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What's News —

Business & Finance

World-Wide

The bailout of Roskilde, led by the Danish central bank, may herald a consolidation of the country's fragmented banking industry. While the takeover might not signal major trouble for Denmark's banks, other lenders that have been hurt by a slowdown in the property sector may seek to merge. **Page 1**

■ **Infosys Technologies** agreed to buy U.K.-based Axon Group for \$753.1 million to bolster its consulting business. **Page 5**

■ **Ten Italian businessmen** met to discuss an Alitalia rescue plan, including a possible \$1.5 billion capital injection. **Page 4**

■ **Movable wing panels** are suspected in the Spanair jetliner crash that killed 154 people last week in Madrid. **Page 5**

■ **France's decision to let EDF** raise tariffs lifted hopes that the utility may be able to shake a weight on its share price. **Page 19**

■ **U.S. stocks dropped** as concerns about the financial sector weighed on sentiment. European stocks drifted lower. **Page 20**

■ **German oil firms are enlisting** technology to wring more oil and profit out of the country's small, mature sector. **Page 3**

■ **Beijing will formalize** its system of vetting foreign acquisitions of local companies for national-security concerns. **Page 19**

■ **PetroChina plans to buy** the 50% stake held by parent CNPC in their energy joint venture in a deal valued at \$11.8 billion. **Page 2**

■ **Saudi Arabia will set up** an investment fund to buy farmland overseas to meet rising demand for food at home. **Page 22**

■ **BP's Russian venture says** one of its executives has resigned, becoming the second senior manager to leave the troubled firm this month. **Page 21**

■ **Canada's Precision Drilling** agreed to buy Grey Wolf for about \$2 billion after the Houston firm's shareholders rejected a merger with Basic. **Page 22**

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	11386.25	-241.81	-2.08
Nasdaq	2365.59	-49.12	-2.03
DJ Stoxx 600	282.15	-1.67	-0.59
FTSE 100	5505.6	Closed	
DAX	6296.95	-45.47	-0.72
CAC 40	4355.87	-44.58	-1.01
Euro	\$1.4782	-0.0031	-0.21
Nymex crude	\$115.11	+0.52	+0.45

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Obama planned to relaunch his "urban agenda" that includes raising the minimum wage, as Democrats opened their convention. He is trying to remind voters he understands their economic anxieties. Liberals aren't sure the party is really following them. **Pages 1, 10, 11, 12, 16, 17**

■ **Russian lawmakers voted** to recognize two Georgian regions' independence, a process Merkel warned Medvedev not to complete. Putin threatened to pull out of some trade pacts. **Page 1**

■ **Sharif's party withdrew** support for Pakistan's ruling coalition and will put up an ex-judge in a Sept. 6 vote for president against PPP leader Zardari. Pakistan outlawed the Taliban. **Page 2**

■ **Israel freed 198 Palestinian** prisoners, in a move aimed at breathing life into Mideast peace talks that Rice praised.

■ **Iraq's prime minister said** no U.S. security deal is possible without a troop-withdrawal deadline.

■ **Relatives of 65 people killed** in the crash of a jetliner near Kyrgyzstan's main airport Sunday began identifying victims.

■ **Zimbabwe's Mugabe dealt** a further blow to prospects for a power-sharing accord, but parliament chose the opposition's candidate as speaker. **Page 9**

■ **China's and South Korea's** presidents agreed to expand cooperation in political, economic and other areas, including the North's nuclear disarmament.

■ **Police and soldiers fired** at Muslim protesters defying a curfew in Indian Kashmir, killing at least five people, and arrested separatist leaders.

■ **Sudanese government forces** attacked one of Darfur's largest refugee camps, killing dozens of civilians, according to rebels.

■ **Indian authorities struggled** to get aid to over one million people hit by monsoon flooding in the northern state of Bihar.

■ **Thai prosecutors asked** the Supreme Court to seize \$2.2 billion in assets of ousted Prime Minister Thaksin and his family as part of a corruption probe.

■ **French rescuers located** the bodies of eight climbers buried under ice and snow after an avalanche Sunday near Mont Blanc.

EDITORIAL & OPINION

European disunion
Russia is using its energy weapon to divide and rule the continent. **Page 15**

Liberals in Obama's party push for seat at the table

As Democrats gather, activists make it clear they want to be heard

BY GERALD F. SEIB

DENVER—Walk into almost any hotel here this week and you can find an odd sight: Liberals starting their day by lobbying Democrats.

The lobbyists are members of the Progressive Democrats of America, an activist group working to keep the party true to liberal priorities, and they have been assigned to every hotel housing Democratic convention delegates. "At breakfast, where they go to get their talking points [from the national party], we will be there," says Tim Carpenter, a veteran of Democratic campaigns and national director of the PDA.

The fact that Mr. Carpenter and his cohorts feel compelled to button-hole other Democrats to promote the liberal agenda is a sign of quiet tension lurking within the Democratic party. That tension is a potential complication now for Sen. Barack Obama and certain to be one for him and his party if he is elected president.

Progressives—the term of art for the party's liberal wing—contend, *Please turn to page 30*



Michelle Obama, wife of soon-to-be Democratic presidential nominee Barack Obama, visits the convention hall in Denver on Monday.

Moscow vote to support separation draws rebuke

The Kremlin upped the ante in its showdown with the West over Moscow's invasion of Georgia, as Russia's Parliament voted to recognize the independence of two separatist Georgian regions and Prime Minister Vladimir Putin threatened to pull out of trade agreements.

The unanimous votes in both houses of Parliament immediately

By Gregory L. White in Moscow and John W. Miller in Brussels

drew stern condemnations from Western leaders, including German Chancellor Angela Merkel. She warned Russian President Dmitry Medvedev not to complete the process by officially recognizing the separatists as independent coun-

tries, a move that would effectively break up Georgia.

But the Kremlin, confident after crushing the Georgian assault on one of the Russian-backed separatist regions, South Ossetia, in a five-day war early this month, has seemed impervious to pressure so far. Divisions within Europe and the U.S. over how to handle the crisis have further weakened the West's response.

Monday, Moscow stuck by its plans to keep hundreds of "peace-keeping forces" on Georgian territory in what U.S. and European officials insisted was a violation of the terms of the French-brokered ceasefire that ended the fighting.

Recognition of the separatists *Please turn to back page*

Danish bailout may herald bank mergers

BY ANNA MOLIN

The Danish central-bank-led bailout of troubled lender Roskilde Bank AS could herald consolidation of the country's fragmented banking market, analysts said Monday.

"We've already begun to see mergers in the smaller banking segment," said Sydbank's head of equity research, Bjorn Schwarz. "In an economic downturn, you will always see companies joining together to solve the issues that they are facing," he added.

Roskilde, Denmark's eighth-largest bank, was taken into public ownership Sunday after write-downs on domestic property loans, amid cooling housing prices, pushed the bank into insolvency and scared off potential buyers.

Denmark's central bank and an association of Danish lenders will buy Roskilde's assets for 4.5 billion Danish kroner (\$891.4 million) and take over debt and liabilities totaling 37.7 billion kroner. The central bank will contribute 3.75 billion kroner in capital and the Danish Bankers' Association will cover 750 million kroner.

Shareholders will most likely *Please turn to back page*

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LEADING THE NEWS

German oil sector revives

High crude prices alter the economics of high-tech drilling

BY JAN HROMADKO

FRANKFURT—High oil prices are offering German companies an opportunity to enlist new and expensive technology to wring more oil—and profit—out of the country's small and mature oil sector.

German upstream oil-and-gas companies, such as Wintershall AG, a unit of BASF SE, and RWE AG's RWE Dea are investing hundreds of millions of euros in their German operations to maximize oil recovery, extending the operating life of oil fields, reactivating formerly uneconomic fields and searching for new deposits.

Germany's energy sector is tiny and has been in decline for years. According to the German oil-and-gas industry association WEG, domestic crude-oil production was around 3.4 million tons last year, down from 3.6 million tons in 2005. The 2007 output

accounted for about 3% of Germany's crude-oil consumption last year. The country also produced around 17 billion cubic meters of natural gas, about 18% of consumption.

By comparison, Norway produced more than 131 million tons of crude oil in 2005, while the U.K.'s production was more than 77 million tons in the same year.

But high global energy prices are giving German companies an opportunity to use technology to squeeze more oil out of their older fields than was previously possible. WEG estimates that investment in domestic exploration and production will increase around 43% this year, to €555 million, or about \$820 million.

Wintershall board member and head of production Ties Tiessen said oil-and-gas production has become more economical in the environment of high oil prices, despite rising operating costs. He said Wintershall, which produced 112 million barrels of oil equivalent last year, making it Germany's biggest producer by volume, plans to invest around €100 million in Germany this year.

"High prices allow us to produce

more, even under the application of expensive, modern technology," Mr. Tiessen said. "We intend to keep investment at this level in coming years."

