

Berlusconi's legacy

How he paralysed Italy's politics, media, judiciary and economy

NEWS PAGE 6



Win a VIP ski trip for two in Crans-Montana

LIFE & ARTS PAGE 14



FT WEEKEND

Plus Should you buy, sell or hold bank shares? FT Money

UK £2.80 Channel Islands £2.80; Republic of Ireland €3.00
World Business Newspaper

FINANCIAL TIMES | Saturday November 12 / Sunday November 13 2011

UK honours fallen on Armistice Day

Hundreds of poppies float in the fountains of Trafalgar Square on Friday as London marked Armistice Day with a 'Silence in the Square' event - one of many tributes staged across Britain



Lucy Ward/PA Wire

Unions offered 15-minute strike deal

Mande tries to head off national protest. Minister warns of tighter labour laws

By George Parker and Paul Fisher

The government is offering public sector unions a peace deal over a planned day of national protest on November 30 as it offers a 15-minute strike and we will not lock you out.

of the government's two-man negotiating team, in warning the unions that unless they engage seriously with the latest 'big and generous' offer on pensions, they could face fresh legislation to curb strikes.

Mr Mande told the Financial Times that the government was going out of its way to avoid a confrontation, including being prepared to turn a blind eye to a limited strike on November 30 in which millions of public sector employees are set to take part. "We're willing to accommodate some kind of token

action," said the cabinet office minister, who accepted that some unions felt they had to strike because of a "quirk" in industrial law requiring them to take action within 28 days of a ballot or lose the mandate for further action. He believes that rule needs to change.

"You shouldn't have got yourself into this mess but we're willing to help you out because we want to protect the public," he said in a message to the unions. "I can't imagine any employer in the public sector would say if you have a token

strike or with talks continuing, the union were "making the case for legislative reform over 1500 compelling and much harder to resist", he said.

Some Tories, including Boris Johnson, London's mayor, have called for laws requiring a 50 per cent turnout to validate a strike call, something that so far only the healthworkers' union has achieved in the previous dispute. Lib Dem would be wary of such a move.

But Mr Mande said: "The public will find it absolutely intolerable if on November 30 public

services are severely disrupted by strike action about negotiations which have not yet been completed and where the public is increasingly sympathetic to the government's case."

This week, healthworkers became the latest group to back a strike in protest over coalition plans to make public sector workers pay more and work longer to protect index-linked, defined benefit pensions. The government improved its offer this month.

Good cop, bad cop, Page 2

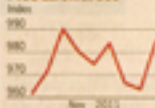
services are severely disrupted by strike action about negotiations which have not yet been completed and where the public is increasingly sympathetic to the government's case."

This week, healthworkers became the latest group to back a strike in protest over coalition plans to make public sector workers pay more and work longer to protect index-linked, defined benefit pensions. The government improved its offer this month.

Good cop, bad cop, Page 2

News Briefing

FTSE Eurofirst 300



The benchmark ends the week on a high, Page 13

BP in court win

A Russian court threw out two multimillion-dollar claims against the oil group, Page 13

BSkyB showdown

BSkyB is heading for a fresh confrontation with its biggest shareholders over chairman James Murdoch, Page 16

Rothschild rupture

Nat Rothschild's relationship with Indonesia's Sjahrir family is fraught, Page 15

Cameron talks tough

The prime minister might skip bonuses being paid at Royal Bank of Scotland, Page 2

US confidence up

Consumer sentiment has risen to the highest level since June, Page 7

BG deflated

BG Group missed out on a FTSE 100 rally, Page 15



Monti assembles Italy government

Salvo Berlusconi is expected to resign as Italy's prime minister this weekend, leaving the government in the hands of technocrats. Global markets reacted positively. Mario Monti (above), a professor of economics and former European commissioner, has started assembling a caretaker government.

Reports, Pages 6-8

Offloading of EMI set to benefit Citigroup to the tune of \$4.1bn

Sony and Universal to split music businesses

By Andrew Edgworth-Johnson in New York and Salamander Demell in London

EMI is to split in two, with Sony racing to lock down plans for a complex \$2.2bn bid for the British music group's publishing business while Vivendi's Universal Music makes a bid \$2.8bn, but on an upswing in the recorded music industry.

Citigroup, the US bank that financed Guy Haber's leveraged takeover of EMI in 2007 and then seized the company from him after it was overwhelmed by debt, will mow a larger than expected \$4.1bn from the two-part sale.

