



The Greek economic tragedy that brought change to Europe

THE BIG READ, PAGES 14-15

Stocks that could sidestep lack of European growth

BUSINESS & FINANCE 19

THE WALL STREET JOURNAL.

VOL. XXVIII NO. 11

EUROPE

Monday, February 15, 2010

DOW JONES
A NEWS CORPORATION COMPANY

europe.WSJ.com

Allies hit Taliban stronghold

By MATTHEW ROSENBERG AND ALAN CULLISON

KABUL—U.S., Afghan and British forces cleared mined streets and booby-trapped buildings as they pressed deeper into a Taliban stronghold on Sunday.

Thousands of British, U.S. and Afghan troops have been moving into Marjah and the surrounding area. An errant NATO missile strike killed 12 civilians in Helmand province Sunday, in the largest single loss of life of noncombatants since the massive coalition offensive began during the weekend. Coalition commander U.S. Gen. Stanley McChrystal immediately issued an apology for the incident, and suspended use of the truck-mounted missile system used in the strike until further notice.

The civilian deaths on Sunday underscore the risk of raising public ire over the offensive in the Taliban-controlled town of Marjah. The North Atlantic Treaty Organization has said it is taking a methodical approach in the offensive to keep civilian casualties to a minimum.

The deaths of a U.S. Marine and a British soldier on Saturday were the first reported allied casualties in the assault, the largest offensive in Afghanistan since 2001 and a major test of U.S. President Barack Obama's strategy to

stabilize the country and overcome the Taliban. Afghan officials say at least 27 Taliban fighters have been killed.

With nearly 10,000 allied forces now in action against an estimated 400 to 1,000 Taliban fighters, commanders say the biggest threat in Marjah comes not from militant fire but from the hundreds of roadside bombs and booby traps insurgents are believed to have laid in the town and surrounding villages and farms.

The British soldier was killed when one of the hidden bombs hit his vehicle Saturday, the operation's first day, the British Defense Ministry said in a statement. A U.S. Marine was killed Saturday in a separate incident, NATO's Afghanistan task force said. No further details of either incident were available.

Marjah is one of the last Taliban bastions in the Helmand River Valley; its importance to the insurgency increased during the past summer after allied forces pushed into neighboring areas. Until the operation began shortly after midnight Saturday, Marjah was believed to be a major base for launching attacks and smuggling opium.

NATO commanders say securing Marjah will move them a step closer to bringing under Afghan government control an arc of territory that is home to more than 80% of



U.S. Marines from Bravo Company of the 1st Battalion, 6th Marines fire mortars in Marjah in the Nad Ali district of Helmand province

Southern Afghanistan's population and is the Taliban's spiritual and physical heartland.

Unlike in previous operations, NATO forces are to remain in Marjah for months to come and help Afghan authorities quickly set up a credible local administration. The idea is to keep the Taliban from simply moving back in, as has happened after past offen-

sives. To make the strategy work, Afghan and NATO officials aggressively courted the people of Marjah in advance of the offensive, which they advertised for weeks before its start.

Allied forces have since the start of the attack held two meetings, known as shuras, in the area; one was held in Marjah itself, the

other in another part of Nad Ali district, of which the town is a part, NATO said.

More are planned in coming days, it said.

The Taliban insisted it still controlled much of Marjah, and that its fighters had killed 67 foreign soldiers and Marines while losing only six of their men. "They are lying, they haven't captured any areas. Our mujahedeen are re-

sisting," said Qari Muhammad Yousuf Ahmadi, a senior Taliban spokesman in Afghanistan. He invited foreign reporters to visit Taliban-controlled areas.

NATO and Afghan commanders say fighting on the ground has so far been relatively light, with only scattered resistance. But they cautioned that the Taliban

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The Quirk



In Hong Kong, love battled tradition as Valentine's, Lunar New Year clash. Page 29

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Dubai World weighs debt offer

By MIRNA SLEIMAN

DUBAI—Dubai World may offer its creditors 60% of the money they are owed, backed by the sheikhdom's government, as part of a deal to reschedule \$22 billion of debt, people familiar with the matter told Zawya Dow Jones.

The potential offer includes no provision for annual interest payments, but calls for creditors to receive 60 cents for every U.S. dollar loaned to the conglomerate after seven years. Lenders would receive an interest payment at that time. Repayment would be guaranteed by the Dubai government. Dubai World is considering presenting the offer to creditors by April, the people said.

Banks owed money by Dubai World include HSBC Holdings PLC, Royal Bank of

Scotland Group PLC and Standard Chartered PLC.

Dubai World roiled international markets in November when it unexpectedly announced that it would seek a six-month standstill on its debts. The company met in December with 90 creditors in Dubai, but little detail on how the restructuring will work has emerged until now.

An alternative proposal involves creditors receiving full payment, including 40% of their Dubai World debt in the form of assets in Nakheel—the company's property unit—with no government guarantee over the same seven-year period, the people said.

A spokesman for Dubai World declined to comment on the terms.

Dubai shares fell Sunday after Zawya Dow Jones reported terms of the proposed

Dubai World debt deal. The Dubai General Index fell 3.5%.

The cost of insuring Dubai's sovereign debt against default rose to its highest level since November on Friday as concerns resurfaced over the emirate's debt and a delay in presenting a deal to Dubai World creditors. Dubai's five-year credit-default-swap spread surged close to half a percentage point to 6.32 percentage points late Friday.

Speaking Sunday at a lunch in Dubai for British businesses, U.K. Business Secretary Peter Mandelson urged the emirate to settle its debts fairly and urgently to maintain its reputation.

"It has to reach an agreement that's demonstrably fair," Lord Mandelson said.

—Maria Abi-Habib and Stefania Bianchi contributed to this article.



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PAGE TWO

If the EU ends up bailing out Greece, PIGS will eat at the same trough

[Agenda]

By IRWIN STELZER



If it waddles like a duck and quacks like a duck, it's a duck. If members of a club come to the rescue of a profligate member—call it a loan, call it a temporary liquidity infusion—it's a bailout. Perhaps sensing that they are all Greeks now, or at least many of them, and that the club had better hang together lest several of its members hang separately, the powers-that-be in the euro zone seem to be moving toward bailing out Greece, or, as European Union President Herman Van Rompuy put it, have reached "agreement on the Greek situation."

