered closures.

A spokesman for the Essen-based company told DPA that it expected those with political responsibility "to compensate for the lost rental income of the affected parties".

Other German media outlets reported that electronics retailers Saturn and MediaMarkt as well as Adidas rival Puma also planned to halt their rent payments for now.