"We believe the recovery of the music market may prove that this has been done at the best possible time in the cycle," said Jean-Bernard Levy, Vivendi's chief executive, as he confirmed a Financial Times report that Citigroup's decision to acquire EMI's UK pension risks had cleared the path for Universal's bid.

Universal, home to Lady Gaga and Justin Bieber, said it had been encouraged by the 5 per cent volume growth in the US recorded music market this year, its first uptick for six years. Spotify was just one example of the new platforms allowing people to access, stream or subscribe to music.

"EMI's artists and their music provided the soundtrack to my teenage years"

Lucian Grainge, Universal's British-born chief executive

its fiscal year ends in March, given the need for regulators in Europe, US, Japan and Australia to approve both deals. Impala, which represents European independent music companies, called on European competition authorities to block Universal's bid, even after the French-owned group pledged to sell \$200m of non-core assets.

Sony was close to finalising terms last night with a consortium that includes a contribution of under \$100m from David Geffen, the entertainment industry investor Sony's other backers include GSO, the leveraged buyout firm of Blackstone, Swiss bank UBS, and Abu Dhabi's sovereign wealth fund.

Additional reporting by Daniel Schipke in London

Person in the News, Page 12
Music to the ears, Page 16
Lex, Page 24
www.ft.com/businessing



£1,000 interest upfront for every £12,000 you deposit.

- A free 60-day money bonus
- A £1,000 cash bonus on deposit
- A £1,000 cash bonus on deposit
- A £1,000 cash bonus on deposit
- A £1,000 cash bonus on deposit
- A £1,000 cash bonus on deposit

Ask in branch or call our UK based call centres on 0800 841 6418

Driven to do better. **Santander** Financial Group

3.36% AER

Available on the 3.36% AER Fixed Rate Cash ISA. The 3.36% AER is available on the 3.36% AER Fixed Rate Cash ISA. The 3.36% AER is available on the 3.36% AER Fixed Rate Cash ISA.

Subscribe now
In print and online
Tel: 0800 298 4708
www.ft.com/subscribe

© THE FINANCIAL TIMES LIMITED 2011. No. 37,773



| STOCK MARKETS | | BOND YIELDS | | CURRENCY RATES | |
|---------------|-------|-------------|-------|----------------|------|
| INDEX | % CHG | YIELD | YIELD | PAIR | PAIR |
| FTSE 100 | +0.10 | 3.00 | 3.00 | USD/GBP | 1.50 |
| Nikkei 225 | +0.15 | 3.00 | 3.00 | EUR/GBP | 0.75 |
| DAX | +0.10 | 3.00 | 3.00 | USD/JPY | 100 |
| Hang Seng | +0.10 | 3.00 | 3.00 | GBP/USD | 0.67 |
| ASX 200 | +0.10 | 3.00 | 3.00 | EUR/USD | 1.25 |
| IBEX 35 | +0.10 | 3.00 | 3.00 | GBP/JPY | 100 |
| SEMI | +0.10 | 3.00 | 3.00 | USD/CHF | 0.75 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | EUR/CHF | 0.75 |
| FTSE 100 | +0.10 | 3.00 | 3.00 | GBP/CHF | 0.75 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | USD/INR | 60 |
| FTSE 100 | +0.10 | 3.00 | 3.00 | EUR/INR | 100 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | GBP/INR | 100 |

| STOCK MARKETS | | BOND YIELDS | | CURRENCY RATES | |
|---------------|-------|-------------|-------|----------------|------|
| INDEX | % CHG | YIELD | YIELD | PAIR | PAIR |
| FTSE 100 | +0.10 | 3.00 | 3.00 | USD/GBP | 1.50 |
| Nikkei 225 | +0.15 | 3.00 | 3.00 | EUR/GBP | 0.75 |
| DAX | +0.10 | 3.00 | 3.00 | USD/JPY | 100 |
| Hang Seng | +0.10 | 3.00 | 3.00 | GBP/USD | 0.67 |
| ASX 200 | +0.10 | 3.00 | 3.00 | EUR/USD | 1.25 |
| IBEX 35 | +0.10 | 3.00 | 3.00 | GBP/JPY | 100 |
| SEMI | +0.10 | 3.00 | 3.00 | USD/CHF | 0.75 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | EUR/CHF | 0.75 |
| FTSE 100 | +0.10 | 3.00 | 3.00 | GBP/CHF | 0.75 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | USD/INR | 60 |
| FTSE 100 | +0.10 | 3.00 | 3.00 | EUR/INR | 100 |
| FTSE 250 | +0.10 | 3.00 | 3.00 | GBP/INR | 100 |