No surprise. The political class has a large political investment in the euro, and has no intention of allowing Greece to abandon the euro or to default on its enormous outstanding debt. So rather than see it leave euroland, the more affluent members decided to bail Greece out, some details of the bail-out to be announced sometime today.

Those finance ministers who haven't yet read Henry Paulson's "On The Brink" might give it a look. The former U.S. Treasury secretary tells the tale of his efforts to prevent a collapse of the financial system. Mr. Paulson felt it necessary to bail out Bear Stearns—it was billed as a sale, not a bailout—having decided that moral hazard was less of a problem than a collapse of Bear. Enter Lehman Brothers, and its chief executive, Dick Fuld. Mr. Fuld was reluctant to sell his troubled investment bank.

"Does he know how serious the problem is?" Mr. Paulson asked an aide.

"He's still clinging to the view that somehow or other the Fed



A bank's promotional poster for a savings account in Athens

has the power to inject capital," the aide responded.

What was good enough for Bear Stearns, a Wall Street maverick, was surely good enough for Lehman, Mr. Fuld reasoned, as he held out for the \$10 per share price paid for Bear.

Greece, which accounts for only 2.5% of euro-zone GDP, has become the canary in the coal mine

Mr. Fuld guessed wrong, Lehman collapsed, and all heck broke loose. So moral hazard is more than a textbook concept concocted by economists to scare policy makers. Worse still, there are bailouts and there are bailouts. Mr. Paulson and, later, his Obama-appointed successor bailed out several big banks and insurers deemed too big, and/or too interconnected to fail.

But in the end taxpayers were covering only losses already incurred, some of those losses

recognized on the banks' book, others yet to be acknowledged. The inflow of bad paper was being halted by better control of, among other things, dicey mortgages.

Greece is another story altogether. The bailed-out banks stopped writing duff mortgages; Greece's debts mount every day. Whatever relief the rich, or at least less financially troubled euro-zone countries can provide will get Greece through to its next financings in April and May.

But it does nothing to encourage the change in behavior that will be needed if the flow of red ink is to be stanchied. Indeed, it sends a signal to politicians in the so-called PIGS—Portugal, Italy, Greece, and Spain—that cutting spending can take a more leisurely course than would be necessary if default looms.

Never mind that Article 122 of the Lisbon Treaty restricts financial assistance to circumstances in which "a member state is in ... severe difficulties caused by natural disasters or exceptional occurrences beyond its control..." The wordsmiths in Brussels can

drive a tank—or a bailout through that loophole.

A bit of simple math, laid out by consultants the **Lindsey Group**, tells the tale. A bailout would indeed enable Greece to refinance its debt at a slightly lower rate, but the reduction in rates on the new debt would bring the deficit down by only about 1% of GDP. Larry Lindsey, the firm's chief executive, reckons that "a swing in the primary deficit of, say, 5% of GDP (roughly a 10% cut in the government budget) is needed to bring Greek finances close to within sight of sustainability."

That would have been difficult to achieve before the euroland rescue package. Government workers are striking in protest against a pay freeze and a ban on new hires, and an increase in the retirement age from 61 to 63; farmers are demanding increased subsidies; and businesses are up in arms at the government crackdown on tax evaders, which includes a requirement that all businesses issue receipts—an estimated 30% of VAT goes uncollected. Now that all these parties know there are deep pockets available to prevent a default, resistance to real austerity will undoubtedly increase.

Unfortunately, Greece, which accounts for only 2.5% of euro-zone GDP, has become the canary in the coal mine. It's gasping for air as increased scrutiny of the finances not only of peripheral countries, but of France, which has not balanced its budget in 30 years. So we are to have Europe-wide fiscal austerity just when the European Central Bank is planning to announce its exit strategy. That combination of tight fiscal and monetary policy surely bodes ill for Europe's fragile recovery, at least in the near term.

—Irwin Stelzer is a business adviser and director of economic policy studies at the Hudson Institute.

What's News

■ **Ukraine declared** Viktor Yanukovich the official winner of the Feb. 7 presidential election. Allegations by his rival, Yulia Tymoshenko, of voting fraud will go to the Supreme Administrative Court, but her challenge appears unlikely to succeed. 5

■ **Kuwait's Zain approved** the sale of most of the telecom company's African assets to India's Bharti Airtel for \$10.7 billion. 19, 32

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Terence Roth on what is sustainable about the euro-zone economic recovery



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THE WALL STREET JOURNAL EUROPE
(ISSN 0921-99)
Stapleton House, 29 - 33 Scrutton Street,
London, EC2A 4HU

SUBSCRIPTIONS, inquiries and address changes to:
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8 a.m. to 5 p.m. GMT. E-mail: subs.wsje@dowjones.com.
Website: www.services.wsje.com

ADVERTISING SALES worldwide through Dow Jones
International. Frankfurt: 49 69 9714280; London: 44 207
842 9600; Paris: 331 40 17 17 01.

Printed in Belgium by Concentra Media N.V. Printed in
Germany by Dogan Media Group / Hürriyet A.S. Branch
Germany. Printed in Switzerland by Zehnder Print AG WIL.
Printed in the United Kingdom by Newsfax International
Ltd., London. Printed in Italy by Telesampa Centro Italia
s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland
by Midland Web Printing Ltd. Printed in Israel by The
Jerusalem Post Group. Printed in Turkey by GLOBUS
Dünya Basınevi.

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M-17936-2003.

Registered address: Boulevard Brand Whitlock, 87, 1200
Brussels, Belgium

NEWS

Luger was terrified of track

Georgian competitor told his father one of the turns scared him; speeds exceeding 150 kph

BY SAMANTHA SHIELDS

BAKURIANI, Georgia—The young Georgian luger who died in a horrific training accident hours before the opening of the Vancouver Winter Olympics on Friday told his father he was terrified of the track before doing the run that killed him.

“He called me before the Olympics, three days ago, and he said, ‘Dad, I’m scared of one of the turns,’” David Kumaritashvili said in an interview at his house in the small mountain town of Bakuriani on Sunday.

His son, 21-year-old Nodar Kumaritashvili, lost control of his luge on the final turn of the course, the world’s fastest, and slammed into a steel support at 145 kilometers per hour.

“I said put your legs down on the ice to slow down, but he said if he started the course he would finish it. ... He was brave,” Mr. Kumaritashvili’s father said, adding that his son had dreamed of being an Olympian from childhood and could have competed in two more Games.