The bulk of the German oil and gas deposits are in northern Germany. Oil production in the state of Lower Saxony was 1.11 million tons in 2007, while 2.16 million tons were produced in Schleswig-Holstein. Germany's largest oil field, Mittelplate, is in the North Sea off the coast of Schleswig-Holstein.

At Wintershall's Emlichheim oil field in northwestern Germany, close to the Dutch border, the company is planning to spend €16 million to drill four new wells in 2008. The field has been in operation since 1944 and produces around 140,000 tons of crude a year from more than 80 wells.

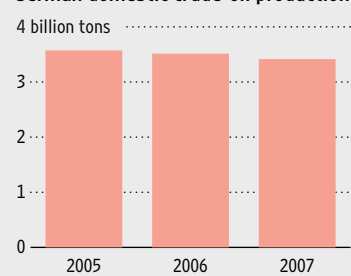
By using "steam flooding technology," which involves injecting steam under high pressure to reduce the viscosity of the oil, the company hopes to elevate its extraction rate to 50%, from 30%, Mr. Tiessen says.

"Every percentage point increase in oil recovery extends the production lifetime of an oil field like Emli-

Wringing out the last drop of profit

Mostly dependent on other nations for oil, Germany has seen its small, declining crude sector keep producing amid high prices

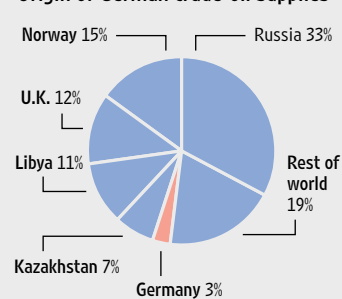
German domestic crude-oil production



*Between December 2005 and November 2006

Source: WEG (the German oil-and-gas industry association)

Origin of German crude-oil supplies*



chheim by around two years," Mr. Tiessen said.

RWE Dea, Germany's second-largest upstream oil-and-gas company by output, producing around 2.3 million tons a year globally, is also taking advantage of high oil prices and plans to expand its upstream activities. At the company's Mittelplate platform, which it operates in a 50-50 joint-venture with Wintershall, RWE Dea believes there are around 14 million tons worth of additional oil deposits.

"We're planning to conduct trial drillings to find out what further production potential there might exist in

the vicinity of Mittelplate," RWE Dea spokesman Derek Moesche said.

Without high oil prices, Mr. Moesche said the project wouldn't be economically viable because the field lies in an environmentally sensitive area and would require drilling long horizontal shafts from existing wells to reach the deposit.

The Mittelplate field produces around two million tons a year. Around 20 million tons of the overall 100 million tons have been extracted, but RWE Dea expects it will be able to recover an additional 30 million to 35 million tons.

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CORPORATE NEWS

BANKS

Citigroup, others added to Deutsche Bahn offering



GERMAN RAILWAY company Deutsche Bahn AG said it added several banks to the consortium handling the initial public offering of its logistics business, expected this fall.

The company gave mandates to Citigroup Inc., Credit Suisse Group, ABN Amro Holding NV and Royal Bank of Scotland Group PLC as co-leads in the IPO, and named

as co-managers Commerzbank AG, DZ Bank AG and WestLB AG, BNP Paribas SA and Merrill Lynch & Co.

Deutsche Bank AG, Goldman Sachs Group Inc., Morgan Stanley and UBS AG are global coordinators. The IPO of DB Mobility Logistics AG is set to be Germany's biggest in eight years. —Reuters

AIRLINES

Bahrain Air puts in order for 6 Airbus A320 planes



LOW-COST carrier Bahrain Air has placed a firm order for six narrow-body Airbus A320 aircraft in a deal valued at about \$400 million, a senior official said.

"We've ordered six A320s for delivery in three years, but we're trying to get them before that," Ibrahim Abdulla Al Hamer, the carrier's managing director, said in a telephone interview with Zawya Dow Jones.

Launched in February, Bahrain Air operates two leased A320 aircraft to 10 destinations. Mr. Al Hamer said the airline will take delivery of three more leased planes from November. Airbus is a unit of European Aeronautic Defence & Space Co.

—Stefania Bianchi

WSJ.com

How to best ensure teens don't mix alcohol, driving



How to keep kids, cars and alcohol apart is a contentious debate. Since the mid-80s, the enforcement of a minimum drinking age of 21 years old in the U.S. has helped curb significantly the

amount of alcohol-related teen traffic fatalities. But that number has leveled out in the past decade, and numerous college presidents are concerned that teen drinking-prohibition efforts have fostered an underground culture of binge drinking.



WSJ.com subscribers can read more about teen driving safety in Joseph White's Eyes on the Road column, at WSJ.com/Autos.

A click starts the journey

Web travel agencies woo back customers; incentives are offered

BY SARAH NASSAUER

TO GET THE best deal on travel, Paul Ewing, a self-proclaimed road warrior, says he first compares "baseline fares" at online travel agency Orbitz.com because he likes the site's layout.

The software developer from Dallas then checks the Web site of his preferred carrier, AMR Corp.'s American Airlines, where he holds elite frequent-flyer status. If the price still isn't right, he searches other online travel agencies like Expedia.com and Travelocity.com until he finds the best deal.

In many ways, Mr. Ewing's search for the best rates parallels shifting consumer tastes for booking arrangements online.

When airline booking first came to the Web, online travel agencies,

such as Travelocity.com, drew the bulk of the sales, in large part because they could scour a number of suppliers' deals all at once. For this service, users paid a booking fee—usually between \$5 and \$7. More recently, travelers have gone directly to the "suppliers," such as airlines and hotels, drawn by price guarantees and sleeker Web design. But lately, online travel agencies have worked to woo back customers, offering travel packages and budget offerings.

About 61% of online travel last year was purchased directly from suppliers, compared with about 50% in 2003. Suppliers prefer to sell travel directly to consumers to avoid paying online agencies a commission.

Still, no one Web site or rule of thumb leads to the best travel deal, which means consumers might need to spend time looking around.

When Nadia Rullo of Perth, Australia, was planning a five-week tour of the U.S. this summer, she searched for hotel accommodations at Expedia, where she had had success finding good deals in the past.

But for her stay in New York, where Ms. Rullo planned to spend the biggest block of time, she decided to contact directly the upscale Bryant Park Hotel. The hotel emailed her back with an offer that was more than \$800 cheaper than the deal Ms. Rullo had found on Expedia, she says. She used Expedia to book the rest of the hotels for her trip.

Online agencies are highlighting inherent strengths they have over supplier Web sites for price-conscious consumers. The agencies say they can save travelers money by negotiating discounted prices on package deals of a flight, hotel and rental car. And by offering multicarrier fares—flying different airlines on each leg of a trip—online agencies can sometimes get customers better deals than if they stuck with a single carrier. Mr. Ewing, the software developer, says multicarrier tickets are his primary air purchase at online agencies.

In its largest sale ever, Expedia this month announced it will offer 50% off on stays of four nights or more at about 125 hotels booked by

Cheap Travel

Tips for navigating the world of online travel

- Remember that a booking fee—usually \$5 to \$7—is always charged when buying travel through the three largest American online travel agencies, Travelocity, Expedia and Orbitz.

- The industry is filled with stiff competition. Use it. Check prices with metasearch companies such as Kayak or Farecast, as well as with online travel agents and directly with the airline or hotel you select.

- If you are a frequent flier concerned about racking up points and miles, you are usually better off booking directly with an airline or hotel.



Sept. 2. Priceline.com, which offers blind bidding on airline tickets as well as traditional online agency services, has seen sales strengthen since it stopped last summer charging booking fees on airline tickets. And in June, Orbitz launched its Price Assurance program: If a customer buys an airline ticket, and another customer then books the same flight at a lower price, Orbitz

automatically sends a check to the first customer for the difference.

"For us to reinvigorate consumer interest in online travel agencies, we need to give them an incentive to come to us," says Steve Barnhart, chief executive and president of Orbitz.

There is "certainly some evidence in the last year of an online agency resurgence," says Josh Weiss, director of e-commerce for Delta Air Lines Inc. "We are spending a lot of time looking at every reason that a customer might not want to come to delta.com or abandon the experience before booking," he says.

Mr. Weiss says the carrier is focusing on making its site faster and is introducing perks like "best-rate guarantee," rolled out this summer. The program says that if a customer can find a cheaper fare somewhere other than at delta.com within 25 hours of making a purchase, Delta will match the fare and send the customer a \$100 credit.

Airlines and hotels say they provide better customer service than online travel agencies, since the suppliers are most familiar with their own policies and directly control things like canceled flights or room inventory.

Another comparison-shopping tool comes from so-called metasearch sites, such as Kayak.com and Farecast. These allow shoppers to compare fares and routes from multiple sources at the same time but ask them to click through to a separate Web site to make a purchase.