On FT.com today
Money Show
Investing in banks during the euro crisis
www.ft.com/moneyshow

PEARSON

The inn crowd

The humble British pub is being reinvented, with Michelin-starred food and rooms to rival the smartest hotels. By Joanne O'Connor

From its crooked floors to its low, beamed ceilings, the Old Bell in Hurley oozes history. In a pretty Berkshire village on the banks of the river Thames, the inn dates from the 12th century and has served as a guesthouse for the local priory, a staging post on the London to Oxford route and a favourite haunt for Hollywood stars such as Richard Burton, Elizabeth Taylor and Cary Grant, taking time out from filming at Pinewood Studios.

Visitors stopping for a pint in the cosy bar might be forgiven for thinking little has changed here in its 800-year history. But climb the narrow wooden staircase to the bedrooms and a different story emerges. The feel is earthy, Scandinavian in its simplicity, but unmistakably modern, with unadorned white walls and bare floorboards, a free-standing cast-iron bath, an Ercol rocking chair draped with a sheepskin rug, and a bright red Roberts chair providing the only splash of colour.

In the dining room, the antler chandeliers, communal trestle tables and pewter tableware give a nod to the building's past as a hostelry but the menu is clearly aiming higher than traditional pub fare. It's not every day you see scurvy grass and lavender honeycomb on a pub menu. But, then, this is no ordinary pub.

The Old Bell is one of a new breed of coaching inns redefining the notion of pub hospitality. In the 1990s, the gastropub was born out of the realisation that a cheese baguette was no longer sufficient to entice food-savvy customers so, consequently, the boundaries between pub and restaurant were blurred. Now, it seems, the next stage is the blurring of the boundaries between the humble inn and the five-star hotel.

The Old Bell's website makes much of the inn's focus on "simple creature comforts" but it's clear that the bar is being set somewhat higher than this. The styling of the rooms and restaurant is the work of celebrated hotel designer Ise Crawford, whose high-profile projects have included the Sobo House private members' club and hotel in New York, Cocoon's in Mayfair and the Grand Hotel in Stockholm. But it's not just the décor that is five-star. For one of the larger rooms at the Old Bell, guests will pay around £300 a night. You can stay at the Savoy more cheaply. Similarly, the services on offer go beyond the inn's traditional remit of food and lodging. Guests at the Old Bell can order anything from a ploughman's lunch to an ayurvedic head massage from room service and the activities on offer – tennis, bowls, croquet, mountain biking, foraging expeditions – would not be out of place at a country hotel. There are even plans to open a small spa next year.

"The country house hotel is dead. This is the future," says Sam Pearman, as he greets me from behind the bar of the Wheatheaf Inn, a croquer-clad Cotswold stone coaching inn in the pretty Gloucestershire village of Northleach. He's only half joking. A former professional rugby player who trained as a chef at Langens Brasserie, Pearman is typical of the new type of innkeeper. Often chefs or hoteliers who have reached the top of their game at London's finest establishments, they now relish the freedom and creativity that running a small-scale operation can bring.

"People don't necessarily want the formality of a country house hotel where you have to dress for dinner and talk quietly," says Pearman. "We're offering the same quality you'd get in a five-star hotel but for half the price and with the atmosphere and informality of a pub."

Pearman and his wife Georgina completed a dramatic refurbishment of the Wheatheaf this year, turning it from a typical village pub with tired rooms into a stylish weekend bolthole. The 14 guest rooms have been given a makeover, with sultry colour schemes, the finest local linen and the occasional statement piece, such as a stunning pewter bathtub. Downstairs, the bar area has been stripped back to make the most of period features, such as the



wood-paneled walls and fireplace, and furnished with flea market and vintage finds.

A small outbuilding now serves as a spa treatment room and a decadent private dining room and comfortable sitting room have been added. Pub staples, such as steak and chips, pie and mash and rhubarb crumble, feature prominently on the menu. Goanilly sourced and perfectly executed, of course, while the all-day brunch with buck's fat, rock oysters, Bloody Mary sardines and devilled kidneys brings a decadent twist.

