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How should Obama address the environment?

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A new air-traffic system can boost safety, save fuel

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Court signals suspicion in Alstom bribery probe

Swiss judges review allegations about use of over $400 million

By David Crawford

A Swiss criminal court has reviewed prosecutors' evidence and found a reasonable suspicion that a large part of more than $400 million in outlays identified by the prosecutors may have been used for alleged bribes-for-business payments uncovered as part of a probe of **Alstom** SA employees.

In September, a panel of Swiss Federal Criminal Court judges in Bellinzona, Switzerland, ordered the continued detention of Bruno Kälin, a former Alstom executive arrested by Swiss authorities in August on money-laundering and bribery charges.

"Due to the evidence presented to the court, there is a strong suspicion that the defendant actively participated in the laundering of money out of the Alstom Group for the purpose of corrupt payments," the judges wrote in their verdict, which was recently unsealed. The court found Mr. Kälin posed a risk to the investigation, deciding that he might try to destroy any evidence that wasn't seized by prosecutors in an August raid of Alstom's Swiss offices.

The raid was part of a continuing investigation of the French engineering giant, which sells products such as power turbines, high-speed trains and subway cars around the world. Monday, Alstom announced a $491 million sale of 242 subway cars to the Metropolitan Transport Authority in New York.

Mr. Kälin, a former top compliance manager for Alstom, was ultimately released Oct. 10 at the request

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Swiss accounting

Prosecutors in Switzerland are investigating former employees of Alstom.

- **March 2008:** Milan court convicts a former Alstom SA executive, Bruno Kälin, and two Alstom subsidiaries on bribery charges.
- **May:** Swiss prosecutors launch investigation of Mr. Kälin.
- **August:** Mr. Kälin is arrested. Prosecutors search Alstom offices in Switzerland, seizing alleged evidence.
- **October:** Mr. Kälin is released, but remains a defendant in the case. Swiss court orders prosecutors to provide Alstom with copies of seized evidence.

Source: Swiss court verdicts and records. Photo: Associated Press

What's News—

Business & Finance

A Swiss court found a reasonable suspicion that much of more than $400 million in outlays cited by prosecutors may have been used for alleged bribes-for-business payments uncovered in a probe of Alstom employees. Page 1

■ **Fannie Mae posted** a loss of $29 billion for the third quarter and said it may need a cash infusion by year end. Page 1

■ **GM shares plunged** to a price not seen since 1946 on rising concerns that the auto maker will run out of cash in the next few months. Page 1

■ **Citigroup is planning** to modify the terms of as much as $20 billion in mortgages for borrowers who are current but at risk of falling behind. Page 21

■ **U.S. stocks slid** as early optimism regarding China's stimulus plan gave way to wariness about global economic troubles. Mineral extractors led European shares to gains. Page 22

■ **HSBC Holdings' U.S. arm** reported loan impairments totaling $4.3 billion in the third quarter as more consumers fell behind on their debts. Page 2

■ **British retail sales fell** and industrial production declined in Italy and France. Page 2

■ **Santander will raise** $9.2 billion in a rights issue, bowing to market pressure to strengthen its capital base. Page 3

■ **The U.S. government** plans to replace its $123 billion bail-out of AIG with a package valued at $150 billion. Page 6

■ **Deutsche Post will remove** its DHL express delivery unit from the U.S. domestic market to halt mounting losses. Page 6

■ **Sweden will take** control of Carnegie after regulators accused the investment bank of illegal trading activities. Page 5

■ **Crude-oil prices could get** support from China's stimulus plan, which is expected to bolster demand for oil. Page 21

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8870.54	-73.27	-0.82
Nasdaq	1616.74	-30.66	-1.86
DJ Stoxx 600	220.96	+1.36	+0.62
FTSE 100	4403.92	+38.96	+0.89
DAX	5025.53	+87.07	+1.76
CAC 40	3505.75	+36.63	+1.06
Euro	$1.2807	+0.0016	+0.13
Nymex crude	$62.41	+1.37	+2.24

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World-Wide

U.S. President-elect Obama visited with Bush at the White House in their first face-to-face meeting, which comes during a historic shifting of power to a new administration. Separately, a spokeswoman said Obama won't make any cabinet announcements this week. Page 9

■ **A suicide bomber struck** in a crowd that had gathered in Baghdad where an explosion damaged a bus carrying schoolgirls. The twin blasts killed at least 31 people and injured 71.