The International Luge Federation has blamed the crash on the luger and not on any “deficiencies in the track,” saying that Mr. Kumaritashvili “did not compensate properly to make the correct entrance” into the curve where he slid off the track at the Whistler Sliding Centre.

Despite those assertions, Olympic officials took unusual measures on Saturday to shorten the course by 174 meters to slow the speeds, and they altered the run to keep lugers on the track should they crash.

The luge federation has denied that the track was deficient and blamed the accident on human error.

Josef Fendt, the chairman of the luge federation, said on Saturday that the track is safe, but that it had turned out to be far faster than designers ever intended it to be. He said when designers drew up plans for the winding icy slope on the side of Blackcomb Mountain, 122 kilometers north of Vancouver, British Columbia, they anticipated speeds of about 140 kilometers per hour. During test events at the facility last year and in training runs before these Olympics, the lugers had been traveling at speeds of 154 kilometers per hour.

“We did not expect these speeds on this track, but after a while we determined that the track was safe,” Mr. Fendt said. He reiterated comments from last year that luge organizers need to consider a speed limit in the design of future tracks.

In Bakuriani on Sunday, Mr. Kumaritashvili’s father, himself a Soviet-era luger, spoke quietly to a small group of journalists over strong, sweet coffee in the kitchen of his home while his mother, Dodo Kharazishvili, sat crying at a table covered in snapshots of her son and surrounded by female friends and relations in the adjoining room. A dozen or so male friends and relations gathered in the snow and ice outside the house to pay their respects.

Nodar Kumaritashvili started training in 2003 when he was in his

early teens. He attended a camp in Germany because Bakuriani’s luge track fell into disrepair during the early 1990s when Georgia fought ethnic wars over its breakaway regions.

He later trained extensively in France and other European countries and was well-qualified to compete in the Olympics, his friend David Kukosuvili said. Mr. Kumaritashvili was ranked No. 44 in the world when he died.

“He was ready for the Olympics, he was a real clean-living sportsman,” Mr. Kukosuvili said.

Georgian President Mikheil Saakashvili expressed annoyance Saturday at the International Luge Federation for saying Mr. Kumaritashvili died because of human error and said a new luge track would be built in Bakuriani and named in his honor. “I don’t claim to know all the technical details,” Mr. Saakashvili said, “but one thing I know for

sure: No sports mistake is supposed to lead to a death.”

On Bakuriani’s ramshackle main street, traders selling ski equipment and local delicacies who knew the dead athlete said they were in shock, and they blamed the accident on the fast luge track.

“He came from a sporting family, and he knew what he was doing,” said Giorgi Avakyan, 55, at his ski-rental stall. “Everybody’s crying. He was our lad.”



Dodo Kharazishvili, mother of late Georgian luge competitor Nodar Kumaritashvili, at her home.



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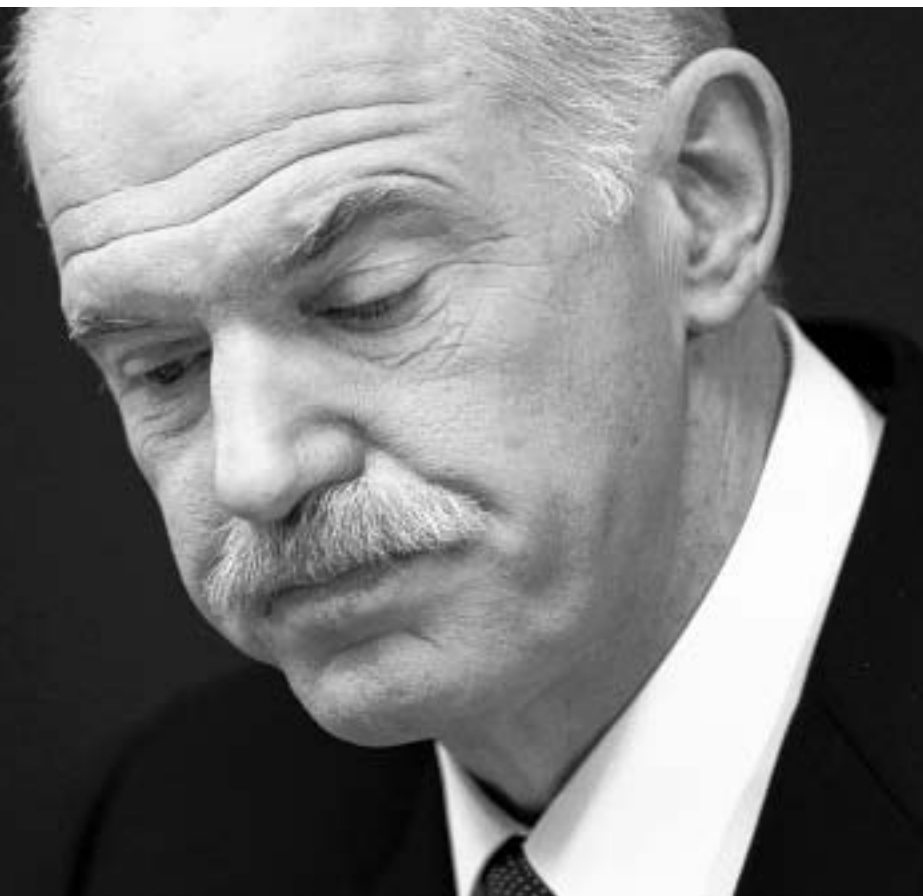
EUROPE NEWS

Slumping currency

How many dollars a euro buys

Source: Thomson Reuters
via WSJ Market Data Group

Greece's Prime Minister George Papandreou



Reuters

EU leaders to discuss Greece

Options include loans from euro-zone members, debt guarantees, government-bond buying

BY ADAM COHEN

BRUSSELS—After European Union leaders Thursday broadly pledged to support Greece, the bloc's finance ministers are expected to hash out a more detailed contingency plan to ease the country's debt crisis.

Nervous investors briefly were appeased by the EU leaders' declaration, which called for countries that use the euro to take "determined and coordinated action, if needed, to safeguard stability in the euro area."

But the lack of ready funding help and a murky strategy later caused the euro to slump. By Friday, the currency had reached its lowest level since May, trading just above \$1.35.

Greece is struggling to tame its budget deficit, which is estimated to have been almost 13% of gross domestic product last year, sharply

above the 3% limit established by the EU. The country's debt burden, around 113% of GDP, has sparked fears of default and made investors wary of other highly leveraged euro-zone countries, including Portugal and Spain.

