

Halliburton to Settle

Company to Pay \$1.1 Billion for Deepwater Horizon Oil Spill

By DANIEL GILBERT

Halliburton Co. will pay \$1.1 billion to Gulf Coast residents, local governments and businesses affected by the 2010 Deepwater Horizon oil spill, moving to limit its liabilities ahead of a court ruling that could have increased its costs.

The settlement announced Tuesday by the company and plaintiffs' lawyers includes claims for punitive damages brought by the commercial fishing industry and others affected by the spilled crude.

The amount is less than the \$1.3 billion Halliburton has set aside for its costs stemming from the largest offshore oil spill in U.S. history. Some legal analysts say the settlement will eliminate most of the oil-field-services company's liability from the incident.

The deal comes as Halliburton, BP PLC and Transocean Ltd. await a ruling from U.S. District Judge Carl Barbier in New Orleans on the degree to which each was negligent in the explosion and resulting oil spill. In settling, Halliburton avoids the risk of higher damages if it is found to be grossly negligent.

"This lifted the uncertainty and eliminated the impact of a potential negative ruling from Judge Barbier," said Tom Claps, a litigation analyst at Susquehanna Financial Group.

Houston-based Halliburton performed the oil-well cementing on the Deepwater Horizon rig, which was owned by Transocean and operated by BP. Regulators and government investigative panels have found that deficient cementing was a direct cause of the well blowout, which set the rig ablaze and left 11 workers dead.



In a 2010 file photo, the Deepwater Horizon oil rig burns in the Gulf of Mexico.

Halliburton has defended its cement work on the Deepwater Horizon rig, saying the mix was prepared to BP's specifications and that BP and Transocean failed to test the integrity of the cement. All three companies deny they were grossly negligent.

"Halliburton stepped up to the plate and agreed to provide a fair measure of compensation to people and businesses harmed in the wake of the Deepwater Horizon tragedy," said Stephen J. Herman and James P. Roy, lawyers for the plaintiffs.

The settlement needs court approval. BP has the most at stake in Judge Barbier's forthcoming rulings on negligence and the amount of oil spilled. The company could face up to \$18 billion in penalties under the Clean Water Act, though it has said it believes the liability is closer to \$3.5 billion.

BP said Tuesday that Halliburton's settlement demonstrates that

the Deepwater Horizon disaster was caused by multiple parties.

"This settlement marks the very first time—despite three years of official investigations and litigation implicating the company—that Halliburton has acknowledged that it played a role in the accident," BP spokesman Geoff Morrell said in an emailed statement.

Anadarko Petroleum Corp., which had a 25% stake in the well, could also be liable for up to \$4.6 billion of Clean Water Act penalties. The company offered to settle with the U.S. Department of Justice for \$90 million in July. A spokesman didn't immediately respond to a request for comment.

Transocean has set aside \$432 million for its Deepwater Horizon liabilities. A spokeswoman declined to comment. A trial over financial penalties owed to the U.S. government is set for January 2015.

Luxottica CEO Exits As Founder Steps In

By MANUELA MESCO

Italy's **Luxottica Group SpA**, the world's largest eyewear maker, said Monday that Andrea Guerra had stepped down as chief executive after almost 10 years, in a move that returns founder Leonardo Del Vecchio to a more prominent role.

The company, which makes eyewear for the likes of Chanel and Giorgio Armani and owns brands such as Ray-Ban and Oakley, said it will now be run on a co-CEO model, in which two chief executives will have distinct responsibilities and each will be in charge of a unit. The two units, markets and corporate, will be complemented by an operations role, which will be taken by Massimo Vian, already a Luxottica executive.

The three areas will fall under the supervision of 79-year-old Mr. Del Vecchio, who founded Luxottica in 1961. In his chairman role, Mr. Del Vecchio will head an executive committee made up of the co-CEOs, which will help the executives maintain a unitary strategy.

"We're entering a third phase [of the history] of the company," Enrico Cavatorta, the current chief financial officer, said Monday.