Italian businessmen weigh Alitalia rescue plan

BY LUCA DI LEO

ROME—A group of 10 Italian businessmen met Monday to discuss a plan to save Alitalia SpA, including a possible capital injection of €1 billion (\$1.5 billion), in what could prove a critical week for Italy's beleaguered state-controlled carrier.

The meeting in Milan was sponsored by Intesa Sanpaolo SpA, the Italian bank that in May received the mandate from Premier Silvio Berlusconi to sell the government's 49.9% stake in Alitalia—the third attempt to privatize the struggling airline in nearly two years.

Alitalia hasn't reported a net profit since 2002, and the recent surge in fuel prices has made matters worse. The airline has become a symbol of Italy's economic malaise. The nation's economy contracted in the second quarter, and Italy could become the first big

euro-zone country to fall into recession this year.

Intesa Sanpaolo is proposing a breakup of Alitalia, with the carrier's potentially profitable operations being sold to a group of investors headed by Italian businessmen in order to keep Alitalia in domestic hands.

Merger talks between Alitalia and Air France-KLM SA collapsed in April, the same month that Mr. Berlusconi won national elections, pledging to keep the airline Italian.

Italian investors in Alitalia are expected to include Roberto Colaninno, chief of motorcycle maker Piaggio SpA, and Carlo Toto, head of domestic carrier Air One SpA. Other possible bidders include the Benetton family, which controls clothing company Benetton Group SpA, insurance magnate Salvatore Ligresti and the Equinox investment fund.

Messrs. Colaninno and Toto and

representatives of the other potential investors were seen at the venue in Milan where the meeting was held. They have previously declined to comment.

The 10 businessmen who met Monday said they were willing to invest a total of more than €1 billion in Alitalia as long as the government approves new legislation to facilitate the breakup of the airline, said a person familiar with the matter.

Mr. Berlusconi's cabinet is to meet Thursday to discuss new bankruptcy measures that would make it possible to break off and liquidate Alitalia's unprofitable businesses, which include the carrier's ground operations, while selling its profitable part to private investors.

The person familiar with the discussions didn't provide a breakdown of how much each investor would put into Alitalia, but indicated that Mr. Colaninno was likely

to become the main shareholder. Mr. Colaninno declined to comment on the meeting Monday.

Intesa Sanpaolo is aiming to finalize the latest rescue plan for Alitalia by Friday, the day the carrier's board meets to approve first-half results.

Alitalia's losses may have nearly doubled to about €400 million in the first six months of 2008, Italian think tank IBL predicted this month. The airline posted a loss of €495 million for 2007, burdened by tough competition from budget airlines and high fuel costs.

Once the breakup of Alitalia is completed, new investors led by Italian businessmen would be expected to pump in around €1 billion and the airline would seek an international partner, a person familiar with the matter said.

—Gabriele La Monica in Milan contributed to this article.

CORPORATE NEWS

Infosys will pay \$753.1 million for Axon Group

BY NIRAJ SHETH

NEW DELHI—In one of the largest overseas acquisitions by an Indian technology company, Infosys Technologies Ltd. said it has agreed to buy U.K.-based tech consultancy Axon Group PLC for \$753.1 million.

The deal is designed to bolster Infosys's consulting business, which has struggled to grow in recent years. In the fiscal year ended March 31, the consulting arm had a loss of \$13 million. The acquisition could herald a trend toward larger deals in the sector, as Infosys's competitors look to bulk up their consulting arms as well.

Infosys Chief Executive Kris Gopalakrishnan said the company wanted to increase its consulting business by adding to its client base. Axon confirmed the offer and said its board recommended shareholders approve it.

Indian technology companies have long depended on basic tech servicing, such as programming applications and maintaining computer systems, to make money. However, rising wages and increasing competition for the country's engineering graduates have made it difficult for them to keep hiring enough people to grow at the same rates they have before.

Now, Infosys and its competitors are looking to grow through higher-value areas like consulting, which bring in more revenue per employee. Consultants potentially bring more business as they work through problems that involve other parts of the company.

The deal will expand Infosys's operations in the U.K. and Europe and help it diversify beyond its dependence on the U.S. In quarter ended June 30, the company made 63% of its revenue from North America. Last month, Infosys said that within a few years, it foresees 40% of its revenue coming from Europe.

Axon focuses on consulting for SAP enterprise software, which helps large corporations keep track of their business processes. The company earned net profit of \$37.4 million last year on revenue of \$378.3 million.

Before the announcement, Infosys shares ended 0.5% higher on the Bombay Stock Exchange, at 1,703.05 rupees (\$39.31) each. The deal values the British company at £6 (\$11.11) a share, a 19.4% premium over Friday's closing price of £5.025. Markets in London were closed Monday for a public holiday. The deal is expected to be completed by November.

—Jackie Range contributed to this article.

Career Journal

Passing grades

Companies use tests to parse employees' strengths, weaknesses > Page 29



Wings suspected in Spanair crash

Investigators believe movable flap panels not properly extended

BY ANDY PASZTOR

The Spanair jetliner that crashed during takeoff from Madrid last week apparently didn't suffer an engine shutdown or fire before impact, according to people familiar with the details, but investigators suspect movable panels on the wings weren't properly extended.

As preliminary information trickled in over the weekend about the accident, which killed 154 people, an international team of experts continued to comb the wreckage looking for parts of the McDonnell Douglas

MD-82 used to extend its flaps, these people said. The flaps are movable panels at the rear of the wings designed to provide extra lift during takeoffs.

Another major goal of the team is to determine whether some internal fault or engine-control setting may have caused a malfunction in the twin-engine jet—a workhorse for international airlines since the 1980s.

At this point, investigators believe the engines were working properly and putting out adequate thrust.

It's still too early for investigators to draw definitive conclusions, and Spanish government officials and a spokesman for the airline, which is owned by Scandinavian airline SAS AB, have declined to comment on the direction of the investigation.

Several people familiar with the

effort said various portions of the plane that have been recovered, along with video taken by cameras at the airport, don't show any signs of fire or explosion during takeoff. Initially, eyewitness reports and comments from airport officials indicated that flames were coming out of the left engine during takeoff.

Investigators believe both engines were turning as the plane struggled to get airborne using more of the 3,000-meter-long runway than would have been typical, even on a hot day. The plane flew briefly, its right wing dipped and then it smashed back to the ground, sparking a fireball and a raging brushfire that delayed arrival of rescuers at the wreckage.

Investigators in the next few days intend to enhance video images, while the U.K.'s Air Accidents

Investigation Branch will attempt to determine what happened by examining the plane's so-called black boxes, which record flight parameters and cockpit conversations. At this point, investigators don't believe that a defect detected in an outside-temperature sensor before takeoff played any significant role in the accident.

According to people familiar with the Spanair probe, investigators are looking at a variety of possible causes but they are focused on trying to determine whether the pilots may have been distracted during the pre-flight checklist, or received incorrect indications about flap settings. Two U.S. jetliners have crashed since the 1980s because pilots failed to deploy flaps as part of their normal checklist procedures before takeoff.



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CORPORATE NEWS

Food makers tweak recipes to fatten profits

Companies use cheaper ingredients, fillers to cut costs

BY JULIE JARGON

Major food makers are quietly altering their recipes on candy, dairy products and other top-selling lines, adding fillers and substituting cheaper ingredients to cut costs amid the commodities boom.

Hershey Co. is substituting vegetable oil for a portion of the cocoa butter traditionally used in some of its chocolates. Spice maker McCormick & Co. is now supplying food companies with cheaper spices and new flavor blends, such as Mexican oregano instead of pricier Mediterranean oregano, and garlic concentrate instead of heavier (and costlier to ship) garlic cloves.

General Mills Inc. says that by reducing the number of spice and ingredient pouches in boxes of Hamburger Helper—and by halving the number of pasta shapes used in the product line—the company has trimmed manufacturing costs 10%. The company is also replacing pecans with less expensive walnuts in its Pillsbury Turtle cookies.

Soy protein, a low-cost meat filler long used in school-cafeteria hamburgers, is making its way into more packaged foods, says Michael Considine, an executive at Minnesota grain company CHS Inc. In the past two years, he has seen a 10% increase in the volume of soy protein the group sells to major food companies, he says.

Most of the tweaked products still cost the same for consumers, if not more. Recently, Hershey announced a price increase across most of its lines.

It's happening as food companies face pressure to raise prices to cover their own fast-rising costs. On Friday, new data showed that food companies raised prices across 35 key product categories by 7.3% over the 12-week period ended Aug. 9, according to AC Nielsen. The increases

are "unprecedented," Sanford Bernstein analyst Alexia Howard wrote in a note to investors.

Also on Friday, Mars Inc., maker of M&M's candies and Snickers bars, said it's raising some prices and cutting the size of its Funsize candy packs.

