





REEF REPAIR **SPERM BANKS** TO SAVE CORAL

PAGE 8 | HEALTH SCIENCE

# International Herald Eribune

WEDNESDAY, JULY 25, 2012

THE GLOBAL EDITION OF THE NEW YORK TIMES

#### Athens runs short of time to remain in euro bloc

**ATHENS** 

Even as Europe worries about Spain, Greece remains a trouble spot

BY RACHEL DONADIO AND SUZANNE DALEY

Only a month after installing a new government, Greece is once again in peril. Its official lenders have signaled a growing reluctance to keep paying the bills of the nearly bankrupt nation, even as the government seeks more leniency on the terms of its multibillion-euro bailout.

Adding to the woes: The Greek government, itself a motley coalition of conservatives and Socialists, and the leaders of the troika of European lenders are increasingly divided among themselves. That is creating more uncertainty as Greece and the rest of Europe head for another showdown, raising fresh doubts about how long Athens can remain within the euro currency bloc.

Fears are also mounting in Europe about the deteriorating situation in Spain. But Greece remains a problem

The question now is whether the troika is prepared to force Greece to default. Much of the rhetoric on both sides is aimed at extracting concessions in negotiations. But while Greece has been pushed to the edge before, it now appears to be running out of time because its European partners, however complicit in Greece's current plight, appear to be running out of patience.

On Thursday, the president of the European Commission, José Manuel Barroso, is expected to make his first visit to Athens since 2009 to meet with Prime Minister Antonis Samaras of Greece. The commission and the other two members of the troika - the International Monetary Fund and the European Central Bank - have begun a sweeping assessment of how well Athens has complied with harsh austerity measures imposed as the price for providing enough money to prevent the country from slipbing into a financial abyss.

"We knew at the fund from the very eginning that this program was imossible to be implemented because we idn't have any — any — successful exumple," said Panagiotis V. Roumeliotis, vice chairman at Piraeus Bank and a former Greek finance minister who until January was Greece's representative

Because Greece is in the euro bloc, he noted, it could not take one of the basic steps that the I.M.F. typically encourages countries to take when it extends aid: Devalue the currency to help improve the nation's economic competitiveness.

At the same time, Mr. Roumeliotis added, the troika underestimated the harm its austerity medicine would have on the Greek economy.

Greece's lenders say they will not aid the country further unless it meets its GREECE, PAGE 14

#### **EURO ZONE'S DIVISIONS WIDEN**

As Germany brushes off a credit rating warning, Spain's borrowing costs are hovering near record levels. PAGE 13



JOB LOSSES The Kyowa factory in Seki, Japan. Its owner, worried about the yen's rise, is moving his production to a new plant in Vietnam.



RETIREMENT SECURITY Shigeru Ono, once an oil company manager, said deflation helped him afford a Chinese-made flat-screen television.

## Strong yen feeds a 'clash of generations'

SHIZUOKA, JAPAN

Falling prices benefit retirees but are pushing industries to leave Japan

BY MARTIN FACKLER

As Japan has ceded its dominance in industry after industry that once lifted it to economic greatness, there has been plenty of blame to go around. A nuclear

disaster that raised energy costs. A lack

of entrepreneurship. China's relatively cheap work force.

Increasingly, however, business leaders point to what they call a more immediate threat and one that is at least partly within the government's power to control: a punishingly high yen that has made Japanese exports, from televisions to memory chips, prohibitively expensive abroad. The governr. doing almost nothing to try to rein in the yen, despite general alarm that the record-high currency is dealing crippling blows to the country's once all-important export machine.

One big reason, analysts and some politicians say, is simple, if generally left unsaid: A high yen benefits Japan's rapidly expanding population of elderly residents, even if it is hurts other parts

of the country. By speeding the flood of less expensive imported products into Japan, the strong von is contributing to a broader prices of goods and services, known as deflation, that has helped retirees stretch their pensions and savings. The resulting inaction on the yen, according to a growing number of econ-JAPAN, PAGE 4

## Ex-editors charged in hacking scandal

Former Cameron aide and Murdoch executive are among 8 facing trial

BY JOHN F. BURNS AND RAVI SOMAIYA

After a year of furious controversy over the widespread phone hacking by one of Rupert Murdoch's tabloid newspapers, British prosecutors brought criminal charges on Tuesday against eight of the most prominent figures in the scandal, including Andy Coulson, who was Prime Minister David Cameron's communications chief at 10 Downing Street until the scandal forced his resignation

Also charged was Rebekah Brooks, the chief executive of Mr. Murdoch's newspaper empire in Britain until she, too, resigned last summer. Others who were indicted include five journalists who played prominent roles at The News of the World, the tabloid where Ms. Brooks and later Mr. Coulson were the top editors at the time that the hacking is alleged to have occurred, from

The criminal charges - and the possibility of prison terms if prosecutors win convictions — are a sharp turning point in the affair. The case adds the drama of high-profile trials to a scandal that has already thrown the worlds of politics, policing and journalism in Britain into a prolonged fit of self-examination and shaken the foundations of the Murdoch

The eighth person charged was Glenn Mulcaire, a private investigator who served a prison term in 2007, together with a News of the World reporter covering Britain's royal family, for hacking into the cellphones of younger members of the royal family and their aides. Those convictions remain the only ones so far in the hacking furor.