Mr. Cavatorta will take on the role of corporate chief executive. He said the increasing complexity of the business had made a new organizational model necessary.

According to a person familiar with the matter, the new structure had been proposed and decided upon by Mr. Del Vecchio a few months ago, as he wanted to return to a strong operational role. He had relinquished the position 10 years ago and handed it to Mr. Guerra.

During Mr. Guerra's years, Mr. Del Vecchio had a limited role in the company's daily management. For instance, he was informed of an important agreement that the former chief executive struck with Google Inc. on the so-called Google Glass only when it already was completed. Luxottica reached a deal with Google last March, in which Luxottica will design and develop Google's Web-connected eyewear.

"Maybe he would have liked to know it a day or two before," Mr. Cavatorta said on Monday. Although

Mr. Cavatorta says that this wasn't a reason for friction.

"I want to go back to the company," Mr. Del Vecchio said few months ago, when explaining his vision for the new management structure, according to the person.

In the new structure, Mr. Del Vecchio will be much more present compared with past years, particularly in the transitional phase. But Mr. Cavatorta said that he won't manage day-to-day operations.

"He will only be more with us than in the past...He will have the role of a guide and strategic vision," he said.

Citigroup said in an analyst note that it remains skeptical of the new structure. "[Mr.] Del Vecchio's first priority should be to identifying the right person to replace him as future...chairman rather than CEO of Markets."

The intention to have a stronger role in the company has triggered clashes between Mr. Del Vecchio and Mr. Guerra in the past few months, as Mr. Guerra dismissed the proposal to be a co-CEO, "under the leadership" of Mr. Del Vecchio, the person added.

Mr. Cavatorta said Monday that Mr. Guerra didn't agree with the change in the executive structure of the company, which led to his departure. He also said the increased powers given to Mr. Del Vecchio aren't a step back for the company.

He said that the company's strategy is unchanged, and it will continue to grow through acquisitions and by broadening its role in emerging markets. Yet the company will have a renewed focus on return on investment, Mr. Cavatorta said.

"It's not going to be a dramatic change in strategy but if in the past we have tolerated to maintain low profitability business divisions...we will now be more severe with ourselves," he said. He added this could refer to either licenses or proprietary brands.

Mr. Cavatorta will take on the markets chief executive role on an interim basis, while the company looks for a suitable candidate.

The future CEO, sharing the management of the firm with Mr. Cavatorta, will be external to the company.

—Liam Moloney
contributed to this article.

Danone's Chief to Step Down

By INTI LANDAURO

PARIS—**Danone SA** said Chief Executive Franck Riboud would step down from the job he has held for 18 years and be succeeded by his deputy, as the company considers strategic options to ensure its long-term growth.

Mr. Riboud, 58 years old, who will remain as chairman of the French dairy group, will be succeeded by 50-year-old deputy CEO Emmanuel Faber, Danone said. Bernard Hours, the other deputy CEO, will leave the company.

The changes are effective Oct. 1. Danone said the change at the helm of the company is aimed at laying "the groundwork for a smooth succession," adding that Mr. Riboud would concentrate on the key strategic issues facing Danone.

It comes as the maker of Activia yogurt and Aptamil baby milk has been seeking to bounce back from a series of knocks over the past few years, starting with the effects of the economic crisis in Europe, followed by a food-safety warning in Asia, milk-price inflation and volatile emerging-market currencies.

The company's top management is working on an "internal reflection" called "Danone 2020" to consider new strategies to deliver strong long-term growth.

Mr. Riboud took over at the helm from his father Antoine in 1996 and has led Danone through ambitious mergers, acquisitions and expansion. But the company remains relatively small compared with Nestlé SA of Switzerland. That has fueled speculation about whether Danone would again move into acquisition mode.

India and Japan Are a Perfect Fit

By JON THORN

Indian Prime Minister Narendra Modi's visit to Japan will generate headlines for the big deals that he does (or doesn't) conclude with his Japanese counterpart Shinzo Abe. These include civil nuclear cooperation, high-speed rail construction and defense ties.