EU leaders suggested euro-zone finance ministers would discuss more detailed plans to help Greece at their regular monthly meeting on Monday in Brussels. All 27 EU finance ministers are due to meet in Brussels on Tuesday.

In fact, euro-zone finance ministers have held a flurry of talks on this issue, including a conference call on Wednesday. Some of the options they are weighing to help Greece include loans from euro-zone governments, which would come with strict conditions and require Greece to pay interest, according to several people familiar with these discussions. Debt guarantees and direct purchases of Greek government

bonds are also being considered.

A role for the International Monetary Fund also could be discussed. Greek Prime Minister George Papandreou on Thursday noted the EU doesn't have the kind of experience or financial resources the IMF does. Several euro-zone policy makers have rejected the idea of an IMF-led bailout, however, saying the euro zone should solve its own problems.

Luxembourg's Prime Minister Jean-Claude Juncker, who chairs the Eurogroup—the EU body that brings together the euro-zone finance ministers—Thursday suggested the ministers have discussed a plan but haven't received political backing. "We are debating a determined and coordinated plan from the euro area to help Greece ... but leaders are yet to decide the precise measures to help the Greek economy," he said.

Support for Greece is a touchy subject in some euro-zone countries, particularly in Germany, which

feared having to pay for the excesses of other countries when the euro was designed in the early 1990s. Greece also hasn't endeared itself to the bloc, repeatedly revising its budget-deficit figures and raising doubts about whether it should have been allowed to join the euro zone.

The ministers will also discuss Greece's plan to bring its deficit below 3% of GDP by 2012. The European Commission has called the plan feasible but risky. Under EU rules, the bloc's finance ministers formally have to endorse the commission's assessment, and are expected to do so.

In addition to Greece's debt crisis, the euro-zone finance ministers will also nominate a successor for European Central Bank Vice President Lucas Papademos, whose term expires in May. Bank of Portugal Governor Vitor Constancio will be nominated, according to three people familiar with the matter.

Ellison's BMW Oracle wins America's Cup

BY BEN WORTHEN

Software mogul Larry Ellison won the America's Cup on Sunday, becoming the first American since 1992 to win sailing's most coveted prize.

The victory caps a regatta that was as notable for what for happened in the courtroom as on the water. Mr. Ellison, chief executive of Oracle Corp., financed the creation of a trimaran with an unusual sail that measured 223 feet, or about 69 meters, in height. Exploiting its design advantage, Mr. Ellison's BMW Oracle team easily outdistanced the catamaran of two-time defending champ Alinghi, winning by a margin of 5 minutes, 26 seconds over the 62-kilometer course.

BMW Oracle won the first race in the best-of-three series Friday, so Sunday's victory means it swept the race two to zero.

Mr. Ellison, 65 years old, is one of the richest men in the world. The Swiss-based Alinghi is backed by Ernesto Bertarelli, another billionaire.

Mr. Ellison was aboard his team's boat Sunday. "I'm so proud of this team, to be part of this team, and to bring the America's Cup after a long absence back to the United States of America," he said during the trophy presentation.

The drama of the race itself, which took place in Valencia, Spain, barely measured up to the events leading up to it.

Using a trimaran with an unusual sail, BMW Oracle easily bested the catamaran of two-time defending champ Alinghi, winning by a margin of more than 5 minutes

Mr. Ellison and Mr. Bertarelli took turns suing each other over everything from the type of boats to be used in the regatta and where it would be held to the country in which the sails the boats were using were made.

Historically, a challenger for the America's Cup is selected through a separate regatta, with the winner competing against the defending champion in longer series. In this case, a shorter race was held between BMW Oracle and Alinghi with no challenger series. The giant multi-hulled boats used in this edition were also exceptional, as the race is usually held between single-hull yachts.

BMW Oracle's victory is the first for an American team since Dennis Conner beat a team from Italy in 1992.

The victory also marked the fourth America's Cup conquest for BMW Oracle Chief Executive Russell Coutts. Mr. Coutts, a native New Zealander, has now been involved the past three times the Cup has changed hands. In 1995, he captured the trophy for Team New Zealand against Mr. Conner; in 2003, he led Alinghi to victory over his native country.

BMW Oracle sails under the flag of the Golden Gate Yacht Club in San Francisco, which with this victory becomes the 28th U.S. defender of the America's Cup.

—Darren Everson
contributed to this article.

U.K. house prices post sharp gain

BY ILLONA BILLINGTON

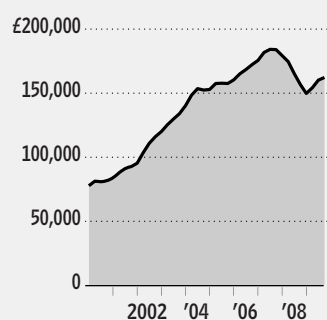
LONDON—U.K. house prices have risen at the fastest pace in almost three years in February, but signs that public-sector employment is set to fall sharply suggest the higher levels might not be sustained.

According to property-listings company Rightmove's latest index, to be released Monday, house prices in mid-February were up 3.2% from January and 6.1% from a year earlier. This compared with the previous period's 0.4% monthly increase and 4.1% rise from a year earlier.

Rightmove said the sharp rise in asking prices may prove to be too much for some potential buyers, although in the south of England a higher level of demand has coincided with a fall in the number of new properties to come on to the market.

Rebounding

Quarterly U.K. house prices, seasonally adjusted



Source: Nationwide

"Sellers are starting to appear in greater numbers, but they must realize this market is more akin to the

mortgage-rationed times of the 1970s and 1980s than to more recent times of relatively easy mortgage availability," said Miles Shipside, commercial director of Rightmove.

The details of the Rightmove survey show that house prices rose in seven of the 10 regions covered by the survey of properties put on sale between Jan. 10 and Feb. 6.

The highest monthly rise in prices in February from January was 7.5%, reported for the East Anglia region of England, followed by a 5.0% rise for greater London and a 3.6% rise for south east England.

However, a quarterly jobs outlook survey, also due to be released Monday, from the Chartered Institute of Personnel and Development and KPMG suggests that the jobs market might not be a support for house prices through 2010. It indi-

cates that there will be big declines in the number of public-sector jobs, possibly outweighing the rise in private-sector jobs as economic growth returns.

The survey found that a third of public-sector employers are set reduce their head counts over the coming three months. Across all sectors of the economy, 6.2% of employers are planning to reduce their head counts compared with 3.8% in the November 2009 survey.