Food makers face not only rising shipping costs due to costlier fuel, but also sizeable jumps in the price of wheat, sugar and other basic ingredients. The pricing pressure isn't likely to dissipate soon: It is driven at least in part by growing demand for meat and milk in developing countries as living standards rise. In addition, government incentives are resulting in more corn being made into ethanol, cutting into the corn available for cooking or livestock feed.

Food-commodity prices had retreated somewhat in July, but on Friday, the Dow Jones AIG Agricultural Sub-Index, which charts futures prices of crops ranging from corn to coffee, closed 7.7% higher for the week. That was its largest weekly change since the early months of the two-year-old rally in farm-commodity prices.

Food companies and their suppliers say the changes they are making don't sacrifice quality, flavor or nutrition. General Mills of Minneapolis says consumers liked walnuts just as much as the pricier pecans it removed from its Turtle cookies. That change, as well as a decision to mix chocolate chips into some Pillsbury cookie dough rather than sprinkle them on top has saved more than \$5 million in annual costs, says spokeswoman Heidi Geller.

The chief executive of spice maker McCormick, Alan Wilson, says that "through alternate ingredients and flavor technologies, we're helping food companies replace high-cost ingredients with low-cost ones while maintaining the same quality."

Still, swapping out ingredients for cheaper ones has the potential to alienate consumers already stretched by high gasoline prices and a weak economy. In a cost-cutting effort in the 1990s, Campbell

Recipe change

Higher prices are motivating some food makers to swap or cut ingredients.

Hamburger Helper:

It's reduced the number of spices and ingredient pouches.



PRNewsphoto/News.com

Hershey Kissables: Vegetable oil is being substituted for some of the cocoa butter traditionally used.

Pillsbury Turtle Cookies: Walnuts now replace pricier pecans.

Source: the companies

Soup Co. reduced the amount of meat in its chicken noodle soup. Consumers noticed and sales suffered, says Ms. Howard of Sanford Bernstein. After the episode, a new chief executive at Campbell vowed not to cut corners like that again.

Taste can be a concern, too. While food makers say the changes don't alter the flavor of their products, "the risk of tweaking formulas too much is that slowly and almost imperceptibly, you gradually alter the taste...so that after five alterations, you have something that tastes different than it did five years ago," says Robert Moskowitz, a food-industry analyst with Credit Suisse.

Other companies are gussying up lower-end products to make them more appealing. Cargill Inc., of Minneapolis, in July introduced to supermarkets cheaper cuts of meat with fancy-sounding names like Maranada steak (flank steak), Marbello steak (skirt steak) and Cordelico sirloin (flap meat). These cuts come from less tender regions of the cow, unlike pricier cuts such as filet mignon, which comes from the tenderloin muscle.

In a press release announcing the new cuts, Elizabeth Desbrien of Cargill said that the "newly positioned, mid-priced products allow retailers to provide another option to their customers who love beef, but

who may be more price-sensitive."

Restaurants, too, are fiddling with their dishes. Sysco Corp., the nation's largest food-service company by sales, has been working with restaurants to make cost-saving changes such as replacing butter with oils that are blended with butter.

This month, McDonald's Corp. said it's testing less expensive ways to make its \$1 double cheeseburger; already, some restaurants are selling the burger with one slice of cheese instead of two. And in a Thursday interview, Burger King Holdings Inc. CEO John Chidsey said the chain is testing a smaller Whopper Jr. hamburger as it tries to overcome high ingredient costs.

Food companies frequently change their recipes in response to health trends and changing consumer tastes. Most of the recent alterations generally can be spotted only in the fine print of the package's ingredient list. That stands in contrast with manufacturers' practice of occasionally touting changes that, say, add fiber or whole grains with prominent "heart healthy" promotional language on the packaging.

While some of the recent changes do appear to result in healthier products, others don't necessarily. Walnuts, for instance, contain more protein and less fat and calories than pecans, says Russ Barker, president of the Peanut & Tree Nut Processors Association, citing U.S. Department of Agriculture data.

But studies have shown that cocoa butter can reduce inflammation and lower blood pressure, so while substituting vegetable oil may not be harmful, it lowers the overall health benefit, says Bonnie Taub-Dix, a spokeswoman for the American Dietetic Association and a nutrition consultant in New York.

Hershey spokesman Kirk Saville declined to comment on Ms. Taub-Dix's assessment. He pointed out that the majority of Hershey products are made with pure milk chocolate, of which cocoa butter is a primary ingredient.

Packaged-food companies that started trimming costs before the

great-price rally began two years ago tend to be faring better than rivals today. Pittsburgh ketchup giant H.J. Heinz Co. has been breeding sweeter tomatoes in an effort to reduce the amount of high-cost corn syrup in its ketchup. The sweeter tomatoes aren't yet being used in its product lines.

Heinz is also cutting back on packaging and using more rail delivery to cut transportation costs. On Thursday, Heinz said earnings in its fiscal 2009 first quarter rose 11% to \$229 million. General Mills and Kellogg Co. also have benefited from aggressive cost-cutting: Their stocks have risen 27% and 9.3%, respectively, in the past two years.

Some companies are altering ingredients on such a small level that most consumers would never notice. Spokeswoman Nicole Reichert says Cargill has seen increased demand from food makers for dairy substitutes such as enzyme-modified dairy ingredients and starches and hydrocolloids. Starches and hydrocolloids are thickening and stabilizing agents that can replace costlier ingredients like nonfat milk solids in ice cream, processed cheese, yogurt, sour cream and dairy drinks. Adding enzymes to dairy ingredients can substitute milk or cream in some products.

From a nutrition perspective, "That's not a comparable replacement at all," says Ms. Taub-Dix of the American Dietetic Association. "What makes dairy so wonderful is its calcium content and other nutrients. Once you start substituting that, you're changing the nature and benefit of the product."

Cargill's Ms. Reichert agrees that such changes can lead to a reduction in a product's vitamin and mineral content, but says they also reduce the fat and calorie content. "Because applications such as cookies and cream sauces are typically not major sources of vitamins and minerals to begin with, one has to weigh the benefits of reducing calories against the impact of a slight reduction of vitamins and minerals," Ms. Reichert says.

—Scott Kilman
contributed to this article.

For some of India's retailers, forecast boom is a bust

BY ERIC BELLMAN

Bangalore, India

Ritu Sureka shakes her head as a wave of moviegoers from the Grand Sigma Mall's new multiplex cinema rumbles past her home-furnishing store, ignoring its "70% Off Sale."

Ms. Sureka once was sure that Bangalore's armies of programmers and call-center workers would spend their rising salaries on stylish lamps, pillows, mirrors and vases. She opened her "All Living" store in the Indian tech capital's newest mall in 2005, hoping to expand nationally. Today, she still doesn't make enough money to cover the rent.

"We were so excited," the 45-year-old says. "Now, I think this retail thing has been a failure."

Just three years ago, an explosion of conferences, analyst reports, Web sites and magazines predicted the arrival of a new Indian consumer, who would change the global retail landscape. The first modern retail outlets here were so popular that many entrepreneurs thought customers would buy almost anything at any price. They were wrong. Large and

small retailers across India are discovering that increasingly affluent consumers aren't always eager to part with their rupees. For some, the forecast retail boom that promised jobs for Indians and a new market for global retail giants is already a bust.

India still generates excitement among investors. This month, British retailer Tesco PLC and Vornado Realty Trust, one of the largest mall developers in the U.S., separately announced plans to enter India with local partners. Some retailers, especially those catering to budget shoppers, are thriving. Deep-pocketed companies like grocery-store chains are willing to shoulder losses for a few years, assuming Indians will become accustomed to mall and supermarket shopping instead of buying at the millions of mom-and-pop stores.

Still, German retailer Metro AG, after five years here, operates only four wholesale stores; it says it is taking its time developing its Indian business. Wal-Mart Stores Inc., which unveiled plans to enter India with a joint-venture partner two years ago amid great fanfare, will open its first store next year, and won't comment

on future plans. Straps, a chain run by India's Oswal Group that featured Wonderbra lingerie from U.S.-based Hanesbrands Inc., has closed its more than 20 stores.

Even local early movers have struggled. Shoppers Stop Ltd., one of the first companies in India to attempt modern retail chains selling clothing and housewares, posted net losses the past two quarters. Some companies that still have big plans, including Indiabulls Financial Services Ltd. and Aditya Birla Group, have changed tack, closing some stores and making management changes.

"I was an eternal optimist; now I have become a realist," says Kishore Biyani, chairman of Pantaloon Retail India Ltd., the country's largest retailer by sales, which has revamped its expansion plans. "Everybody has miscalculated."

Most retailers say they are grappling with the same problems: rising costs and fewer buyers. In the early days of the boom, retail rents and salaries soared, though they have started to come down a bit. Many outlets discovered that consumers didn't really want their products.

And unlike shoppers in Asia's other booming economy, China, Indians are rarely willing to pay three to 10 times more for an international brand than for its domestic equivalent. The average Chinese consumer has more disposable income and more than a decade more of experience with international brands.