After Tuesday's announcement by Alison Levitt, the senior legal adviser at the Crown Prosecution Service, headlines in Britain focused on Mr. Coulson and Ms. Brooks, both of whom have strong personal links to Mr. Cameron -Mr. Coulson through his years at Mr. Cameron's side, in and out of government, and Ms. Brooks because of the friendship she and her husband, Charlie Brooks, had with Mr. Cameron before the scandal erupted.

Political analysts said the fact that the two now face criminal trials that seem certain to run on at least through the next year, attracting wide news coverage, posed a potentially serious hazard to the prime minister. With a general election due in 2015, the analysts said, Mr. Cameron and the Conservative HACKING, PAGE 3



Andy Coulson was Prime Minister David Cameron's communications chief until being forced to resign over the scandal.



The criminal charges mark a spectacular fall for Rebekah Brooks, a former chief executive of News International.

### Advice from the digerati: Log off from time to time

BY MATT RICHTEL

Stuart Crabb, a director in the executive offices of Facebook, naturally likes to extol the extraordinary benefits of computers and smartphones. But like a growing number of technology leaders, he offers a warning: log off once in a

while, and put them down. In Silicon Valley, a place where technology is seen as an all-powerful answer, it is increasingly being seen as too powerful, even addictive.

The concern, voiced in conferences and in recent interviews with many top executives of technology companies, is that the lure of constant stimulation the pervasive demand of pings, rings and updates - is creating a profound physical craving that can hurt productivity and personal interactions.

"If you put a frog in cold water and slowly turn up the heat, it'll boil to death

"It's this basic cultural recognition that people have a pathological relationship with their devices."

- it's a nice analogy," said Mr. Crabb, who oversees learning and development at Facebook. People "need to notice the effect that time online has on your performance and relationships."

The insight may not sound revelatory to anyone who has joked about the "crackberry" lifestyle or followed the work of researchers who are exploring whether interactive technology has addictive properties.

But hearing it from leaders at many of Silicon Valley's most influential companies, which benefit from people spending more time online, can sound like DISTRACTIONS, PAGE 15

Syrian battleground A Syrian rebel on Tuesday at an old military base near Aleppo, Syria's largest city, which insurgents are seeking to capture. PAGE 4

Bomber in Bulgaria had help The suspect in a suicide attack in

Bulgaria was aided by an "experienced" group, the prime minister said. PAGE 3

3 to 6 years for Catholic official

Msgr. William J. Lynn, of Philadelphia, was sentenced to prison for his role in

covering up for abusive priests. PAGE 5

BUSINESS

Settlement near in Google case

The European Commission said Tuesday that it had reached an "understanding" with Google that could lead to a settlement of an antitrust investigation into allegations that it abused its dominance of the Internet search and advertising market. PAGE 13

Rosneft wants to buy out BP

The Russian state oil company said it was negotiating to buy out BP's share of the joint venture TNK-BP that may be worth \$30 billion. The British oil company and its Russian partners ...ve clashed repeatedly over whether and how to expand the venture. PAGE 13

**SPORTS** 

Suzuki gets wish with Yankees

Ichiro Suzuki, one of baseball's greats, was traded from the struggling Seattle Mariners to the post-season-bound New York Yankees. He joins a long list of stars who have joined the Yankees in the twilight of their careers. PAGE 11

**VIEWS** 

David Brooks

People use events like the killings in Aurora, Colorado, to indict whatever they don't like about society. But dealing with such tragedies has more to do with psychology than sociology. PAGE 7

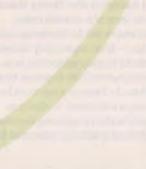
Britain's flawed libel law reform The British Parliament's efforts to quell

libel tourism fall short of protecting the country's own writers from unreasonable lawsuits, writes Rachel Ehrenfeld. PAGE 6

ONLI.

Parents, before and later

Twin projects by the photographer Dona Schwartz — "On the Nest" and 'Empty Nesters'' - document the bookends of the child-rearing experience. She photographed pairs of expectant couples, then different couples who were coping with an empty home after their children grew up and moved out. The contrast is, at times, stark. lens.blogs.nytimes.com



Who will finance our clean energy future?

Find out more

ihtcleanenergy.com @IHTEnergy #IHTEnergy

International Herald Eribune global clean energy forum

> October 2-3, 2012 **Hotel Arts Barcelona**



NEWSSTAND PRICES

FOR SUBSCRIPTION INFORMATION: +30 210 48 08 222 TO RECEIVE THE IHT AT YOUR NEWSSTAND:

Culture 9 Science 8 Sports 11

IN THIS ISSUE No. 40,239 Business 13 Crossword 12 Full currency rates Page 17

€1= \$1,2050 \$1.5500 ▲ Yen \$1= ¥78.180 ¥78.360 \$1= SF0.9960

CURRENCIES NEW YORK, TUESDAY 1:30PM \$1.2110 \$1.5500

▼ FTSE 100 close 5,499.23 -0.63% ▼ Nikkei 225 close

STOCK INDEXES TUESDAY

\$88.33 -\$1.35 ▼ Light sweet crude

▼ The Dow 1:30pm 12.570.58 -1.19%

OIL NEW YORK, TUESDAY 1:30PM

# Business

Read the IHT on your Kindle.