■ **The Iraqi government said** U.S. offers of changes to a draft security deal weren't enough to gain parliamentary approval.

■ **The EU decided** to restart partnership talks with Russia it suspended over Moscow's August incursion into Georgia. Page 12

■ **Diplomats said** uranium was found in samples from a Syrian site Israel bombed on suspicion it was a covert nuclear reactor.

■ **Karzai condemned** U.S. troops for killing 14 security guards in eastern Afghanistan. The U.S. said its troops shot only after being fired upon.

■ **Pakistan expects** Obama to re-evaluate American military strikes on al Qaeda and Taliban targets on its side of the Afghan border, Zardari said.

■ **Thousands protested** in Rwanda over Germany's arrest of an official wanted by France in connection with the presidential assassination that preceded the 1994 genocide in Rwanda.

■ **Zimbabwe's infrastructure** is teetering on collapse as African leaders press for a power-sharing deal between Mugabe and the opposition. Page 12

■ **A cholera outbreak** at a refugee camp spread to eastern Congo's provincial capital, increasing fears of an epidemic.

■ **Human error** and overcrowding likely contributed to a Russian nuclear-submarine accident that killed 20, experts said.

■ **Somali gunmen kidnapped** two Italian nuns from their home in a Kenyan border town.

■ **Died: Miriam Makeba**, 76, South African singer whose voice inspired hope during apartheid, of a heart attack in Italy.

Editorial & Opinion

The crisis hits East

For some new EU members, the euro may be the light at the end of the tunnel. Page 14

Fannie Mae has huge loss, may need cash

By James R. Hagerty And Aparajita Saha-Bubna

Fannie Mae posted a record $29 billion loss for the third quarter and said it is losing money so rapidly that it may need a cash infusion from the U.S. Treasury by year's end.

The company, which along with rival **Freddie Mac** owns or guarantees nearly half of all U.S. mortgages, said the loss reflected $9.2 billion in credit-related expenses, including losses on foreclosures and provisions for future losses. That is up from credit-related expenses of $1.2 billion a year earlier.

The biggest factor in Fannie's loss was a $21.4 billion charge to reflect the likelihood that the company won't be able to make use of tax credits listed on its balance sheet as assets. Fannie acquired many of the tax credits through financing of low-income-housing developments.

By writing off the tax credits, the company is acknowledging that the worst housing downturn in decades is showing no signs of letting up. In its earnings report, the company said it concluded as of Sept. 30 that "it was more likely than not" that it won't produce enough taxable income in future quarters to realize the full value of those tax credits. Critics have long argued that Fannie would have to write down the tax credits. A spokesman said the com-

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GM stock plunges 26% on fears about liquidity

A WSJ News Roundup

General Motors Corp.'s shares plummeted Monday to a price not seen since 1946 on rising concerns that the auto maker will run out of cash in the next few months and that any government bailout won't benefit stockholders.

Shares of GM were down 26% at $3.22 each in afternoon trading, after earlier hitting a 62-year low of $3.02, as a couple of analysts essentially marked the stock with a red X.

Barclays Capital now targets GM shares at $1, while Deutsche Bank slashed its target price to zero.

Deutsche Bank analysts, who cut their rating on the stock to "sell" from "hold," said the company might not be able to fund its operations beyond December. Even with government intervention, the analysts said GM's future is "bankruptcy-like," and shareholders are unlikely to get anything.

Jeff Embersits, chief investment officer of Shareholder Value Management, said GM's reflects investors' growing concern about the

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LEADING THE NEWS

U.S. borrowers hit HSBC

Loan impairments totaled $4.3 billion in the third quarter

By Sara Schaefer Muñoz

LONDON—**HSBC Holdings** PLC said more U.S. consumers fell behind on their credit-card, home-equity and other loans in the third quarter, in a fresh sign of the troubles facing big lenders already handling collapsing mortgages.