"The U.K. jobs market is still on the ropes, with a public-sector fall in employment now a reality as it feels the impact of the longest recession in modern times," said John Philpott, chief economic adviser at the CIPD.

The number of people claiming unemployment benefit fell for two straight months at the end of last year.

EUROPE NEWS

Ukraine declares winner

Court challenge to Yanukovich's victory is unlikely to succeed

BY JAMES MARSON

KIEV, Ukraine—Election officials Sunday certified Viktor Yanukovich's victory in Ukraine's Feb. 7 presidential election after refusing to consider allegations of fraud by his defeated rival, Prime Minister Yulia Tymoshenko.

Her claim that Mr. Yanukovich stole an election that international monitors have judged to be fair now will go to Ukraine's Supreme Administrative Court. Her court challenge appears unlikely to succeed, but could delay Mr. Yanukovich's inauguration.

Returns certified by the Central Election Commission gave Mr. Yanukovich a margin of 887,909 votes, about 3.5% of the total, over Ms. Tymoshenko.

She had said in a televised speech Saturday that more than one million votes had been falsified in favor of her opponent. "Yanukovich is not our president," Ms. Tymoshenko said. "He will never become the legitimately elected president of Ukraine."

International monitors have commended Ukraine on what they called an exemplary election, and Mr. Yanukovich has been congratulated by a number of foreign leaders.

The commission swept aside her protests and her demand for a partial recount. International monitors last week commended Ukraine on what they called an exemplary election, and Mr. Yanukovich has been congratulated by a number of foreign leaders, including U.S. President Barack Obama.

Ms. Tymoshenko gave no details of the fraud she said her supporters had uncovered, except to assert that Mr. Yanukovich's party had stolen thousands of votes in Crimea, one of his strongholds.

Borys Kolesnikov, a senior aide to Mr. Yanukovich, responded Sunday that Ms. Tymoshenko's party had committed electoral violations of its own.

Ms. Tymoshenko acknowledged that the odds of overturning the result are against her.

"I know very well, as you, how our judges work," she said in her speech. She had previously suggested that Mr. Yanukovich's supporters control the courts.

She conceded that Ukrainians were tired of political battles and said she wouldn't seek to mobilize supporters in the streets, as she and others did in 2004 to protest Mr. Yanukovich's tainted victory in that year's presidential race. The protests, which became known as the Orange Revolution, led to a court-ordered revote that Mr. Yanukovich lost.

Political analysts say Ms. Tymoshenko is going through the motions of a fight she is likely to lose in order to delay a smooth accession to power for Mr. Yanukovich, whom she depicted during the campaign as a tool of oligarchs.

"My responsibility to you and the country obliges me to fight for justice," she said. "Not going to court means giving up Ukraine to criminals without a fight."

She is also battling an attempt by Mr. Yanukovich's Party of Regions to secure a majority in parliament and oust her as prime minister. The Party of Regions has been attempting to lure two blocs to defect from Ms. Tymoshenko's coalition and join a new government.

A compliant parliament would help the new president enact measures aimed at unfreezing the International Monetary Fund's \$16.4 billion lending program.

Mr. Yanukovich has said he will

cooperate with the IMF, and some analysts expect him to abandon pre-election promises, including a vow to push through large social-spending rises that the IMF opposes.

Mr. Yanukovich's election matters beyond Ukraine, a former Soviet republic of 46 million people wedged between Russia and the West and divided over which to embrace. As a passage for Russia's natural-gas exports, Ukraine is crucial to the European Union's energy security.



Members of Viktor Yanukovich's Party of Regions in Kiev on Sunday.

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U.S. NEWS

Cheney attacks Obama

Former vice president spars with Biden on national security policy

By THOMAS CATAN

WASHINGTON—Former Vice President Dick Cheney renewed his attack on the Obama administration's national security policy, suggesting it was failing to prepare for another major terrorist assault. Vice President Joe Biden countered that Mr. Cheney was "misinformed or he is misinforming."

In separate appearances on Sunday news shows, the two men sparred on homeland-security matters, including how to prosecute those accused of terrorism. But Mr. Cheney commended President Barack Obama for the latest military offensive against the Taliban stronghold of Marjah, Afghanistan.

"I'm a complete supporter of

what they are doing in Afghanistan. I think the president made the right decision to send troops in. I'm not a critic, in terms of how they're dealing with that situation," he said on ABC-TV's "This Week."

As for Mr. Biden's recent assessment that another 9/11-style attack was unlikely, Mr. Cheney said the vice president is "dead wrong."

"I think they need to do everything they can to prevent it. And if the mindset is it's not likely, then it's difficult to mobilize the resources and get people to give it the kind of priority that it deserves," he said.

In the weeks since the attempted bombing of a Detroit-bound airliner on Christmas Day, Mr. Cheney has spearheaded a Republican attack on

the White House's readiness to deal with terrorism on U.S. soil. In particular, they have criticized the decision to deal with the bombing suspect, Umar Farouk Abdulmuttalab, as a criminal instead of an unlawful enemy fighter.

Mr. Cheney said interrogators should have had the option to use the "enhanced interrogation techniques" his administration approved—including the use of simulated drowning, or "waterboarding." He called himself "a big supporter of waterboarding," which critics say amounts to torture.

"Now, President Obama has taken [those techniques] off the table," Mr. Cheney said. "He announced when he came in last year that they would never use anything other than the U.S. Army Manual which doesn't include those techniques. I think that's a mistake."

As part of a concerted White House effort to counter the claims, Mr. Biden, in appearances on two news shows Sunday, said Mr. Abdulmuttalab was treated in the same way as Richard Reid, who tried to blow up an airliner in 2001 with explosives hidden in his shoe.

"Dick Cheney's a fine fellow. He's entitled to his own opinion. He's not entitled to rewrite history," Mr. Biden said on NBC's "Meet the Press." "The Christmas Day Bomber was treated the exact way that he suggested that the Shoe Bomber was treated," he said.

Gen. James Jones, Mr. Obama's national security adviser, also defended the treatment of Mr. Abdulmuttalab, who was read his legal rights upon arrest and now has access to a defense attorney.

"In this case, I think that the information that we're getting and that he is providing—and now that he has counsel, that he is still providing—is certainly satisfying," Gen. Jones said on CNN's "State of the Union."