However, the bilateral relationship ultimately depends on thousands of smaller commercial deals. If the two leaders set the tone and clear away obstacles, the India-Japan partnership can become the driver of Asia's growth. Mr. Modi said on this visit that Japan and India bear a "huge responsibility" to define the path of Asian growth in the 21st century.

Everyone knows Japan has the worst demographics in the world, but few know that India has the best.

The two powers are complementary on several levels, but primarily in the economic realm. Japan has the largest growth problem in the world while India has the largest development problem.

There is no clearer example of this than India's need for new roads, railways and ports. The Reserve Bank of India has defined India's key economic problem as a supply-side deficit; demand is abundant, at times rampant, but supply responses are reduced by the unavailability and cost of capital, alongside logistics bottlenecks. The result is higher inflation and lower growth.

Japan can provide the solution in the form of capital and technology. Tokyo is a partner in the \$90 billion Delhi-Mumbai Industrial Corridor which will create new "smart cities," seven of which have started construction. Some 100 more are planned nationwide. This initiative has already yielded the Delhi Metro, built under budget and within schedule with Japanese loans and rolling stock. There are now around 1,500 Japanese companies operating 2,500 enterprises in India. Last year they grew by 40% and have tripled in number over the last five years, according to the Japan External Trade Organization.

While this is good news, the relationship needs an added impetus to take this growth into a national and international arc. That is where the two prime ministers come in. Both are charismatic reformists with a self-imposed agenda to transform their countries. And both need growth and development to make that happen.

Mr. Abe won a landslide victory in December 2012 with a clear mandate for reform and growth. He has so far made an incredible almost 50 foreign visits as prime minister and has made it his mission to be a "salesman for Japan" and coined the phrase, "Japan is back." With domestic demand unlikely to grow much, Japan must invest in overseas manufacturing.

Mr. Modi was elected in May with a similar 30-year record mandate for reform. He and Mr. Abe are old allies; they have met four times before and Mr. Modi is one of three people that Mr. Abe "follows" on Twitter.

Everyone also knows that Japan has the worst demographics in the world, but few know that India has the best. As of 2008, Ja-

pan's old age dependence ratio, or OADR, was 34 pensioners to 100 workers. By 2035, only 21 years away, there will be 57 pensioners per 100 workers.

By contrast, India's 2008 OADR of eight rises to only 14 by 2035. That means in 21 years there will still be seven workers for each pensioner while in Japan there will 1.7.

So what might this partnership do for Japan? One example is the air conditioner producer Daikin, which invested in India to produce affordable quality products for the mass market. It is now No. 2 and is aiming at No. 1 next year.

Daikin is using local inputs and the scale of the Indian market to produce air conditioners for the global mass market. Likewise, the world's biggest car makers are turning the southeast coastal area around Chennai into one of the largest auto manufacturing corridors in the world. India is already the sixth largest car producer in the world and the second fastest growing. Being located between Africa and Asia, it makes an ideal

Two years ago Mitsui Sumitomo Insurance paid \$530 million for 26% of the seventh largest insurance company in India. Nippon Life holds 26% stakes in some Reliance Capital entities, a large Indian finance house. They have just announced that they will start a new bank in India together.

There are also two critical game-changing opportunities for Japan in India. One is rare earths, the minerals that are needed to manufacture high-tech electronics and hybrid vehicles. India can



Shinzo Abe and Narendra Modi enjoy working together.

supply 15% of Japan's rare earth needs, reducing its dependence on Chinese supply.

The second area is defense exports. India is the largest importer of arms in the world, buying some 12% of the world's arms imports, and currently almost 80% of those orders go to Russia.

Since April this year it has been legal to export military equipment from Japan under certain strategic and commercial circumstances. The first such export and co-manufacture is likely to be the US-2 amphibious reconnaissance plane being sold to India, and that will be just the start of a major defense opportunity for Japanese manufacturers. India has just raised the maximum ownership limit for foreign companies in an Indian defence company to 49% from 26%.