The London bank's U.S. consumer-finance services reported loan impairments totaling $4.3 billion, up by 700 million since the second quarter.

HSBC Finance Corp., the bank's large personal-finance business in the U.S., has struggled since late 2006 with souring mortgage loans, making the bank one of the first to highlight problems in the mortgage industry. On Monday, HSBC said mortgage delinquencies were leveling off, but the bank painted a gloomy picture for the consumer portfolio of credit cards and unsecured personal loans that are sensitive to an economic downturn.

The bank estimated in a U.S. securities filing that the slowdown in the housing market will continue to affect housing prices into 2010.

"Current trends point to a further deterioration in the near term to medium term," HSBC Chief Executive Michael Geoghegan said Monday. "Recovery depends on the success of further economic stimulation, which is likely to take some time to take effect."

Parent HSBC Holdings doesn't report detailed quarterly results, although its U.S. consumer arm does. The U.K. parent is scheduled to release 2008 results in early March. It said its third-quarter, pretax profit was ahead of the year-ago period, thanks largely to growth in Asia.

HSBC, which has a large commercial and retail presence in emerging markets, has fared better than many rivals amid the global financial turmoil. It declined government aid when the U.K. announced its banking rescue package last month, and hasn't needed to raise capital from shareholders this year.

While the bank was one of the first to run into problems with subprime mortgages, it didn't have a large business packaging or trading financial products structured on such mortgages, something that has helped it weather later stages of the financial crisis.

Its share price hasn't lost as much value as rivals' have. HSBC stock has fallen by about 13% from a year earlier, while **Royal Bank of Scotland Group** PLC's stock has fallen some 85% and **Barclays** PLC has lost more than 60% in the same period. The bank's share price closed down 1% Monday at 735.50 pence.

HSBC, in an update Monday, attributed its profit in the third quarter to continued growth in Asia and its "robust" retail business in Europe. The bank recently made acquisitions in Asia, including the $607 million purchase of a controlling stake in one of Indonesia's banks.

While the region is seeing signs of a slowdown, "the fact is, it is fundamentally strong," Mr. Geoghegan said.

The bank's U.S. consumer-finance unit continues to weigh on its results. To shore up the unit's finances, HSBC put $1.3 billion into the operations in the third quarter.

DAILY SHARE PRICE

HSBC

On the London Stock Exchange

Monday's close: 735.5 pence

Source: Thomson Reuters Datastream

Indicators across Europe point to deeper recession

By Paul Hannon

LONDON—European economies are sliding deeper into recession, with retail sales falling in Britain and factory output declining in Italy and France.

Europe's central banks are already cutting interest rates in an effort to support growth. As the economic outlook worsens, a growing number of governments are also considering fiscal stimulus packages like those the U.S. and China have announced.

Figures released by the British Retail Consortium showed U.K. same-store retail sales for October were down 2.2% from the same month last year, while total sales—including those from new stores—were down 0.1%, the first decline since April 2005.

"These are seriously poor numbers, especially in the run-up to Christmas," said Stephen Robertson, the BRC's director general.

The figures suggest the U.K. economy is on course, in the final three months of the year, to contract for the second straight quarter. The Bank of England and the government have already said the economy is in recession.

Elsewhere in Europe, economies are also weakening. On Monday, French national statistics agency Insee said industrial production in September was 0.5% lower than in August as car, construction, energy and intermediary goods production dropped. In Italy, the decline was much larger, with industrial production falling 2.1% from August, down 5.7% from September 2007.

Those declines, along with a drop in German industrial production in data released last week, suggest the euro-zone economy contracted in the third quarter, having also shrunk in the second quarter.

Economists said it is now likely that governments will cut taxes or increase spending. Germany's cabinet last week approved a stimulus package totaling around €23 billion ($30 billion).

But such efforts will take time to bear fruit. "Almost everywhere in the euro zone, governments are busy drawing up fiscal stimulus packages but these also may not have any meaningful impact on the real economy before well into 2009," said Gilles Moec, an economist at Bank of America.