Though the couple are tight-lipped about the inn's more famous clientele, it's clear the Cotswold celebrity set have taken this place to their hearts. Guests at Kate Moss's wedding stayed here and a wine-tasting evening was recently entertained by the appearance of former Sex Pistols frontman John Lydon (aka Johnny Rotten), who treated devoted locals to a medley of Abba songs – something you probably won't find

Hospitality Top: the Beckford Arms in Wilshire; middle row from left: a dish at the Old Bell in Berkshire; the Wheatheaf Inn in Gloucestershire; the exterior of the Old Bell; bottom row, from left: a log fire at the Old Bell; tankards at the Beckford Arms; a room at the Wheatheaf; the Old Bell

happening in the lounge of your average country house hotel.

Proponents of these "super pubs" argue the hospitality industry was in dire need of a new business model. The Campaign for Real Ale reports that traditional pubs are closing at a rate of 29 a week, while some country house hotels are also struggling – one of the most recent and high-profile casualties being the Von Essen group, which went into administration in April.

Des Brod, who runs the Beckford Arms in Wilshire with business partner Charlie Lutton, believes their formula, without the costly overheads of a conventional hotel, is better suited to recession-hit times. The pub, set in rolling parkland on the edge of the Freshhill Estate, just 20 minutes from Stonehenge, has been garnering rave reviews since it reopened this summer. Lutton was operations manager for the Sobo House group of members' clubs and

hotels, and was involved in the launch of Babington House, which was credited with resurrecting the country house hotel when it opened in 1988.

"Babington House did for country house hotels what we are trying to do for country inns," says Brod. But while at Babington you can expect to pay between £200 and £300 a night, the Beckford Arms has rooms for £95 a night. Not surprisingly, the inn's eight bedrooms are currently running at 100 per cent occupancy at weekends but, according to Brod, this only accounts for one part of the business model's success.

"It's not difficult to fill up a place at weekends. Our success is based on the fact that we are serving 40 for lunch every day from Monday to Friday, and the same again in the evenings," he says.

Local patronage is encouraged through regular events, from bowls tournaments to film nights. And the chance to mingle with everyone from the local landowner to the stable boy enriches the experience for weekend guests. "It's what you buy into when you book a weekend in the country: a slice of local life," says Brod.

Not is this purely a rural phenomenon. It's a model that can work just as well in the city, as the Fox and Anchor proved when it opened in Clerkenwell three years ago. On a typical weekday lunchtime you'll find city traders, porters from Smithfield Meat Market and tourists rubbing shoulders at the pewter-topped bar or tucking into the strictly British menu of oysters, salt beef and dumplings, and ham hock and

"We're offering the quality you'd get in a five-star hotel but with the atmosphere and informality of a pub"

mash. With just six guest rooms, hand-somely kitted out with copper handbasins, lattice windows and chaise longues, it offers far more character than a corporate hotel and a real taste of the local neighbourhood.

Pub pubs, boutique inns – nobody seems quite sure what to christen this new type of hospitality but most in the industry agree their number is set to grow. Already 12 British pubs have been awarded Michelin stars, and last month the Hand and Flowers in Marlow, Buckinghamshire, became the first to win two. Earlier this year the celebrated chef Marco Pierre White purchased Maypole Hotels, a group of six country inns in Suffolk, Norfolk and Wiltshire and is refurbishing the flagship property, the medieval Angel in Ludlow. The owners of the Old Bell, Tri and Sarina Dillion, have again enlisted the Crawford to work her magic on their latest purchase, the Liongate Hotel in Hampton Court, which will re-open in April. The Pearmans have plans to expand their portfolio of country pubs with rooms, as do Des Brod and Charlie Lutton.

Traditional inns have been on the endangered species list for a long time but now it seems a handful at least have found a new way to thrive. And far from emulating the five-star hotels, when it comes to style and individuality, they are the ones who are setting the standard.

Details

The Old Bell, Hurley, Berkshire, www.theoldbell.co.uk

The Wheatheaf Inn, Northleach, Gloucestershire, www.cotswoldswheatheaf.com

The Beckford Arms, Fonthill Gifford, Wiltshire, www.beckfordarms.com

Fox and Anchor, Clerkenwell, London, www.foxandanchor.com

Two guides have been published this month: the Campaign for Real Ale's 'Great British Pubs' and Michelin's 'Eating Out in Pubs'