India also has proper laws and service professionals. The combination of Japanese capital and technology with Indian workers and scale means that Japanese companies can plan for long-term global market share.

Mr. Modi's five-day visit to Japan is both symbolic and practical. The financial, industrial and investment agreements will take time to complete but they are transformational for both countries.

Japanese industry is investing in the biggest long-term growth story in the world today. From India's viewpoint, Japan is its closest Asian ally and has the technology and capital that it needs to create that huge growth story. This is a real partnership.

Mr. Thorn is a director of the *India Capital Fund*, an institutional public equity fund he founded 20 years ago.

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U.S. to Consult China on 2M Pact

By COSTAS PARIS

LONDON—The U.S. Federal Maritime Commission is unlikely to approve a proposed alliance between container-shipping giants **Maersk Line** and **Mediterranean Shipping Co.** before consulting with Chinese regulators, according to one of the agency's commissioners.

FMC Commissioner William Doyle told The Wall Street Journal that he wants to consult with his Chinese counterparts before reaching a decision on the so-called 2M alliance. Danish giant **A.P. Moller-Maersk A/S's** shipping line Maersk and MSC plan to form the alliance to share ships and routes.

Beijing earlier this year surprised the shipping industry when it scuttled a similar, but larger, proposed tie-up between Maersk, MSC and France's **CMA CGM SA**. That proposed, three-way tie-up was called P3.

Maersk and MSC, the world's two biggest container-shipping companies by capacity, filed a request for approval of the 2M alliance with the FMC last week. If approved, the 2M will move about 30% of all cargo between Asia and Europe and across the Atlantic and Pacific oceans. The tie-up is expected to save the two companies hundreds of millions of dollars annually in operational costs.

The wider alliance that included CMA CGM required formal approval from the FMC and Chinese and European regulators. Maersk and MSC executives say they only need to file



Maersk and MSC plan to form an alliance to share ships and routes.

their operational plans with the European and Chinese watchdogs, but formal clearance is only needed by the FMC.

"I want to see if China's regulatory authorities have any concerns," said Mr. Doyle, one of the FMC's five commissioners. "The 2M partners can say whatever they want, but what's important is what China comes up with. Let's not forget the trade to Europe from Asia comes from Asia and especially China."

A Maersk spokesman said the company was prepared to answer any questions the FMC might have. MSC has said it won't comment on the regulatory process.

Mr. Doyle said he would discuss the matter with his Chinese counterparts at a meeting between the

two watchdogs in Shanghai in November. He also said he has a number of questions on 2M before he can reach a decision. FMC approval requires the support of a majority of the agency's five commissioners.

The FMC has 45 days to reach a ruling on 2M, but Mr. Doyle said it is likely the FMC will require a second, 45-day period to reach a decision.

Chinese regulators in June ruled against the so-called P3 alliance planned between Maersk, MSC and CMA CGM on concerns that Chinese shipping companies wouldn't be able to compete in the benchmark Asia-to-Europe trade loop. The three partners would have controlled around 40% market share of those routes had the deal gone through.

Such multi-fuel cars—it costs only \$100 extra per vehicle to have a flexible fuel engine that can burn any blend of gasoline and alcohol, according to the U.S. Energy Security Council and others—would not only reduce the region's oil dependency but also enable Asian consumers to shift from gasoline to cheaper alternatives should the price of crude spike.

As a rising energy superpower and soon-to-be major energy exporter, the United States would surely welcome an initiative that reduces regional tension while calming energy markets. Washington recognizes that without stronger cooperation, Asia will be prone to conflict and its economic engines may not roar for much longer. Since the U.S. maintains close relations with most APEC members, it could midwife such an initiative rather than merely cheerlead. This, rather than further military buildups, could be the centerpiece of America's "pivot to Asia."

Mr. Luft is co-director of the *Institute for the Analysis of Global Security*, senior adviser to the U.S. Energy Security Council and co-chairman of the *Global Forum on Energy Security in Beijing*.