According to a monthly survey published by the Royal Institution of Chartered Surveyors, sentiment in the housing market rose slightly in October, while remaining close to historic lows. However, the level of transactions fell to a new low for the series, which began in 1978.

—Ilona Billington, Joe Parkinson and Nicholas Winning contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Lawrence Summers, a possible choice of Treasury secretary for President-elect Barack Obama, won the John Bates Clark Medal in 1993. An Economy & Politics article in the Nov. 10 edition incorrectly identified the economics prize as the John Clark Bates Medal.

INDEX TO BUSINESSES

This index of businesses mentioned in today's issue of The Wall Street Journal Europe is intended to include all significant references to companies. First reference to these companies appear in boldface type in all articles except those on page one and the editorial pages.

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INDEX TO PEOPLE

This index lists the names of businesspeople and government regulators who receive significant mention in today's Journal.

For more people in the news, visit CareerJournal.com/WhosNews

Santander to raise cash

Surprise rights issue totaling $9.2 billion is a bow to pressure

BY THOMAS CATAN AND CHRISTOPHER BJORK

MADRID—**Banco Santander** SA announced aun unexpected €7.2 billion ($9.2 billion) rights issue, bowing to market pressure on Spain's biggest bank to strengthen its capital reserves following a string of acquisitions in Britain and the U.S.

Santander said its decision to raise cash was unrelated to any hidden losses or future acquisitions. Instead, it cited "higher expectations in the current economic environment."

In recent months, many European banks have received capital injections from governments or raised new cash through rights issues. This has raised the bar on what investors consider to be adequate capital ratios—the cash cushions that banks maintain against unexpected losses.

Until now, Santander has said that its Tier 1 core capital ratio of 6.3%, which has remained broadly stable the past three years, was sufficient. Santander said Monday the yardstick by which banks are judged had changed because of the financial crisis. As a result, the bank said it would raise that ratio to 7%.

"A drastic change [has occurred] in the banking sector," Santander Chief Financial Officer Jose Antonio Alvarez said in a presentation. "We have taken the decision to operate with higher capital ratios within an environment of greater uncertainty and a market demand for higher capital ratios in the financial industry."

The announcement hurt the company's shares, which fell 5%. But several analysts viewed it as a prudent decision that didn't signal any problems at the bank.

"Santander's rights issue has been taken negatively by the equity market, but we think it is good news on the credit side," wrote research firm CreditSights. "Although it may be unfair that some northern European banks now have 10% or better Tier 1 ratios after government intervention, the southern Europeans can't keep resisting the trend toward higher ratios."

Santander will issue one new share for every four in circulation at a discounted price of €4.50 a share in a fully underwritten transaction. The rights issue is equivalent to around 14% of the bank's market value before the deal was announced.

Santander had originally planned to raise cash from the sale of its insurance and asset-management units and its stake in Spanish oil refiner **Compania Espanola de Petroleos** SA. However, the bank has now shelved some of these planned sales because of market conditions.

Some analysts questioned whether the sudden rights issue would damage Santander's credibility, because the bank said as recently as Oct. 29 that it had no need to raise additional cash.

Santander is the first Spanish bank to raise fresh capital as a result of the global financial crisis, prompting questions about whether other Spanish banks will have to follow suit. If any banks do decide to follow the same route as Santander, they could have problems selling even discounted shares in an increasingly crowded market. An ally of Santander, **Royal Bank of Scotland Group** PLC, also is seeking to tap investors, and other European banks may be forced to sell shares to boost capital levels.

Spain's second-largest bank, **Banco Bilbao Vizcaya Argentaria** SA, said it didn't need to raise new capital and highlighted its differences with the acquisitive Santander. "We are very comfortable with our capital position and have no need to go to the markets to raise resources," BBVA said in a statement.

Santander has used its relatively strong position during the crisis to buy up struggling banks, including Alliance & Leicester PLC and Bradford & Bingley in the U.K. It also bought the 75% of U.S.-based Sovereign Bancorp it didn't already own.