Subscribe at www.amazon.com/ihtkindle



### E.U. nears settlement of Google investigation

**BRUSSELS** 

BY PAUL GEITNER

The European Commission said Tuesday that it had reached an "understand-ing" with Google that could lead to a set-tlement of an antitrust investigation into allegations that it abused its dominance of the Internet search and advertising market.

Google had been asked in May by the E.U.'s competition commissioner, Joaquín Almunia, to make concessions in four areas or face formal antitrust charges, with potentially years of costly litigation and hefty penalties if it lost.

"The commission considers Google's proposals as a good basis for further talks and has now reached a good level of understanding," said Antoine Colombani, a commission spokesman. He added that meetings on a more technical level would now be held to reach a settlement.

It was unclear what concessions Google had offered. A Google spokesman in Brussels, Al Verney, said only, "We continue to work cooperatively with the European Commission."

The commission, after a two-year inquiry, had found that Google might have abused its dominance in Internet search and advertising, giving its own products an edge over those of others while maintaining that it offered a neutral result.

Google's search engine has a 90 percent market share in many major European markets, greater than the lessthan-70-percent share it holds in the United States, where it is also under investigation.

In May, Mr. Almunia took the rare step of going public with his demand for changes in Google's business practices, an indication that he was looking to settle rather than going through the time-consuming process of filing charges and making a case - at the end of which the remedies won are often irrelevant in the fast-moving technology industry.

"These fast-moving markets would particularly benefit from a quick resolution of the competition issues identified," Mr. Almunia said at the time, adding that this would be preferable to "lengthy proceedings."

Nicolas Petit, a law professor at the University of Liège in Belgium, said he did not believe that the commission had a strong case against Google, which might have contributed to Mr. Almunia's unusual offer. "It could have

been a bluff, like a poker game," he said. On the other hand, he said, Google has a reputation for pushing the boundaries of the law and then backing off when it faces legal issues, as it did when it began scanning books without seeking permission, then agreed to pay \$125 million to settle charges of copyright infringement - a deal that was later rejected by a U.S. judge.

"Its image is extremely important in its success, and that's why they like settlements, because they can be presented as win-win situations for consumers and the company alike," Mr. Petit said.

The European investigation began in 2009 and followed complaints made from smaller Web businesses that Google downgraded their sites in its search results, or discriminated against them in other ways. Microsoft - itself the target in a decade-long antitrust battle with the commission that resulted in €1.7 billion in fines and penalties, or \$2.05 billion at the current exchange rate - filed a complaint in March 2011.

The four practices that Mr. Almunia listed in May included the way Google displayed links to its services differently than those of competitors and its use of restaurants and travel reviews copied from competitors' Web sites.



A woman begging on Tuesday in Pamplona, Spain. The country's bond yields are at levels that could require it to ask for more aid than European partners are willing to offer.

# Euro zone's divisions grow wider

FRANKFURT

As Germany brushes off credit warning, Spain's borrowing costs climb

BY JACK EWING AND PAUL GEITNER

Even as Germany tried Tuesday to brush off a warning that the cost of supporting its euro zone partners could damage Berlin's stellar credit rating, market pressure was making it more likely that Spain could be the next euro member to need a helping hand.

Germany, along with the Netherlands and Luxembourg, found themselves needing to defend their economic fundamentals after Moody's Investors Service late Monday issued a "negative" outlook for those countries' top-flight, triple-A credit ratings because of the risk of more euro zone bailouts. And while the three countries reaffirmed their commitment to their weaker neighbors, there were signs of rising concern.

The Spanish economy minister, Luis de Guindos, was headed to Berlin for talks Tuesday night with the German finance minister, Wolfgang Schauble. Spain's borrowing costs remained dangerously high in market trading, and at an auction of shorter-term debt Madrid had to pay significantly higher rates than

Meanwhile, the European Commission president, José Manuel Barroso, announced his first trip to Athens in three years, as representatives of international lenders began reviewing Greece's progress in meeting the terms of its bailout.

The flurry of sudden meetings added to the crisis atmosphere in the euro zone, amid signs that Greece will not be able to avoid bankruptcy and an exit from the euro zone without additional aid, which its European partners are in-

creasingly unwilling to give. "Europe is sleepwalking toward a

disaster of incalculable proportions," the Institute for New Economic Thinking, a group of prominent economists financed largely by the billionaire financier George Soros, wrote in a new

The report urged countries with stronger economies, like Germany, to accept greater short-term "burden sharing" for the long-term good of all. "Absent this collective constructive response, the euro will disintegrate," the

group wrote. In issuing a negative outlook for Germany, the Netherlands and Luxembourg late Monday, Moody's cited what it said was an increased risk that those triple-A countries would have to bear the cost of propping up Spain and possibly even Italy.