India's retail industry—including everything from carrots to cars—clocks around \$350 billion a year in sales. That figure had been expected to double in the next seven years. But some retail executives are taking a closer look at their projections. While there has been growth, it is less than hoped for. And thousands of new shops have sprouted in the past few years, meaning more players competing for the same consumer.

These problems could damp, if not douse, international enthusiasm for the Indian market. Foreign retailers have been among the most excited about opportunities in India. If retail growth sputters, India will lose an important avenue for growth to trickle down to the masses: the jobs that retail provides.

India's recent economic expan-

sion has been fueled largely by its service sector and hasn't created millions of manufacturing and export jobs the way China's boom has. The Indian government had counted on retailing to soak up millions of rural and young job seekers. Two years ago, Mukesh Ambani, chairman of Reliance Industries Ltd. projected that thousands of his new stores would provide jobs for "500,000 young boys and girls in the next few years." That plan seems overambitious now: The company has built around 700 stores since his speech, an impressive number but far from earlier targets.

After a grand opening that drew Bangalore's trend-setters, Ms. Sureka has waited in vain for customers. She has cut prices and is selling some items at a loss, but she still hasn't found a formula to make people buy. She plans to close the shop in November. "At this point, we aren't even thinking about profits any more; I just want to reduce my stock," she says. "I have become a pessimist in the last three years."

—Tariq Engineer
contributed to this article.

CORPORATE NEWS



A spectator shows his tickets for the opening ceremony at the National Stadium in Beijing. Ticketmaster hopes to use its Olympics experience to boost its China presence.

Ticketmaster says it sold 6.8 million Games tickets

Firm hopes Olympics helps China presence; a different system

BY SHAI OSTER

BELJING—Ticketmaster Chief Executive Sean Moriarty said 6.8 million tickets to the Beijing Games were sold world-wide, the most ever for the Olympics.

"This was the most complex, most high-profile event," Mr. Moriarty said in an interview Monday. "We have been presented with some extraordinary challenges."

Ticketmaster, which last week was officially spun off from IAC/InterActiveCorp along with HSN home-shopping network, was charged with distributing tickets to the various international Olympic committees and handled all domestic tickets sales, a tough task in China, where online payment systems are relatively primitive compared with more-developed economies such as the U.S. (News Corp.'s Dow Jones & Co., publisher of The Wall Street Journal, jointly owns a personal-finance Web site with IAC.)

Ticketmaster hopes to use its Olympics experience to boost its presence in China, where ticket brokering is still a fragmented and young industry. So far, Ticketmaster is present in

six markets, and is looking to expand. The company has 6,500 outlets globally and some 35% of its revenue comes from outside the U.S.

China poses additional challenges. Apart from the lack of a widely used online-payment system, Chinese customers also have different habits, such as the desire to receive tickets at the point where they pay. In other markets, customers are comfortable paying first, and getting their tickets later. Some companies employ couriers to hand-deliver tickets to customers. Mr. Moriarty said rolling out more digital tickets could alleviate that need.

Early Olympics sales rounds were beset with problems as the volume of interest exceeded expectations last year, causing the system to collapse under the heavy load.

By the May round of sales, Ticketmaster's Web site was able to handle its biggest single day—175 million page views, with 27 million in the first hour alone. "We are extremely pleased with the results," Mr. Moriarty said.

Even after domestic tickets were sold out, some foreign-passport holders were still able to purchase tickets locally through third-party brokers. During the Games, observers noticed an unusually high number of empty seats in the stands, which some officials attributed to normal scheduling and others blamed on tickets doled out to sponsors.

Suzlon wind turbines draw customer criticism in India

BY TOM WRIGHT

CHENNAI, India—Suzlon Energy Ltd., the world's fifth-largest wind-turbine maker by sales, is facing complaints in its home market of India over technical problems with turbines, only months after blades it sold to U.S. buyers began cracking.

Some of Suzlon Energy's largest Indian customers say their turbines fail to generate anywhere near the amount of electricity expected, suffer from excessive vibrations during high winds and have control problems costing them millions of dollars in lost power revenue.

"The machines are not fit to handle the wind," said Shrenik Baldota, managing director of MSPL Ltd., an Indian mining company and one of

India's largest investors in wind power. Mr. Baldota is one of a number of Suzlon's top customers who say they have turbine problems. Others include Essel Mining & Industries Ltd., Madras Cements Ltd. and KS Oils Ltd.

The complaints don't bode well for Suzlon, which has been at the forefront of a massive push to develop wind energy in India, carving out more than a 50% market share. The country has installed wind turbines with 8,000 megawatts of capacity, helping the country become the world's fourth-largest wind-power producer behind Germany, the U.S. and Spain.

MSPL has purchased almost 100 units of Suzlon's 1.25 megawatt turbine, making it one of the company's biggest domestic customers.

GLOBAL BUSINESS BRIEFS

Austrian Airlines AG

Lufthansa makes an offer for stake in rival carrier

Deutsche Lufthansa AG has made a nonbinding offer for a stake in rival Austrian Airlines AG, a Lufthansa spokesman said Monday. The deadline for nonbinding offers was Sunday, Lufthansa spokesman Andreas Bartels said. The Austrian government decided in early August to privatize the airline with the condition that 25% remain in Austrian hands. The government holds about 43% of the airline, which expects a loss this year of €70 million to €90 million, or \$103 million to \$133 million. Air France-KLM SA is among the other airlines to express an interest in the Austrian flag carrier. Closely held Russian airline S7 also is considering bidding for Austrian Airlines, a spokesman for S7 said Monday, adding that the Russian airline could benefit from access to the carrier's hub in Vienna.

E.On AG

Germany's energy regulator has started proceedings against five natural-gas-transport companies over their failure to combine five market areas for low-calorific gas into two by Oct. 1. The energy regulator said it is investigating units of Germany's E.On AG, RWE AG, EWE AG and Erdgas Münster GmbH, as well as Dutch operator Nederlandse Gasunie NV. An E.On spokeswoman called the probe "not appropriate." RWE said it is seeking a solution. The chief executive of Erdgas Münster Transport said he was "surprised." EWE's CEO said the agency had failed to clear up the regulatory framework. Gasunie said it has taken notice of the probe.

Northam Platinum Ltd.

Northam Platinum Ltd. posted a 13% rise in full-year net profit as higher metal prices more than offset a drop in output. The miner based in South Africa also said production for the coming year is likely to increase. Net profit in the year ended June 30 increased to 1.49 billion rand (\$194.1 million) from 1.33 billion rand a year earlier. Revenue rose 4% to 3.89 billion rand from 3.74 billion rand. The Johannesburg-based company said that even though the production of metals in concentrates fell 9.7% to 9,113 kilograms, the average price received for the product increased almost 38%. The key Northam mine recorded an 18% decline in tonnage mined during the past year amid safety-related closures and power shortages that reduced output for many of South Africa's miners. The miner said it expects output from its Northam mine to be marginally higher in the next fiscal year.

Saxo Bank AS

Danish online investment and trading bank Saxo Bank AS said it has abandoned a proposal to inject 20 million Australian dollars (US\$17.3 million) into Australian broker Tricom Holdings Ltd. for a 35% stake. Saxo Bank entered a memorandum of understanding in May to buy the stake from Babcock & Brown Ltd. and Australia & New Zealand Banking Group Ltd. as part of a three-year plan to get full ownership. Tricom's difficulties to secure an investor underscore the plight of several Australian brokers and lenders with complex financial structures. It also further hinders Babcock & Brown, whose debt-driven model has been severely tested.

Toyota Motor Corp.

Toyota Motor Corp. said it will raise prices of its gasoline-electric hybrid and other models in Japan by up to 3% starting Sept. 1, to help absorb surging raw-material costs. This month, the auto maker reported a 28% drop in net profit for the fiscal first quarter ended in June. Japanese car makers have had difficulty raising prices at home, where sluggish demand will likely drag annual vehicles sales this year to a low not seen in decades. The price increase follows similar moves this year in the U.S., Europe and China. Toyota will raise the price for its hybrid Prius by 73,500 yen (\$668). The price of the hybrid version of its Harrier sport-utility vehicle will also rise by 3%, or 136,500 yen. Commercial vehicles such as trucks and buses will go up an average of 2%, or 29,100 yen.

Swiss Life Holding AG

Swiss Life Holding AG said it will keep its stake in MLP AG and is interested in holding talks with the German financial adviser, which has so far opposed the idea of a closer partnership or takeover. The life insurer reiterated its stance after MLP recently launched a capital increase aimed at blocking a potential takeover. Swiss Life is interested into folding MLP into its German unit AWD Holding AG, a financial adviser the Swiss company bought last year for about €1 billion (\$1.48 billion). MLP said it is open to general talks with Swiss Life. The insurer bought a 26.75% stake in MLP earlier this month from AWD founder and Chief Executive Carsten Maschmeyer. Swiss Life paid €307 million for the MLP stake.