Bulking up

Santander has bought up banks around the globe

Date	Name (Country)	
Oct. 2008	**Sovereign Bancorp.** (U.S.)	Bought 75% of shares it did not already own for $1.9 billion
Sept. 2008	**Bradford & Bingley** (U.K.)	Bought branches from lender for £408 million
July 2008	**Alliance & Leicester** (U.K.)	Bought lender for £1.3 billion
Oct. 2007	**Banco Real** (Brazil)	Took over bank as part of a three-way deal to buy ABN Amro with Barclays and Fortis. Cost: around €10.8 billion
July 2004	**Abbey National** (U.K.)	Took over lender for £9.5 billion

Source: the company

Machinery orders in Japan dropped in third quarter

BY TAKASHI NAKAMICHI

TOKYO—Japanese machinery orders posted their largest drop in a decade in the third quarter, the government said. Japan also said it expects a modest pickup in the near-term, reinforcing fears that capital spending won't be able to rescue the economy from its current situation.

Core orders—a gauge of future business investment—tumbled a seasonally adjusted 10.4% in the quarter ended Sept. 30 from the previous quarter, the cabinet office said.

An official said the decline was the first in five quarters. It was also the biggest since a 10.4% fall in the April-June period in 1998.

Separately, a survey of economists found Japan's economy barely grew in the July-September quarter as slowing growth abroad continued to take a toll on the country's export-dependent economy. Falling demand for Japanese products is weighing on the world's second-largest economy.

CORPORATE NEWS

New technology stacks the flight deck

Air-traffic control system replacing radar can save fuel, boost safety and let planes change altitudes more quickly

BY SCOTT MCCARTNEY

A new air-traffic control system about to be deployed has the potential to save fuel, shave time off long flights and enhance safety.

The new system—which will replace radar—will first be launched in bits of Canada beginning in January, affecting flights between the U.S. and both Europe and Asia. The technology is slated to spread to U.S. skies, but that will take more than a decade.

THE MIDDLE SEAT

Called Automatic Dependent Surveillance-Broadcast, or ADS-B, the technology can even produce smoother flights because controllers will be able to let planes change altitudes more freely.

ADS-B takes highly accurate position reports broadcast automatically by planes and creates a radar-like display for air-traffic controllers. Because it is more accurate and faster than radar, it will ultimately allow planes to safely travel closer together. Instead of flying 130 kilometers behind one another without radar coverage, jets under ADS-B surveillance need to be only eight kilometers apart under current standards.

Nav Canada, the privatized provider of air-traffic control service in Canada, installed five ADS-B ground-station receivers around Hudson Bay, a vast, remote expanse of northern Canada that is busy with jet traffic but has no radar coverage. The system will go into daily use in January after extensive testing and certification.

Already, Nav Canada says 60%-70% of the jets flying over Hudson Bay have the equipment onboard for ADS-B, and have already been broadcasting position reports. Airlines are currently working to certify the equipment on each airplane.

The system will be expanded next year providing coverage over much of the Atlantic Ocean with ground receivers installed on the east coast of Canada and in Greenland.

As planes burn fuel, they get lighter and can fly higher where the air is thinner and jets are more efficient. Without any surveillance coverage, Canadian controllers rarely could find a hole for planes to climb through in the stream of planes spread 130 kilometers apart. Reducing the separation to eight kilometers creates room to climb.

ADS-B over Hudson Bay will allow climbs about 10 minutes earlier, Nav Canada says, and once the Greenland installation is online, flights can climb 80 minutes earlier. In all, an estimated 28 million liters of jet fuel will be saved each year, worth about $17 million at today's prices.

"We'll be able to climb that 747 east of Greenland to an optimum altitude and clear him direct to Los Angeles and it's phenomenal savings," said John Crichton, chief executive of Nav Canada, which spent less than $7 million on the Hudson Bay installation. With the benefits to airlines, "It's not so much a technology issue as it is a business issue," he said.

Among airlines, aviation organizations and air-traffic control agencies, there is widespread agreement that ADS-B is the technology of the future. But there is no agreement on how quickly to start using it.