"Our national security is not a partisan issue," he said of Mr. Cheney's criticism. "I just would ask people to consider the fact that these are very serious issues for our country, and that when we take them on, we take them on in a respectful way."

Mr. Biden, also responding to the criticism, reiterated that the administration hasn't ruled out a military trial for Khalid Sheikh Mohammad, the alleged mastermind of the 9/11 attacks.

One of the few issues that united both sides in the debate was on whether the "don't ask, don't tell" policy barring openly gay people from serving in the military should be repealed. Gen. Jones said that "times have changed" since the policy was introduced during the Clinton administration as a compromise with a military that was reluctant to allow gays to serve.

"I was very much taken by the...view that young men and women who wish to serve their country should not have to lie in order to do that," Gen. Jones said.

Mr. Cheney, a former defense secretary who also has a gay daughter, also said he supported scrapping the rule.

"I think the society has moved on" since the rule was imposed, Mr. Cheney said. "When the chiefs [Joint Chiefs of Staff] come forward and say, 'We think we can do it,' then it strikes me that it's—it's time to reconsider the policy."



AFP/Getty Images

Dick Cheney, seen here in June 2008, criticized the White House on security.

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— JIM COLLINS, AUTHOR OF "GOOD TO GREAT" AND CO-AUTHOR OF "BUILT TO LAST," as quoted in FORTUNE's 5.5.08 issue



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U.S. NEWS



Getty Images

The Friendship Bridge, shown in 2001, is part of a Uzbek-Afghan supply route that is more valuable to the U.S. as the railway is extended into Afghanistan.

U.S. is mending ties to Uzbekistan

Washington, seeking military supply routes, reaches out to Afghanistan's neighbor; Tashkent has a plan

BY ALAN CULLISON

KABUL—The U.S. is taking steps to bring Uzbekistan back in from the cold, after years of isolation stemming from the killing of hundreds of protesters to quell an uprising in 2005.

Richard Holbrooke, the U.S. special representative for Afghanistan and Pakistan, is expected to visit Uzbekistan in coming weeks, as Washington seeks to improve military supply routes to Afghanistan, its neighbor to the south.

While the U.S.'s softening has made warmer relations possible, Uzbek leaders have also reached out. President Islam Karimov, seeking military assistance and help in weakening a domestic Islamist insurgency that seeks to overthrow him, approved a plan for better relations that includes a proposal that U.S. Secretary of State Hillary Clinton visit in the first half of this year. "The level of dialogue has been steadily increasing, and we hope that will continue," said Richard Norland, the U.S. ambassador to Tashkent.

The war in Afghanistan has forced Washington to soften its stance toward regimes that human-rights workers describe as odious. The former Soviet republics of Uzbekistan and Kyrgyzstan have provided an important lifeline to North Atlantic Treaty Organization forces, helping to funnel military supplies by rail and air into the fighting zone.

Uzbekistan's railway has been particularly valuable as Taliban militants have stepped up attacks on



Uzbek President Islam Karimov

the coalition's main overland routes through Pakistan and southern Afghanistan. Uzbekistan's transport company, Uzbek Rail, is now building a rail line 45 miles into Afghanistan, from the Soviet-built Friendship Bridge on the border up to an airport near Mazar-e-Sharif, a major cargo hub for NATO.

The U.S. distanced itself from the government of Uzbek President Islam Karimov in 2005, after its bloody crackdown in the city of Andijan. The uprising began when protesters, enraged by the trial of locals accused of extremism, organized a prison break. When government troops arrived they killed hundreds of protesters, both armed and unarmed, who had gathered in the city's main square.

Mr. Karimov's government blamed Islamist militants for the unrest and said that fewer than 200 people were killed.

Human Rights Watch called the event a "massacre," noting that many victims were trying to flee when they were shot.

The U.S. joined Europe in criticizing Uzbekistan for using excessive force; in response, Mr. Karimov kicked the U.S. off Uzbekistan's Khanabad air base, which in the early years of the war had been the main hub for funneling troops and supplies into Afghanistan.

Although the European Union formally slapped a weapons embargo on Uzbekistan and put a travel ban on top government officials, the U.S. never did. Since the base evacuation, Washington and Tashkent have been quietly seeking some kind of rapport. Mr. Norland, the U.S. ambassador, said that along with increased cooperation with Uzbekistan on Afghanistan, the stepped-up dialogue "has also resulted in some significant steps forward on civil society here."

Last year, the head of U.S. Central Command, Gen. David Petraeus, visited the country twice. So did Gen. Duncan McNabb, head of the U.S. Transportation Command, and Under Secretary of State for Political Affairs William Burns. "Both sides would like to use each other," said Ivan Safranchuk, a Moscow-based expert on Central Asia.

As the war in Afghanistan has spread from the south toward Uzbekistan's borders, Uzbekistan increasingly fears the threat from within, notably the Islamic Movement of Uzbekistan, a militant group that is tightly allied with Islamists in Pakistan and Afghanistan and has dedicated itself to Mr. Karimov's overthrow.

Uzbekistan spelled out its effort to patch up relations with the U.S. in a five-page action plan approved by Mr. Karimov on Jan. 11. Besides calling for visits of Mr. Holbrooke and Mrs. Clinton, the plan calls for a visit in the next two months by Pentagon officials to assess the needs of the Uzbek military and determine whether some needs can be filled with U.S. military equipment.

The plan also calls for an Uzbek representative to be appointed to the U.S. Central Command in Tampa, Fla., to step up "military and military-technical cooperation" between the governments, and for discussions on countering threats to the transport route to Afghanistan. Mr. Norland called the plan a "work in progress," and Mr. Karimov's approval of it a "welcome sign of the significance the Uzbek leadership is giving to the relationship with the United States."

The Uzbek plan doesn't mention human rights in Uzbekistan, but does contain measures under a section named the "human dimension" that call for stepped-up cultural and educational exchange, and a call for cooperation with the U.S. on efforts to combat human trafficking and in implementing Uzbekistan's habeas corpus law.

Mr. Karimov has at least paid some lip service the idea of overhauls. In a rare visit to parliament—which is overwhelmingly supportive of the president—he expressed admiration for the U.S. Congress and called for greater power to be handed to the legislature.

But critics say that Mr. Karimov,

72 years old, is a Soviet-era bureaucrat in mentality who has little use for Western institutions such as a free electoral system, and has used the presence of Islamist extremists to run the country like a Central Asian fiefdom. His suspicions of the U.S., diplomats say, were deepened by the revolutions that undermined regimes like his in the former Soviet states of Georgia, Ukraine and Kyrgyzstan in 2003, 2004 and 2005.