Endesa SA

Spain's nuclear watchdog called for a meeting of plant operators following the second unscheduled disconnection of a reactor in two days. The Nuclear Safety Council said the 500-megawatt Garona plant was offline, after an error in work on high-voltage installations that automatically halted the plant. On Sunday, the 1,000-MW Vandellós II plant was halted automatically when one of its generators caught fire. Both reactors are jointly owned by Spain-based energy companies Endesa SA and Iberdrola SA. The fire was extinguished within 90 minutes, but the council said the plant would be halted until the full extent of the damage could be determined. The watchdog said that the fire at Vandellós II had no radioactive consequences, and people and the environment were at no risk at Garona.

Deutsche Postbank AG

German labor union Ver.di is requesting an immediate end to negotiations on the sale of Deutsche Postbank AG. The call comes one day before the start of wage negotiations for Postbank employees covered by a collective-bargaining agreement. The German mail and logistics company Deutsche Post AG is looking to sell its stake of 50% plus one share in Postbank. Ver.di board member Uwe Füllong said employees should expect several thousand jobs to go if the sale occurs. The bank declined to comment, but many observers have said Deutsche Post should wait for a better time to sell the stake. The collective-bargaining agreement, which expires at the end of the year, covers about 5,000 workers. Ver.di wants an 8% increase in pay for employees and protection against compulsory redundancies.

Ranbaxy Laboratories Ltd.

The Indian government will re-examine a plan by Japanese drug maker Daiichi Sankyo Co. to buy a controlling stake valued at as much as \$4.6 billion in Ranbaxy Laboratories Ltd., a finance ministry official said. The Foreign Investment Promotion Board, which had approved the proposal July 29, is likely to ask the Cabinet Committee on Economic Affairs to examine the deal, the official said. The news dragged down Ranbaxy's shares, but analysts said the move is unlikely to delay the deal as the government is re-considering the proposal on technical grounds. According to Indian rules, foreign direct investment of more than six billion rupees (\$138.5 million) must be approved by the CCEA. "We don't see this as an obstacle," a Daiichi Sankyo spokesman said. He said the Foreign Investment Promotion Board will discuss the deal Tuesday. Ranbaxy officials declined to comment.

Kirin Holdings Co.

Japan's Kirin Holdings Co.'s National Foods agreed to buy Dairy Farmers, one of Australia's biggest milk processors, for 910 million Australian dollars (US\$788.5 million). The proposal has already received clearance from the Australian Competition and Consumer Commission and the Foreign Investment Review Board and is subject to approval from Dairy Farmers' shareholders. Japan's Kirin Holdings bought dairy and juice producer National Foods last year for A\$2.8 billion from Philippine partner San Miguel Corp. as part of its midterm business plan. It was part of Kirin's effort to diversify revenue sources amid slower growth in Japan's food and beverage sector.

Cosco Pacific Ltd.

Ports investor Cosco Pacific Ltd. said first-half net profit rose 3.1% from a year earlier amid higher container-terminal throughput because of increased capacity. For the six months, the Hong Kong-listed company's net profit rose to US\$153.2 million from US\$148.5 million a year earlier. Cosco Pacific, a unit of China Cosco Holdings Ltd., has stakes in container terminals in mainland China, Hong Kong, Singapore and Belgium. Cosco Pacific also expects to reach a final agreement with Greece's Piraeus Port Authority SA by 2009 to manage two of the port's three container-shipping terminals. Cosco Pacific's core container-terminal business posted a 20% rise in interim net profit to US\$74.2 million.

Advanced Micro Devices Inc.

Advanced Micro Devices Inc. agreed to sell its digital-television business to Broadcom Corp. for \$192.8 million as the chip maker moves to streamline itself as it battles chip giant Intel Corp. The deal, set to close by year's end, will bolster AMD's balance sheet and lower the amount of revenue the company needs to generate to break even, said President and Chief Executive Dirk Meyer [BRIEF-NEW]. Broadcom said that combining AMD's digital-TV efforts with its own will allow the communication-chip maker to offer a complete line of products that covers the entire segment, from low to high end. The company has seen digital TV as a key growth area. Some 530 AMD employees will join Broadcom through the deal.

—Compiled from staff and wire service reports.

ON OTHER FRONTS

The Komodo dragon, an ancient, fierce carnivore found only on a handful of remote islands in eastern Indonesia.



Yaroslav Trofimov/The Wall Street Journal(2)

Dispatch / By Yaroslav Trofimov

Good lizards go bad: Komodos take violent turn

A *Kampung Komodo, Indonesia* T LEAST once a week, an unwelcome intruder crawls under a clapboard wall and, forked tongue darting, lumbers its way into Syarif Maulana's classroom.

"Then, everyone screams, there is no more school, and we all run away very fast," says the 10-year-old boy. "We are very afraid."

The intruder, a Komodo dragon, is the world's largest lizard, an ancient, fierce carnivore found only on a handful of remote islands in eastern Indonesia. Reaching three meters in length, the dragons feed on buffaloes, deer and an occasional human. Just a year ago, a boy about Syarif's age died in a dragon's jaws, his bones smashed against rocks to facilitate reptilian digestion.

That killing, and a spate of other close encounters, has fanned a panic in the dragons' main habitat, the Komodo National Park. Touted by Indonesia as its "Jurassic Park," this rocky, barren archipelago is home to some 2,500 dragons and nearly 4,000 people, clustered in four fishing villages of wooden stilt houses.

These locals have long viewed the dragons as a reincarnation of fellow kinsfolk, to be treated with reverence. But now, villagers say, the once-friendly dragons have turned into vicious man-eaters. And they blame policies drafted by American-funded environmentalists for this frightening turn of events.

"When I was growing up, I felt the dragons were my family," says 55-year-old Hajji Faisal. "But today the dragons are angry with us, and see us as enemies." The reason, he and many other villagers believe, is that environmentalists, in the name of preserving nature, have destroyed Komodo's age-old symbiosis between dragon and man.

For centuries, local tradition required feeding the dragons—which

live more than 50 years, can recognize individual humans and usually stick to fairly small areas. Locals say they always left deer parts for the dragons after a hunt, and often tied goats to a post as sacrifice. Island taboos strictly prohibited hurting the giant reptiles, a possible reason why the dragons have survived in the Komodo area despite becoming extinct everywhere else.

"For us, giving food to the dragons is an obligation, our sacred duty," says Hajji Adam, headman of the park's biggest village, Kampung Komodo.

Indonesia invited the Nature Conservancy, a Virginia-based environment protection group, to help manage the park in 1995. An Indonesian subsidiary of the group, called Putri Naga Komodo, gained a tourism concession for the park in 2005 and is investing in the conservation effort some \$10 million of its own money and matching financing from international donors.

With this funding and advice, park authorities put an end to villagers' traditional deer hunting, enforcing a prohibition that had been widely disregarded. They declared canines an alien species, and outlawed the villagers' dogs, which used to keep dragons away from homes. Park authorities banned the goat sacrifices, previously staged on Komodo for the benefit of picture-snapping tourists.

"We don't want the Komodo dragon to be domesticated. It's against natural balance," says Widodo Ramono, policy director of the Nature Conservancy's Indonesian branch and a former director of the country's national park service. "We have to keep this conservation area for the purpose of wildlife. It is not for human beings."

When people hunt deer, it poses a mortal threat to the dragons, which disappeared from a small island near Komodo after poachers decimated deer stocks there, officials say. "If we let the locals hunt again, the dragons will be gone," says Vinsensius Latief, the national park's chief for Komodo island. "If we are not strict in enforcing the ban, everything here will be destroyed."

But, while the deer population remains stable in the park, many dragons these days prefer to seek easier prey in the vicinity of humans. They frequently descend

from the hills to the villages, hiding under stilt houses and waiting for a chance to snap at passing chicken or goats. Much to the fury of villagers, park authorities, while endorsing the idea in principle, so far haven't acted on repeated requests to build dragon-proof fences around the park's inhabited areas. The measure is estimated to cost about \$5,000 per village.

"People are scared because, every day, the dragons come down and eat our goats," complains Ibrahim Hamso, secretary of the Kampung Rinca village. "Today it's a goat, and tomorrow it can be our child."

A year ago, a 9-year-old named Mansur was one such victim. The boy went to answer the call of nature behind a bush near his home in Kampung Komodo. In broad daylight, as terrified relatives looked on, a dragon lunged from his hideout,

took a bite of the boy's stomach and chest, and started crushing his skull.

"We threw branches and stones to drive him away, but the dragon was crazed with blood, and just wouldn't let go," says the boy's father, Jamain, who, like many Indonesians, goes by only one name.

Unlike in the U.S. and many other Western countries, park rangers here don't routinely put down animals that develop a taste for human flesh.