Moody's also pointed to what it said was a greater danger that Greece would

Berlin played down a negative report by Moody's, saying it would "maintain its safe haven status" with its current policies.

leave the euro and "set off a chain of financial-sector shocks and associated liquidity pressures for sovereigns and banks that policy makers could only contain at a very high cost.'

In response, the German Finance Ministry said the short-term risks were 'not new" and emphasized the country's determination to keep its own fiscal house in order.

'By pursuing sound economic and fiscal policies, Germany will maintain its safe haven status and will contine to exercise responsibly its role as stanity anchor in the euro area," the ministry said. "Together with our partners, we will do everything to resolve the European sovereign debt crisis as quickly as possible."

The prime minister of Luxembourg, Jean-Claude Juncker, who also heads the Eurogroup of euro zone finance ministers, said that in declining to downgrade the credit rating of any country, Moody's had affirmed their financial strength.

"Against this background, we reiterate our strong commitment to ensure the stability of the euro area as a whole," Mr. Juncker said in a state-

Still, the warning of a possible future downgrade could make it more difficult for politicians in countries including the Netherlands, which holds general elections in September, to muster support for helping Greece and Spain.

'The populist parties, on the extreme right and left — this is only reinforcing their perspective," said Harald Benink. a professor of banking and finance at Tilburg University in the Netherlands.

While Germany's bond yields remain near record lows, Spain's have reached levels that are considered unsustainable in the long term, raising fears that it will have to ask for more aid than its European partners are willing or able to countenance.

Spanish leaders have pleaded with the European Central Bank to intervene in the bond market to take off some of the pressure. But the E.C.B. said Monday that it did not buy any government bonds last week, disappointing hopes it might reactivate a dormant debt-purchasing program.

The Spanish prime minister, Mariano Rajoy, could also try to persuade his euro zone partners to allow the bloc's bailout fund to buy up Spanish debt, but that would also mean accepting intrusive conditions.

A European Commission spokesman in Brussels said there had been no request to activate bond purchases by the fund. Still, such a move seems the ...st likely outcome, Antonio Barroso, a Europe analyst at the Eurasia Group in London, wrote in a note. "In turn, this could also provide cover for the E.C.B. to do more, as long as its losses are guaranteed," he said.

German bond yields remained around 1.24 percent on Tuesday, well below the rate of inflation. But Spanish 10year yields remained above a dizzying 7.5 percent.

The Spanish Treasury reported that it sold €3.05 billion, or \$3.67 billion, of shortterm bills on Tuesday, more than the €3 billion sought. But the yield for threemonth bills rose to 2.43 percent from the 2.36 percent it paid in the last auction, on June 26. Six-month bills rose to 3.69 percent from 3.24 percent last month. Analysts said a bond auction set for Aug. 2 would be a tougher test for Madrid.

With Germany's prized credit rating under threat, Chancellor Angela Merkel could face even more trouble getting members of her own party, the Christian Democrats, to support measures intended to prevent a disintegration of the euro zone. Last week, Ms. Merkel struggled to rally a majority of her own governing coalition to support a program to rescue ailing Spanish banks.

It has become increasingly clear that there is no political support in Germany for giving any more aid to Greece than has already been promised. The action by Moody's will only strengthen the hands of dissenters in the German Parliament who believe Greece should leave the euro.

Mr. Benink, of Tilburg University, said politicians were underestimating the consequences of such a step, since it would no longer be a given that euro zone countries were irrevocably linked. "Once Greece exits, the fundamental promise of the euro zone is broken," he

Moody's action late Monday highlighted the predicament confronting euro zone leaders. They face criticism for failing to address the crisis more decisively - what Moody's referred to as their "reactive and gradualist policy response." But a more forceful strategy would probably require greater financial commitment from the euro zone's wealthiest countries.

Paul Geitner reported from Brussels. Raphael Minder contributed reporting from Madrid.

with permitting the bank to give unlaw-

ful financial assistance for the purpose

of, or in connection with, the purchase of

Willie McAteer, and its managing direc-

tor for Ireland, Pat Whelan, were read

Among those the three are accused of

helping are Paddy McKillen, Gerry

Gannon and Joe O'Reilly, real estate ty-

coons who achieved celebrity status

The wife and children of Ireland's

former richest man, Sean Quinn, includ-

ing his son, who was jailed last week in a

separate case to connected with the

bank, were also among the list of 16

people the bank was accused of assist-

Mr. Quinn, bankrupt and also facing

during Ireland's construction boom.

the same charges Monday.

The bank's former finance director,

shares in Anglo.

## Rosneft joins race to buy BP's holding in Russia

State-owned firm is now 3rd bidder for a stake estimated at \$30 billion

BY ANDREW E. KRAMER

Rosneft, the Russian state oil company, said Tuesday that it had opened negotiations with BP to buy out the British oil company's share of the TNK-BP joint venture, a deal that could escalate the trend toward greater state control of energy ventures in Russia.