Mr. Karimov's crushing of the Andijan uprising in many ways marked the end of the revolutions that convulsed former Soviet states. Civil and human-rights organizations were shuttered and harassed in the aftermath, and today Mr. Karimov keeps a strong grip on the media and government, which he has staffed with cronies. His daughter, Gulnora, has been appointed to plush diplomatic posts in Moscow, Geneva, and most recently Spain.

Allison Gill, director of the Moscow office of Human Rights Watch, said Mr. Karimov may periodically come out with statements that sound pleasing to the West in order to give Washington and European governments some cover for closer diplomatic relations. But she says the overall human-rights situation in Uzbekistan has gone from bad to worse since Andijan.

"Now it is truly one of the most oppressive nations in the world," said Ms. Gill, who worked in Tashkent for Human Rights Watch until 2005. "Today just about all the activists I worked with have left the country or are in prison."

—Jay Solomon
contributed to this article.

U.S., British, Afghan troops expand control in Marjah

Continued from first page could simply be looking for opportunities to strike, and that heavier fighting may lie ahead.

NATO said the civilians were killed after NATO troops launched a

missile attack at a compound where insurgents were firing upon them.

"It's regrettable that in the course of our joint efforts, innocent lives were lost," Gen. McChrystal said. "We extend our heartfelt sym-

pathies and will ensure we do all we can to avoid future incidents."

Afghan President Hamid Karzai has often been a stern critic of NATO for its record of inflicting civilian casualties. Gen. McChrystal is-

sued his apology directly to the Afghan president, according to the NATO release.

In response to the deaths, Mr. Karzai issued a softer-than-usual response, issuing a statement in which

he expressed his "deep sadness" at the deaths.

It added that he had issued orders to Afghan and international forces "to be very cautious in not harming civilians."

WORLD NEWS



Olivier Culmann/Tendance Floue for The Wall Street Journal

Devout Hindus come from all over to cleanse themselves in the Ganges for the festival of Kumbh Mela, celebrated every three years. The government has started a massive campaign to clean up the polluted river itself. Water-treatment facilities have been unable to keep up with India's rapid growth, often held back by a shortage of funds and other resources.

India's holy Ganges to get a cleanup

Government embarks on \$4 billion campaign to treat polluted waters; devout Hindus revere river as 'goddess'

BY KRISHNA POKHAREL

VARANASI, India—More than a million devout Hindus bathed in the Ganges River Friday, braving the risk of terrorist attack, stampede and petty crime for the chance to wash away the sins of a lifetime and open the gateway to heaven after death.

But perhaps the greatest threat to the devotees who flocked to Haridwar, India, on one of the most auspicious days of the triennial Kumbh Mela festival, was the water itself.

The river is intensely polluted with sewage and industrial waste.

Water-treatment facilities have been unable to keep up with India's rapid growth, often held back by a shortage of funds and other resources.

Now, the spiritually cleansing waters of the Ganges are about to get some cleaning of their own. The Indian government has embarked on a \$4 billion campaign to ensure that by 2020 no untreated municipal sewage or industrial runoff enters the 2,500-kilometer river.

Only 31% of municipal sewage in India undergoes treatment, according to the Central Pollution Control Board, a government agency in New Delhi, while the rest gets discharged into the country's rivers, ponds, land and seas, contaminating underground and surface waters. More than 500,000 of the 10.3 million deaths in India in 2004 resulted from waterborne diseases, according to the most recent comprehensive mortality data from the World Health Organization.

The filth in the Ganges holds special resonance for this majority-Hindu nation. The Ganges basin supports more than 400 million of India's 1.1 billion people, the majority of whom are Hindus, who revere the river as "mother" and "goddess."

The cleanup initiative, which is supported by the World Bank, includes the expansion of traditional treatment facilities and, for the first time in India, the introduction of in-

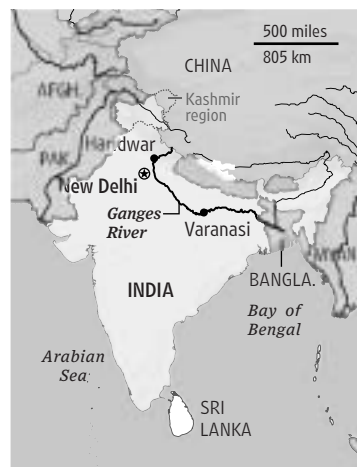
novative river-cleaning methods.

Veer Bhadra Mishra, a 70-year-old priest and hydraulics engineer in Varanasi, the holy city downstream from Haridwar, has been a prominent advocate of treatment methods used abroad but not yet in India. His plan: to introduce a system to divert sewage and effluents, before they enter the river, to a series of specially designed ponds, for treatment and ultimately to be used in irrigation or directed back into the river.

His efforts were mired in court and by opposition from local bureaucrats. They had a "difference of opinion" with Mr. Mishra about the best way to clean the river, says Ramesh Singh, general manager of Ganga Pollution Control Unit, the local government body charged with running government treatment facilities in Varanasi.

Mr. Singh says the technologies already in use were time-tested and reliable, but suffered from a lack of trained manpower and proper infrastructure, and a shortage of funds for equipment maintenance.

Last summer, after Prime Minister Manmohan Singh identified cleaning up the river as a national priority, the government in New Delhi increased funding to operate and maintain conventional treatment facilities, and also approved Mr. Mishra's plan—giving \$184,000



to his organization, the Sankat Mochan Foundation, for the design of a new sewage treatment plant.

The foundation is working with **GO₂ Water Inc.**, a Berkeley, Calif., wastewater-technology company. In the plan, about 40 million liters of sewage a day—13% of the daily output from Varanasi's 1.5 million people—will be intercepted daily at the riverbank, and diverted. In a nearby village, water will pass through a series of ponds, where sunlight, gravity, bacteria and microalgae will clean the water. A larger pond system is planned, to process 33% more of the city's sewage.

The treatment system "will be the best solution for dealing with

huge amount of domestic sewage being discharged into Gangaji and other rivers in India," Mr. Mishra said, using the honorific "ji" with the river's local name, Ganga.

In Haridwar, the National Botanical Research Institute is developing a wetland with local species of reeds to absorb the polluting elements from the wastewater, according to U.N. Rai, a scientist heading the project. Other wetlands will be developed in other areas "to ease the current pollution load in the river," Mr. Rai says.