A few months later, Jamain's neighbor Mustaming Kiswanto, a 38-year-old who makes a living selling dragon woodcarvings to tourists, and whose son had been bitten by a dragon, was attacked by another giant lizard after falling asleep. In June, five European divers, stranded in an isolated part of the park, said they successfully fended off an aggressive dragon by throwing their weight belts at it.

One of the most famous lizard attacks occurred in 2001 in the U.S., when a Komodo dragon kept by the Los Angeles Zoo tried to ingest the foot of Phil Bronstein, then editor of the San Francisco Chronicle and husband of actress Sharon Stone.

To the villagers in Komodo, the recent incidents provide clear evidence of an ominous change in reptile behavior. "I don't blame the dragons for my boy's death. I blame those who forbade us from following custom and feeding them," says Jamain. "If it weren't for them, my boy would still be alive."

Officials at the Nature Conservancy's Indonesian headquarters in Bali dismiss such widespread belief about a connection between the attacks and the ban on feeding the dragons as "superstition." The group and its Komodo subsidiary reject any responsibility for Mansur's death.

The boy "shouldn't have crouched like a prey species in a place where dragons live," says Marcus Matthews-Sawyer, tourism, marketing and communications director at Putri Naga Komodo. "You've got to be very careful about extrapolating and drawing any conclusions."

Despite such disbelief in the Komodo villagers' theories, executives at the Nature Conservancy's headquarters in the U.S. pledge to reach out and tackle local fears. "Any concern expressed by the villagers will be taken seriously, and we will address it if we can," says Chief Communications Officer James R. Pettersen. "The Komodo effort is a work in progress."

Dragon and man could coexist here in harmony in the past, Komodo park officials add, because at the time the area's human population was a fraction of today's size. Now, with local villages pushing deeper inland and attracting new settlers from elsewhere in Indonesia, conflict may be inevitable—and even a fence won't be able to prevent dragon infiltrations.

"The smell of the village—goats, chicken, drying fish—all this invites the dragons," says Mr. Latief. "And if the dragons can't grab the animals, they will bite the villagers."



Villagers say the once-friendly dragons have turned into vicious man-eaters.

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WSJ.com

Online today: See photos from Komodo Island, Indonesia, at WSJ.com/OnlineToday

ECONOMY & POLITICS

IRAN

Tehran starts production of all-domestic submarine



IRANIAN STATE television said the country has started the production of an all-domestically built, midsize submarine that will be able to fire missiles and torpedoes.

Defense Minister Gen. Mostafa Mohammad Najjar, left, inaugurated the production line of the sub, named Ghaem, at a ceremony Monday. According to the TV, he

said Iran has made huge investments to attain self-sufficiency and equip its armed forces with modern weapons. The TV also said two other submarines, named Ghdair, have been delivered to the Iranian Navy. Their production began in 2005.

—Associated Press

GEORGIA

Pipeline back in service after blast this month



LOADING of oil from BP PLC's Baku-Tbilisi-Ceyhan pipeline began Monday for the first time since it was shut down after a blast earlier this month.

Kurdish separatist guerrillas claimed responsibility for the explosion, although Turkish energy and military officials said they doubted the blast was caused by sabotage.

In Baku, a BP spokeswoman confirmed oil was flowing. "The volume depends on how fast we can raise production rates," Tamam Bayatly said. Production from the BP-led Azeri-Chirag-Guneshli field in Azerbaijan was sharply reduced after the pipeline explosion but was returning to normal. —Reuters

ECONOMY

Spain producer prices rise at fastest rate in 23 years



SPANISH producer prices in July rose 10.2% from a year earlier, the strongest year-to-year increase in 23 years, the National Statistical Institute said.

Producer prices surged amid a jump in the prices of energy products and food and beverages. It was the steepest rise since October 1984, when producer prices rose 10.5%, an institute official said.

The price of production for all energy, including oil products, soared 30% from a year earlier.

The price of durable consumer-goods output rose 3.3% in July from a year earlier, while nondurable consumer-goods production rose 5.6%. —Bernd Radowitz

Contractors face loss of immunity from Iraqi laws

BY AUGUST COLE

Foreign contractors operating in Iraq on behalf of the U.S. could be forced to reorganize the way they do business after a deal with the Baghdad government stands to strip them of immunity from local laws.

Immunity from local courts is one of the factors that had permitted the contractors—which do everything from protect U.S. officials to supply forces with food and fuel—to swell their ranks and become a pillar of support to the U.S. military there. But the prospect of being held accountable in local courts could lead to higher insurance costs, greater legal uncertainty and difficulties in recruiting workers from abroad, according to industry officials.

Such contractors in Iraq have effectively been immune from local law under a provision known as CPA Order 17 that dates back to the U.S. turnover of sovereignty to the Iraqi government in June 2004. But U.S. and Iraqi negotiators have reached an agreement on a security deal for American military forces that provides a framework for a continued presence there and replaces a United Nations mandate that expires at year end.

Most contractors work on supplying U.S. forces as part of a for-hire logistics chain that relies heavily on Iraqis and draws in workers from around the world, often because they are paid less. The U.S. Defense Department has almost 150,000 contractors in Iraq, about 63,000 of whom are Iraqis. Security contractors are a smaller subset, but much more politically contentious in Iraq and in the U.S.

The prospect of entering Iraq's legal system is one that most foreign contractors dread. Because details of the arrangement are still emerging, the companies still don't know exactly what type of legal situation they will be operating under.

The new arrangement will cover armed contractors who protect convoys, buildings and people, as well as those who support U.S. forces by driving trucks and working on bases in Iraq. The U.S. officials are expected to go ahead with the deal, though approval in Iraq will be more politically circuitous and could take longer.

Mugabe chooses his government

But parliament picks opposition candidate for post of speaker

BY SARAH CHILDRESS

PRESIDENT ROBERT MUGABE appointed several members of his new government Monday, dealing a further blow to dwindling prospects for a power-sharing accord with Zimbabwe's opposition.

But in a sign that the parliament may no longer be a rubber stamp for Mr. Mugabe's policies, the opposition's candidate for speaker, Lovemore Moyo, was chosen Monday in a parliamentary vote. The post is one of the most powerful positions the Movement for Democratic Change has ever had and suggested that the party may wield more clout in parliament than the ruling party may have expected. For the opposition to secure a win, it needed the support of either some breakaway opposition-faction members or some from Mr. Mugabe's party.

Parliament is expected to reconvene Tuesday for the first time since contested presidential elections. Since declaring himself the winner of a runoff in June, Mr. Mugabe appeared to soften his stance and met several times with opposition leader Morgan Tsvangirai to discuss a possible power-sharing deal between the two men.

Few expected the long-time liberation leader to give up power easily, but hope had risen in recent weeks that pressure from African neighbors and the country's economic crisis were forcing Mr. Mugabe's hand. The two leaders have clashed more recently over how much power each man would have in some sort of unity government. Mr. Mugabe insists on retaining all executive power, while Mr. Tsvangirai has demanded those powers at least be shared between them. Neither side would comment on the talks.

Mr. Mugabe announced last

week that he would convene parliament whether a deal was struck or not. The opposition has warned it would abandon talks if he takes that step. Mr. Mugabe Monday appointed eight provincial governors and three senators, state media reported. While the positions aren't pivotal, they could be a sign that Mr. Mugabe is forming a government without Mr. Tsvangirai.

The current power-sharing negotiations are likely the last chance for the MDC to loosen Mr. Mugabe's grip. Mr. Tsvangirai won the first round of balloting, which also saw his party win the most seats in parliament. He dropped out of the runoff, citing violence against his supporters. Independent observers and human-rights groups have accused Mugabe supporters of targeting opposition supporters in the balloting.

Mr. Mugabe, however, has blamed the violence on the opposition.

After a number of parliamentary races were challenged by the ruling party, the MDC now holds 100 seats to the government's 99—not enough to overturn Mr. Mugabe's policies or oppose his cabinet choices.

Two opposition members of parliament were arrested Monday as they arrived to be sworn in, the opposition said.

A breakaway opposition faction holds 10 more seats. While its leader, businessman Arthur Mutambara, was closely aligned with Mr. Tsvangirai during the elections this year, he has recently drifted back into Mr. Mugabe's orbit. Mr. Mugabe has said that if he and Mr. Tsvangirai can't agree on a deal, he might strike one with Mr. Mutambara instead. Mr. Mutambara's 10 seats are enough to establish a definitive majority in parliament. There is also one independent lawmaker.



Morgan Tsvangirai



Robert Mugabe

U.S. reports 3.1% rise in existing-home sales

BY KELLY EVANS

U.S. sales of previously owned homes rose a healthy 3.1% in July from the previous month, but growing inventories of unsold homes and rising mortgage interest rates continue to thwart a full housing-market recovery.