BP confirmed Tuesday that Rosneft had shown interest in becoming the third bidder for the BP stake in the venture, which executives of the British company have estimated to be worth \$30 billion.

Rosneft said it approached BP only after it had announced interest from another potential buyer in June.

"Rosneft believes that an acquisition of BP's interest in TNK-BP would be in the best interest of both Rosneft's and BP's shareholders and would lead to further development of TNK-BP," Rosneft said.

For its part, BP said it "welcomed today's announcement by Rosneft of its interest in commencing negotiations."

The British oil company was already in talks with its local partners and with the as-yet-unidentified bidder that BP said came forward with an offer this

Any agreement is at least three months away, the period BP must, under its shareholder agreement, negotiate on the buyout offer from its current partners. These investors include Len Blavatnik, a Soviet-born billionaire who lives in New York, and two Russianbased partners

BP added Tuesday that it might not reach agreement with any buyer, and

A sale of BP's share of the TNK-BP venture could escalate the trend in Russia toward greater state control of the energy industry.

would in that case simply hold on to the Russian business.

For BP, the joint venture has provided a gusher of both cash and management headaches for nearly a decade.

It has been extraordinarily important for BP as a source of profit, particularly after the company was saddled with billions of dollars in cleanup costs after the Gulf of Mexico oil spill two years ago. TNK-BP dividends last year accounted for 90 percent of the dividends BP paid to its own shareholders.

But BP and its Russian partners have clashed repeatedly over whether and how to expand the venture. And while profitable today, TNK-BP's

fields in western Siberia are in decline. President Vladimir V. Putin's apparent animosity for the class of post-Soviet rich known as the oligarchs also seems a vulnerability, as these individuals are BP's partners.

Last year, Rosneft offered BP a new offshore drilling contract, in the Russian sector of the Arctic Ocean. But BP's existing partners objected to this deal, and BP was compelled to call it off, bumping BP out of the Russian Arctic race and touching off a dispute with the partners that set up the current round of buyout

Meanwhile, Exxon Mobil of the United States, Statoil of Norway and Eni of Italy have signed agreements to explore in the Arctic together with Rosneft.

These deals point to an emerging business model as Mr. Putin enters a third term as president: not of privatized oil assets, as oil companies had hoped for after the Soviet collapse, but rather one of joint ventures with state companies

By entering the Russian market with state-owned partners, like Rosneft or the gas company "Gazprom, foreign companies gain access to deposits that might otherwise be off limits, like in the. Russian Arctic. In return, however, they are relegated to the role of minority partners in the projects.

For BP, which began as British Persian Oil Co. before its Iranian assets were nationalized, a deal with Rosneft would be the latest complicated maneuver to hold on to overseas oil assets at a time when the Russian government is increasingly moving toward greater

Renaissance Capital, a Russian investment bank, suggested in a research report last week that the Russian oil industry would be partially nationalized in Mr. Putin's third term, with state control rising to more than 50 percent from 30 percent today.

Rosneft's statement, however, emphasized the commercial rationale for a deal with BP, noting that a global trend toward consolidation was under way, and that Rosneft itself was "continually evaluating growth opportunities and future partnerships."

#### Former chief of Anglo Irish is charged over bank's collapse day that Mr. FitzPatrick was charged

DUBLIN

REUTERS

The former head of Anglo Irish Bank, Sean FitzPatrick, was charged Tuesday for his part in Ireland's most expensive bank failure, making him the highestprofile banker to face prison in connection with the country's financial col-

Mr. FitzPatrick, the face of Ireland's banking crisis after serving as Anglo's chief executive during its rapid rise and chairman during its stunning fall, was arrested at the Dublin airport and brought before a court to face 16 charges.

Like two other former top executives at the bank who were charged on Monday, Mr. FitzPatrick, 64, was charged chiefly over his role in connection with loans allegedly given to a group of 10 wealthy clients to buy shares in the

bank and prop up its stock price. Mr. FitzPatrick sat with his arms folded and did not respond when each of the charges was read out. He was released on bail of €11,000, or \$13,255, and told to appear Oct. 8 when evidence would be heard. He must report weekly to the police before his trial.

The former multimillionaire banker, who was declared bankrupt two years ago, could face up to five years in prison if found guilty of any of the charges.

For more than three years, the Office of the Director of Corporate Enforcement in Ireland and the police have been investigating Anglo's actions, including the loans to the group of wealthy clients, referred to by local media reports as the "golden circle," as well as whether deposits were used to mask large withdrawals.

The long-running investigation left voters angry that nobody had been jailed for the mismanagement of banks that helped fuel the runaway "Celtic Tiger" economy

Anglo Irish Bank became a byword for the casino-style lending practices that obliterated the local banking sector and pushed Ireland into an €85 billion bailout. Its collapse is expected to cost Ireland close to €30 billion.

Mr. FitzPatrick built Anglo up from a small niche lender in the 1980s to one of the fastest growing banks in the world 20 years later by shunning a traditional consumer banking model in favor of lending aggressively to real estate developers.