The load is heavy. On a recent morning in Varanasi, lab technician Gopal Pandey descended the stone stairs of Tulsi Ghat, one of the holy city's 84 bathing platforms, to fetch some Ganges water for testing at the Sankat Mochan Foundation, an organization run by Mr. Mishra.

In the laboratory, Mr. Pandey found that each 100 milliliters of the river's waters were laden with 29,000 fecal coliform bacteria, which potentially cause disease. India says a maximum of 500 per 100 milliliters is safe for bathing in the river. Another sample from downstream, after the Ganges meets a tributary carrying a black mass of thick industrial effluents, showed 10 million bacteria—mostly E-coli—in the same amount of river water. Mr. Pandey's verdict: "The pollution is at very, very dangerous level."

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INTERVIEW

Regulator of electronic media is a political lightning rod

Ofcom head has to navigate criticisms of his organization's oversight of a challenged broadcast and telecom sector

[Ed Richards]

BY PAUL SONNE

There is a feeling of suspense in the British media sector these days. The U.K. is gearing up for a general election, which could bring the Conservative Party to power for the first time in over a decade, and media regulation is one area the Tories have been targeting for change.

Ed Richards is in many ways at the heart of the maelstrom. As chief executive of Ofcom, Britain's independent broadcast and telecommunications regulator, he presides over the organization tasked with everything from enforcing fair competition to passing judgment on the appropriateness of advertisements. Aside from being a regulatory body, Ofcom is also a lightning rod for debate in an increasingly challenged media sector, which finds itself threatened by lower ad rates, the rise of the Internet and, some would say, too much regulation.

Mr. Richards navigates the controversy with carefully chosen words and calm analyses. Having served as a senior policy adviser to Prime Minister Tony Blair and controller of corporate strategy at the British Broadcasting Corp. before joining Ofcom, he is adept at manoeuvring in the face of dissent. Despite his political background, Mr. Richards says Ofcom is fiercely independent from political influence.

"I'm happy to observe that Ofcom has managed to protect its independence effectively so far," Mr. Richards said last week at an interview in his sleek office, which sits on the south bank of the Thames and boasts a sweeping view of the City and St. Paul's Cathedral. "We've got six years, and we're well-practiced at it, and we will guard that independence fiercely."

Ofcom arose in its current form in 2003, when the U.K. parliament folded five regulatory bodies into a single, converged agency. In Britain it is known as a "quango," or a quasi-autonomous non-governmental organization that receives funding and a mission from parliament but acts independently, with its own board. Today, Ofcom has about 850 employees and operating costs of around £130 million (\$204 million).

As political campaigning heats up in the U.K., the regulatory body has found itself increasingly in the limelight. In an interview with the BBC in July, Conservative Party leader David Cameron criticized ballooning quangos, and Ofcom in particular, for making policy instead of delivering it.

"Give Ofcom or give a new body the technical function of handing out the licenses and regulating, lightly, the content that's on the screens," Mr. Cameron said. "But it shouldn't be making policy; it shouldn't have its own communications department. The head of Ofcom is paid almost half a million pounds. We could slim this body down a huge amount and save a lot of money for the taxpayer."

Mr. Richards, whose total remuneration was £392,056 in 2008-09 and £417,581 the previous year, according to Ofcom's annual report, defended Ofcom, saying it has acted only within the remit provided by parliament. "We don't do things that parliament has not asked us to do," he says. "If there's a view that the line has been drawn in the wrong place, parliament needs to redraw it. But in some areas, in the vast bulk of what we do, I think that there is a sensible demarcation between what politicians do and what an independent regulator does."

Mr. Richards admitted there were some areas where he would like to see the government dial down Ofcom's duties. In particular, he singled out radio regulation and supervision of broadcasting program policies as areas where he thought government requirements proved too onerous.

"Do I believe there's an opportunity for deregulation to reduce some of what we do? I think the answer to that is 'yes,'" Mr. Richards said. "But that isn't the vast majority of what we do. The vast majority of what we do concerns activities that are going to have to be done."

Last month marked the first meeting of BEREC, the Body of European Regulators for Electronic Communications, which has brought together individual regulatory agencies from EU countries to form the first Europe-wide regulatory organization. "It's a big step forward," Mr. Richards said, praising the establishment of the new regulator. "Why it's a big step forward is because it has institutional status and legal powers in the European Union."

BEREC will allow regulators to formulate a common position on issues such as next-generation access and superfast broadband, Mr. Richards said, and it also will provide a framework to resolve situations in which the EU disagrees with a decision made by an individual country's regulator.

In the U.K., Ofcom has been in the news for its long-running consultation on competition in Britain's pay-TV market, the final verdict on which is due out next month. Though Mr. Richards said the consultation was continuing and no outcome had been reached, the decision could force British Sky Broadcasting (BSkyB) to lower the wholesale price of Sky Sports and Sky Films for other pay-TV operators. "We haven't made a decision on this yet, and we're not prepared to make a decision for a few more weeks," Mr. Richards said. (News Corp., which publishes The Wall Street Journal, has about a 39% stake in BSkyB).

Another area where Ofcom stands to have a significant impact is in the introduction of high-speed fiberoptic broadband in the U.K. BT Group PLC has extended its fiberoptic rollout during the past year. Mr. Richards confirmed that the company has been speaking to Ofcom about giving other companies access to BT's ducts. He predicted that Ofcom would have a role in regulating the terms and conditions of access.

But while Ofcom may play a role in regulating such access, Mr. Richards said it would fall to parliament to ensure a fiberoptic network is rolled out to less populated areas of the U.K. "The central task of determining whether you want to have a public intervention to take the rollout of superfast broadband further or earlier is a matter for politicians," he said.

He predicted some sort of intervention on the part of the government would be necessary to see superfast broadband available everywhere in the U.K.

On the horizon, Mr. Richards sees piracy as an area where Ofcom will be tasked with enforcing regulation. "We're familiar with the issues, and I think comfortable with the fact that something in this area is likely to be a new responsibility for us," he said. He added that the solution of cutting off Internet access for repeat piracy offenders—under consideration by the U.K. Department of Business Innovation and Skills—wasn't ideal. "I think everybody would say that we don't ever want to get to a position where we are cutting people off," he said. "That's not a good outcome."



Ed Richards, chief executive of Ofcom, Britain's independent broadcast and telecom regulator