While it saves money on the ground, costing only one-tenth as much as radar, and saves money, fuel, time and reduces greenhouse-gas emissions in the air, ADS-B equipment is expensive to retrofit into airplanes. Newer planes come from factories equipped, but older airliners like Boeing 767s likely will never be retrofitted, and have lots of years of service remaining.

And for private aircraft, the price tag of some $6,000 to $8,000 per airplane may be prohibitive for many aircraft owners.

Nav Canada

Nav Canada has installed **ADS-B receiving antennas** in Greenland to receive flight information from trans-Atlantic airline flights. The system will be expanded next year, providing coverage over much of the Atlantic Ocean.

The FAA expects to have all its ADS-B ground structure in place by 2015, and has mandated that planes in the U.S. start using ADS-B in the year 2020. But the program is still subject to changes and delays.

To work through concerns, the FAA formed a group of industry representatives called an Aviation Rulemaking Committee, which submitted 36 recommendations to the FAA in September. The FAA has also been fielding comments from industry, pilots and others, and now expects to issue a final rule on its ADS-B plans in 2010.

"We have to allow time for everyone to equip aircraft" FAA spokesman Paul Takemoto says. "We've been moving as fast as we can."

To test the system, the FAA has already installed ADS-B receivers in Florida and on oil rigs in the Gulf of Mexico, but controllers won't yet be using them to separate aircraft. The FAA also had a similar program in Alaska called Capstone that is being used by controllers, and the FAA says it has cut the fatal accident rate in general aviation by 47% by providing better surveillance and better information for pilots in the cockpit.

U.S. airlines, through the Air Transport Association, have criticized the complexity and cost of FAA's massive ADS-B push and called for financial incentives for airlines to cope with the cost of retrofitting jets.

The Aircraft Owners and Pilots Association supports ADS-B technology, but is also highly critical of implementation plans, arguing the equipment needs to be made affordable for private pilots and the system should be in use before private pilots are forced to retrofit airplanes.

The FAA says it is working to address concerns with its final rule issued after next year.

The FAA says that as airline passenger traffic moves from its current 769 million passengers a year to its projected one billion several years ahead, travel delays will worsen tremendously unless ADS-B is deployed here.

"Ground-based radar systems can't handle that," Mr. Takemoto said.

Emirates Airline's net drops 88% as jet-fuel costs climb

BY DANIEL MICHAELS
AND STEFANIA BIANCHI

DUBAI—**Emirates Airline** announced an 88% drop in six-month net profit, evidence that even carriers in the oil-rich Persian Gulf have been affected by the global economic upheaval.

Dubai-based Emirates, the Middle East's largest airline, said net profit fell to 284 million dirhams ($77 million) for the half ended Sept. 30, from 2.36 billion dirhams a year earlier, on the back of record fuel costs.

Revenue rose 31% to 22.1 billion dirhams.

"Fuel costs took a straight hit to our bottom line," Emirates President Tim Clark said Monday. Emirates said fuel costs more than doubled to 9.2 billion dirhams for the half, 1.7 billion dirhams higher than budgeted. "We've been caught out like any other carrier," Mr. Clark added.

He said Emirates is considering cost-cutting measures, such as limiting planned staff growth. Mr. Clark predicted Emirates will recoup its first-half weakness in the second half. "We expect to close the full year in March 2009 with robust profit," Mr. Clark said.

Associated Press

An Emirates Airbus A380 jet lands in New York. Emirates has been enlarging its fleet of large jetliners and is the **biggest customer** for the superjumbo aircraft.

Fuel prices have dropped sharply from earlier this year, a trend that most airlines around the world have cheered.

But carriers from the oil-producing Persian Gulf region could find that lower oil prices are as damaging as pricey fuel because lower oil revenues translate into slower economic growth for the Middle East. Airline traffic tends to track broader economic growth. While Dubai's oil reserves are relatively small, the emirate benefits significantly from oil in the region.