But when Ireland's property bubble



burst spectacularly, Anglo's years of reckless lending resulted in the bank's nationalization in January 2009. After successive bailouts, Dublin decided to start slowly winding down Anglo a year

Mr. FitzPatrick resigned in late 2008 after acknowledging that he had kept shareholders in the dark for years about loans worth €84 million he had received from Anglo.

A police sergeant told the court Tues-

the threat of prison over his failure to cooperate with Anglo's attempts to seize foreign assets he put out of its reach, lost his €4 billion business empire over a disastrous investment in the bank.

Anglo Irish stock became worthless once the government took over the bank, leaving Mr. Quinn with debts of almost €3 billion.

## By cajoling customers, utilities strive to cut their own sales

Prizes and discounts offered to homeowners who trim electricity use

BY DIANE CARDWELL

With summer in full swing, electric utilities in the United States have been taking to Facebook and Twitter, urging customers to conserve energy in the hope of avoiding blackouts and other strains on the system.

At Duke Energy, which provides electricity to customers in North and South Carolina and is the largest utility in the United States since its merger with Progress Energy, the effort has included something beyond the usual messages to turn the air-conditioner down. The company is promoting a series of Web videos featuring a fictitious girl named Shannon who appears with her family, the Powers, to dispense energy-saving advice.

"This summer, why not use a clothesline to dry your clothes instead of a dryer?" Shannon, also known as Bossy Pants, suggests while pinning up the family wash in a clip promoted recently on Youtility, Duke's Facebook page for energy efficiency. "You'll save a lot on your energy bill and your clothes will come out nice and fresh."

The series, started last summer, is just one way that Duke and other electric companies across the United States are trying to use social media, competitive games and data analysis to push customers to buy less of the electricity they sell. While it seems counterintuitive for utilities to discourage use of their product, it actually makes financial sense as they face government mandates to encourage more energy conservation and deal with the rising cost and difficulty of building new power plants and distribution systems.

In Chicago, a household that uses a lot of electricity might receive a mailing showing that more energy-efficient neighbors wash their clothes in cold water, along with a coupon for Tide Coldwater detergent. In Texas, customers can compete to be named the Biggest Energy Saver and get a shot at winning new appliances, home improvement gift cards or \$5,000 to put toward a wind turbine. And outside Boston, customers earn points for saving energy that they can redeem for meals at local restaurants or a \$10 discount at the Whole



Mark Lattanzi, a homeowner in Montague, Massachusetts, using an online service to track his family's use of electricity. His local utility offers incentives for encouraging efficiency.

Foods retailing chain.

Motivating people to save energy is not really about the money, behavior experts say. Successful programs foster a sense of achievement and identity. And competing to beat your friends and neighbors at the savings game does not hurt.

Many of these programs are still in their infancy, and it remains to be seen whether a significant number of customers want to work with their utility companies to save energy; most customers become interested in their electricity only when it does not work, executives and experts say. The Duke Youtility page, for instance, has fewer than 3,300 "likes," and most of the recent comments complain about power failures, rate increases and the company's troubled merger with Progress Energy. But utilities hope to tap into the same

dynamic that works for video games and applications like Foursquare, where users compete against one another to earn bragging rights, like becoming 'mayor' of a favorite restaurant.

Opower, a home energy management company, has shown promising results with its keeping-up-with-the-Joneses approach, sending people reports on how their electricity use compares with that of other households in their neighborhoods — complete with a smiley face, or two, depending on how they stack up. The company has created an app with Facebook and the Natural Resources Defense Council that can load a user's energy data and allow people to compete with their friends and family members. Soon, said Daniel Yates, a co-founder

of Opower, customers of the approximately 75 utilities he works with will be able to earn electronic badges saying things like "Congratulations: You are an energy saver" for cutting their bills. While it might sound hokey, the

strategy works. Tom Lyons, a customer of Pacific Gas & Electric in San Jose, California, said Opower's feedback was reinforcing. "You're getting some nourishment or some reward from the energy report and the smiley faces," he said.

When his conservation efforts slip, he said, it makes him dig for the reason: extra company that month, working more from home or his daughter's having a couple of sleepovers "where they were yakking, watching TV with all the lights on in the room until 3 a.m."

States and utilities have run conservation programs for decades, with some success. Many households have compact fluorescent bulbs, energy-saving appliances and even programmable thermostats.

But the current efforts are aimed at helping customers change their habits.

"I think we've transcended the equipment and the shell of the house, and now we're talking about the how," said Tom Baron, senior program manager for residential energy efficiency at National Grid, an electric and gas utility that operates in the Northeast of the United States. "Not, 'What in my house uses energy?' but, 'How do I use it?'"

long-term conservation is ever more critical, utility executives and efficiency experts say. At least 25 U.S. states have set specific goals for reductions in en-

In 2010, the total budget for utility customer energy efficiency programs was \$4.6 billion, up more than four times from the \$1.1 billion spent on such programs a decade earlier, according to the American Council for an Energy-Efficient Economy. The vast potential of the energy efficiency market has brought interest in home energy management from major companies like Verizon and Comcast, as well as from a fleet of start-ups.