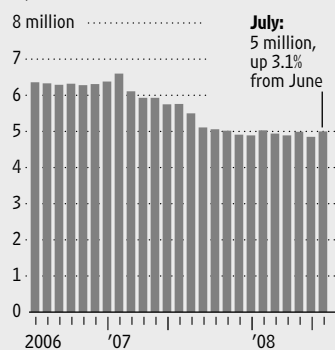
Existing-home sales increased to a seasonally adjusted annual rate of five million units, the highest since February, the National Association of Realtors said Monday. The increase was foreshadowed by a rise in the number of signed contracts in the past few months but nevertheless was stronger than expected.

"We are not yet ready to call the current levels a bottom but clearly most of the declines are behind us," said Adam York, a Wachovia Corp. economist.

Signs of stabilization in U.S. existing-home sales—which make up

A bit of an uptick

U.S. existing-home sales, at a seasonally adjusted annual rate



Source: National Association of Realtors

about 85% of all home sales—are a welcome change from the massive sales declines over the past three years, but there are signs that the market is not yet in the clear.

Joshua Shapiro, chief U.S. economist with MFR Inc., a New York consulting firm, noted that inventories are "very high" and "would probably be even more so if all those wishing to sell their home actually had the house on the market," rather than being scared off by weak demand and falling prices.

At the current sales pace, there are 11.2 months' supply of homes for sale, the realtors' group said, nearly double the inventory that occurs in more normal times.

Plus, the pattern of sales suggests that much of the activity is occurring in parts of America where foreclosed homes are flooding the market and buyers are snapping up the deals. Sales rose "significantly" in several Florida and California markets, the group said, while the overall average and median sales prices fell. Tuesday, two widely followed home-price gauges are ex-

pected to show further declines.

Rising mortgage rates and tighter lending standards also threaten to prolong the housing market's recovery. The average interest rate for a conventional 30-year, fixed-rate mortgage rose to 6.43% in July from 6.32% the month before, according to mortgage firm Freddie Mac. Although the U.S. Federal Reserve has slashed its target lending rate in the past year, mortgages rates are now just slightly below the 6.7% average last July as lending practices have tightened.

"The good news is the trough is behind us," said Harm Bandholz, a New York-based economist with UniCredit. But, "the fundamental situation remains bleak," he said, citing tighter lending standards and rising foreclosures that will continue to put downward pressure on home prices.

THE MART

BANKRUPTCIES

SEA CONTAINERS LIMITED (Joint Provisional Liquidators Appointed) IMPORTANT NOTICE TO CREDITORS

Sea Containers Limited ("SCL") is a company incorporated in Bermuda, with its registered office at Canon's Court, 22 Victoria Street, P.O. Box HM1179, Hamilton HM EX, Bermuda.

SCL is currently subject to Chapter 11 proceedings under the United States Bankruptcy Code ("Chapter 11 Proceedings") and through that process has been in contact with all creditors of which it is aware. As part of that process a bar date (being a date by which all claims by creditors against a debtor must be submitted to be taken into account for distribution purposes) was set at 16 July 2007. A subsequent bar date for claims by employees was set at 28 August 2008. These dates are particularly important as they are the dates by which claims against SCL must be submitted to ensure that creditors thereof could participate in the Chapter 11 Proceedings.

SCL is also the subject of winding-up proceedings in Bermuda, Action # 315 of 2006.

In respect of such Chapter 11 Proceedings, SCL has filed a plan of reorganisation ("Plan") pursuant to which it hopes to emerge from the Chapter 11 Proceedings. All creditors of SCL that have been identified to date will have received correspondence regarding the Plan and have, or will shortly, receive ballots pursuant to which they can vote on the Plan.

SCL anticipates that it will propose entering into a Scheme of Arrangement ("Scheme") with certain of its creditors, pursuant to Section 99 of the Companies Act 1981 of Bermuda, for the purposes of implementing the Plan in Bermuda and it is likely that an application to the Supreme Court of Bermuda will be made during September 2008 to convene one or more meetings of creditors, as applicable. SCL is proposing that, if approved, the Scheme will become effective in or around mid to late November 2008 and have a Scheme Bar date in or around mid to late December 2008 ("Scheme Bar Date"). The Scheme Bar Date is the date by which any claims against SCL not currently filed in the Chapter 11 Proceedings must be submitted by creditors to be taken into account for distribution purposes. Notwithstanding the substantial efforts made to date to identify all creditors, SCL is keen to identify any remaining person or persons who believe they have a claim against SCL and who have not already submitted claims in respect of the Chapter 11 Proceedings. Such person or persons may be eligible to submit a claim in respect of the Scheme if their failure to participate in the Chapter 11 Proceedings is not a result of wilful default or lack of reasonable diligence.

If you consider you may have a claim against SCL and have not previously filed a claim in the Chapter 11 Proceedings, please contact BMC Group, Inc. as a matter of urgency as follows: attention: Sea Containers Limited Claims and Solicitation Agent, at either: 31 Southampton Row, 4th Floor, Holborn, WC1B 5HJ, England, telephone: +44 20 7000 1214; or 444 Nash Street, El Segundo, California 90245, telephone 001 888 909 0100 or via the BMC Group, Inc. website at www.bmcgroup.com/scl.

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ECONOMY & POLITICS



Sen. Barack Obama speaks at a campaign event in Davenport, Iowa, Monday. His campaign plans a new message asking which candidate is more like other people.

Obama seeks to craft populist theme for voters

Candidate's empathy for economic woes is part of new focus

BY NICK TIMIRAOS

DAVENPORT, Iowa—In the run-up to his speech accepting the Democratic presidential nomination on Thursday night, Barack Obama is honing a populist, bumper-sticker message to reframe the election around one question: which candidate is more "average"?

It's a far cry from the candidate who kicked off his presidential bid here by citing a "fierce urgency of now" and inspiring audiences with the message that he was something very different.

The new appeal, delivered to small crowds seated at picnic tables at county fairgrounds, has little in common with the call, in packed arenas, to join a movement. Sen. Obama is trying to remind voters that he understands their anxieties about the economy. "I understand what you're going through because it was just six years ago," the Illinois senator said here Monday, that he and his wife were figuring out how to pay the bills. "I know what you're going through, and that's why I'm in politics."

Once voters looked closely at both candidates, Sen. Obama said, they would conclude that "he's kind of like us. He and his wife had to worry about child care. They had to worry about how to start a college fund for our kids."

That appeal is linked closely to a sharp critique of Republican candidate John McCain as someone who, despite a long record of service to the country, doesn't have a plan for the economy. The Obama campaign launched an ad on Monday that mocks Sen. McCain as someone who isn't "up on the economy, [doesn't] know much about industry, really can't explain the price of gas or what has happened to the middle class."

The ad follows stepped-up Democratic attacks against the Arizona senator for his inability to tell a reporter how many houses he owns and for jokingly defining wealth as making more than \$5 million. "What that tells me is you just don't get what's going on with people's everyday lives, the people who are making \$20,000 a year or \$40,000 a

year or \$60,000 a year," Sen. Obama said Sunday in Eau Claire, Wis.

Kay Murphy, a 73-year-old retired Davenport teacher, decided after seeing Sen. Obama on Monday that she would vote for him this fall, the first time that the lifelong Republican has voted for a Democrat since John F. Kennedy in 1960. "He seems like one of us," she said.

Sen. Obama has himself been on the defensive in recent weeks as Republican ads mocked him as an out-of-touch celebrity who can't relate to working-class voters in the heartland. Polls have tightened in recent weeks, suggesting that the attacks have succeeded. The McCain campaign said the new Democratic ad was proof that Sen. Obama's "politics of hope is waning," said spokesman Tucker Bounds. "It's particularly revealing that the Obama campaign feels forced to cast flimsy attack ads during his own convention."

Sen. Obama's reframed message doesn't delve deeply into policy, instead directly responding to Republican attacks. Charged by Republicans with tax policies that will lead to "economic disaster," for example, Sen. Obama tells audiences, "Economic disaster is here. I don't have to lead you to anything."

The new line of attack against Sen. McCain presents the Obama campaign with a unique challenge: introducing Sen. Obama to voters who may still not know much about him, without letting the McCain camp turn the election into a referendum on Barack Obama.

The campaign is trying to shift the spotlight onto Sen. Obama's modest upbringing and contrast it with Sen. McCain and his wife, Cindy, who is heir to a fortune. Democrats in recent days have argued that Sen. McCain doesn't understand how ordinary Americans live because he has numerous homes, travels on a private plane and wears expensive Italian shoes.

In Denver, Democratic Party leaders are laying out similar contrasts by having average Americans deliver convention speeches. Sen. Obama's wife, Michelle, was scheduled to tout her own biography as well as her husband's during a prime-time address on Monday.

The campaign is heavily marketing the biography, as it is the foreign policy credentials of Sen. Obama's running mate, Sen. Joe Biden. Sen. Obama three times highlighted his running mate's working-class upbringing in humble Scranton, Pa.