But getting people to care about their electricity and work with their utilities is a battle. Electricity is "boring and it's cheap," said Alex Laskey, a co-founder on Opower. Many efforts have already foundered: Microsoft, Google and Cisco Systems have pulled back from their ventures, and Tendril, a start-up that works with major utilities including Southern California Edison and Consolidated Edison in New York, lost two executives and cut its staff in May, as it was raising money to finance its operations.

Part of the challenge is that while most people see saving money as a good thing, it is not enough by itself to change habits in the long term. The average U.S. household spends about 2 percent of its income on electricity, so a 10 percent reduction in power use does not add up to much, Mr. Laskey said.

But people can be motivated by more emotional factors, like the sense of achievement that comes from setting and reaching goals or one-upping a neighbor, or the sense of belonging that comes from mimicking friends or participating in a communitywide challenge.

Nonetheless, a little financial reward, coupled with a clear display of energy saving, can be just the nudge some customers need.

One program managed by C3, a company that runs loyalty programs for utilities, awards participants two points for every kilowatt-hour of electricity they use each month less than they used the year before they joined. Customers can redeem points for gift cards or discounts at major retailers or local restaurants and shops. The company uses demographic and behavioral information to make specific offers to customers - for instance, discounts on school supplies to households with children, said Thomas Scaramellino, senior vice president and general manager of C3.

### **IHT Classifieds**



**UK** +44 (0)20 7061 3533 jbutler@nytimesglobal.com The Americas +866 459 1121 iht@classifiedsplus.net

France +33 1 41 43 92 06 vboyle@iht.com Asia +601 2697 4088 iht@drumediaplc.com

#### **Marriage & Dating Agencies**



GRAY & FARRAR

THE ULTIMATE MATCHMAKING SERVICE

HEADQUARTERS: 35 BERKELEY SQUARE • MAYFAIR • LONDON • W1J 5BF • T: +44 (0)20 7290 9585 • W: GRAYANDFARRAR.COM GENEVA · BRUSSELS · PARIS · MONACO · NEW YORK · LOS ANGELES · HONG KONG

#### General

**Autos Tax Free** 

Iczkovits

tax free cars



ALL LEADING MAKES Same day registration possible, renewable We also register cars with expired or foreign plates.

Alfred Escher-Street 10 - CH-8027 Züric Telephone: +41-44-202 76 10 - Fax: +41-44-202 76 30 www swissplates com -

**Business & Leisure Travel** 

#### **Business Opportunities**

1st/Business Class Worldwide Boutique Consolidator - up to 50% off. Special fares for round-theworlds, cruises & hotels.
Imperial Travel, Virtuoso Member 1-646-216-8816 www.imptrav.com

To place an ad

from Slovenia,

Croatia and

Herzegovina

Bosnia

/ correspondent bank relationsh Class A license. US \$98,000. BGFH@safe-mail.net Capital

**Available** 

INTERNATIONAL FINANCING 10 MILLION AND UP, BROKERS PROTECTED, All areas considered. Confidential inquiries to: Internationalprojects101@ yahoo.com

International Bank

#### **Commercial R.E** for Sale

BERLIN, GERMANY - WW2, air raid shelter company, buildings improvements and betterments, and with historical museum and haunted house to sell.
www.Gruselkabinett.com
or e-mail: m.fried@gmx.de

business news at

business

global.nytimes.com/

Mark Rodigi +377 44 18 61 51

#### Contact one of the IHT advertising offices listed below.

Most credit cards accepted

Tel: (33 1) 41 43 92 06

■ UNITED KINGDOM Tel: +44 (0)20 7061 3533 Email: jbutler@nytimesglobal.com

■ AUSTRIA/GERMANY Tel: +49 (0) 69 71 67 79 10

Tel: (33 1) 41 43 92 06 Tel: 30 211 2121 480

IN MIDDLE EAST

■ ISRAEL Tel: 972-3-512 17 74

Email: ad-english@haaretz.co.il For any other countries in the Middle East, ease contact wpaice@nytimesglobal.com Tel: +971 4 428 9457

IN SOUTH AMERICA **■ ECUADOR** 

Email: luigi\_lanterm/@hotmail.com Tel: 1 441 7852

Round-the-clock

#### Need to place a classified ad?

**■ NETHERLANDS** Email: IHT@cemedia.nl

■ PORTUGAL Tel: 351 21 793 72 05 isabel.azevedo@interpublishing.pt

■ SCANDINAVIA (Denmark, Finland, Norway, Sweden) Tel: +47 55 92 51 92

AIM, About International Media C/ Alcalá, 20, ofi. 403, 4ªplta. 28014 Madrid (Spain) Tel. + 34 91 320 37 70

IN ASIA Tel: +601 2697 4088

IN NORTH AMERICA **■ ARGENTINA** 

■ UNITED STATES AND CANADA

Email: fsmgydsa@blockbuster.com.pe

Email: diagram@interlink.com.ar

■ NORTH AFRICA Email: cnhanouna@yahoo.com ■ EAST AFRICA (out of UK) Tel: 207 328 7763

Email: tejgrewal@hotmail.com

International Herald Tribune THE GLOBAL EDITION OF THE NEW YORK TIMES

## Greek rescue running out of time

goals. But many experts say that the targets themselves were never within reach and that pushing so hard for a series of three increasingly weak Greece governments to comply has profoundly damaged its economy.

Mr. Roumeliotis conceded that Athens had fallen woefully short on the economic reform front, but he said the bigger problem was that the severe budget cuts contributed to the downward spiral by decimating economic demand within Greece.

On Monday, the European Commission reaffirmed that the next portion of aid to Greece would probably not be disbursed until September, putting the country at greater risk of running out of money to pay salaries and pensions.

At the end of last week, the European Central Bank cut off a crucial source of cash for Greek banks, saying that it would stop accepting Greek government bonds as collateral for low-cost loans til the troika completed its rech is not expected until late August at the earliest. Greek banks must now borrow from the Greek Central Bank at a higher interest rate, from a fund with limited means.

Mr. Samaras's government will try to persuade the lenders who are providing its life support that the targets they set are off base because Greece's economy keeps contracting as a result of the tax increases and spending and wage cuts mandated by the troika.

Greece's economy shrank 3.5 percent in 2010, an additional 6.9 percent in 2011 and is expected to contract 7 percent this year. Unemployment is at 22.5 percent and expected to rise to 30 percent, while Greece's main retailers' association warned Monday that sales were expected to drop more than 50 percent this year.

The original plan called for Greece to return to financing its debts in the open in 2014, an idea that one Europear. Ifficial, speaking on condition of anonymity, now calls a "fiction."

Complicating matters is the fact that the troika's institutions have different mandates and constituencies. "The troika is not one homogenous bloc, they have different views," said Guntram B. Wolf, the deputy director of the Bruegel public policy institute in Brussels.

Some experts say that the I.M.F. has been quietly pushing to ease the austerity terms while European leaders have mostly been trying to satisfy Germany's demands to keep Greece on a tight leash in order to persuade its own voters to support the bailouts.

During an interview, the former Socialist prime minister, George A. Papandreou, who was in power when Greece asked for its first a bailout in 2010, said Athens was given nearly impossible targets at the outset. That, he said, was because Germany wanted to



A fish market in central Athens. Unemployment in the country is at 22.5 percent and is expected to rise to 30 percent, while the contraction of the economy is accelerating.

countries of what could await them if they asked for the same. "There was the moral hazard idea:

'We can't give Greece money too cheaply," Mr. Papandreou said. "There was a sense, 'Punish them. We have to be careful that if we make it too easy for a bailout, others will want similar things.""

While Greek officials say they were set up for failure, the mood in Germany has grown less sympathetic, and calls for a Greek exit from the euro zone have escalated. Alexander Dobrindt, the general secretary of the Christian Social Union, the Bavarian sister party of

The question now is whether international lenders are prepared to force Athens to default.

Chancellor Angela Merkel's Christian Democratic Union, said Monday that the Greek government should now pay half its wages and pensions "in drachmas," Greece's former currency.

Meanwhile, Germany's economy minister, Philipp Rösler, said last weekend on German public television that, "for me a Greek exit from the euro zone has long since ceased to be a frightening prospect.'

As Germans sharpen their rhetoric, in Greece the cuts have come at a steep political cost: the more the economy contracts, the less consensus the government has to carry out the fundamental changes needed to help the country restart growth.

Despite the obstacles, Greece has made some substantial strides. From 2009 to 2011, it cut its primary expendi-

send a message to other European ture - total spending not counting interest payments — by 18 percent, or €20 billion, the equivalent of \$24 billion at the current exchange rate. That is a feat even Greece's critics concede would be challenging for any government.

> The government is also expected to continue reducing the number of civil servants. Back in 2009, it had about 800,000, or about one of every 14 Greeks. By the end of the year, it expects to have only 700,000 civil servants, about one in 16 Greeks.

The coalition government is now divided over where to find an additional €11.5 billion in cuts over the period 2013-14 without causing a total collapse in basic services. In the coming days, it is expected to announce the merging of state entities and cuts to social welfare payments. It has said it will not lay off state workers. but reduce them through attrition and early retirement. It has set a ceiling of around €2,400 a month for pensions.

But some of the government's gain in reducing its deficit has come from not paying its bills to Greek companies, making things worse for the economy when thousands of such companies are going out of business.

"A reform needs two things: Time and trust," said Anna Diamantopoulou, a minister in the governments of Mr. Papandreou and Lucas D. Papademos. 'We needed time to persuade people, but we did not have it.'

"If you want to restructure a small company that takes two years," she added. "Can you restructure a country in two years?"

Dimitris Bounias contributed reporting from Athens, Nicholas Kulish from Berlin, Paul Geitner from Brussels and Jack Ewing from Frankfurt.