In Dubai, real-estate development, which has fueled local growth and drawn foreign residents and investors, has been hit particularly hard by the global credit crunch. Dubai's banks are tightening lending as once-booming real-estate sales dry up. Secondary-market property prices have fallen for the first time in recent memory.

The International Air Transport Association trade group recently warned that Middle Eastern airlines face rough times due to plunging economic growth around the world. "Even the Middle East is not immune," IATA Director General Giovanni Bisignani recently told a gathering of airline executives from the region.

Middle East airline traffic fell 2.8% in September from a year earlier, after 59 months of double-digit growth, Geneva-based IATA said. IATA predicts that combined profit of the region's airlines will drop roughly one-third this year from last, to $200 million. The group said the region's long-haul services are likely to be hit hardest.

A downturn in the region's airlines could have broad implications, because Middle Eastern airlines and leasing companies are among the last customers to place orders for jetliners after a three-year boom in orders at **Boeing** Co., of Chicago, and the Airbus unit of The Netherlands-based **European Aeronautic Defense & Space** Co.

Middle Eastern customers account for more than 20% of firm orders this year at Airbus and Boeing. While most of those planes are due for delivery in many years, a downturn could prompt customers to delay or cancel some orders. Emirates has been enlarging its fleet of large jetliners and is the biggest customer for Airbus's giant A380 superjumbo aircraft.

"The region's airline industry is inevitably showing signs of strain, with traffic growth rates falling to their lowest levels in years," said Peter Harbison, executive chairman of the Center for Asia Pacific Aviation, a Sydney-based consulting group.

Etihad Airways, the United Arab Emirates' national carrier, said earlier this month that it had seen "some softening" in demand in the current economic crisis, while Kuwaiti low-cost carrier **Jazeera Airways** is delaying a secondary stock market listing in Dubai, planned for this later year, due to poor market conditions.

AstraZeneca plays it cool

Too early to tell if study will lift sales of Crestor, CEO says

By Jeanne Whalen

AstraZeneca PLC's chief executive said it is too early to say how an important new study of the cholesterol pill Crestor will affect the drug's sales.

As AstraZeneca's stock rose Monday on news of the study, CEO David Brennan tried to manage expectations that Crestor sales will soar as a result. "We've seen a flurry of estimates from analysts about the commercial impact of [the study], some of them pretty bullish," he told journalists on a conference call. "I would urge caution when forecasting the speed of such changes." AstraZeneca shares rose more than 3% in London Monday, to £27.70 ($43.41).

The study, presented at a cardiology conference in New Orleans Sunday, showed that Crestor sharply lowered the risk of heart attacks in patients who wouldn't normally take a cholesterol-lowering pill. People in the study had normal levels of bad cholesterol but high levels in their blood of C-reactive protein, or CRP, which signals inflammation in the body.

Some analysts say they believe the findings open Crestor to a large group of new patients, and are predicting a significant sales jump. UBS pharmaceutical analyst Gbola Amusa said in a note Monday that Crestor sales could grow to more than $7 billion in 2012, from $2.7 billion last year.

David Brennan

Mr. Brennan said that will depend in part on how widely testing for CRP is adopted. Previous studies have shown a link between high CRP levels and heart disease, but few physicians currently test for CRP. "For all the excitement, we need to remind ourselves that we are only at the starting gate with" CRP, Mr. Brennan said.

Groups such as the American College of Cardiology, which advise physicians on the best treatments, will help determine how widely CRP tests are used. The ACC and other groups will be updating their treatment guidelines for heart disease next year, and it is "reasonable to think" such groups will consider the new Crestor data as they draft those guidelines, Mr. Brennan said.

AstraZeneca won't be able to promote Crestor for use in people with high CRP until regulators such as the Food and Drug Administration approve a change to the drug's prescribing label. AstraZeneca said it will apply for this change in the first half of 2009.

Crestor is part of a class of drugs called statins. Some analysts caution that Crestor sales might not grow as much as expected if doctors view the new Crestor benefits as something that a cheaper generic statin could also deliver. Crestor, still protected by patent, costs more than $3.40 a pill in the U.S., according to www.drugstore.com, whereas generic statins costs a fraction of that.

Sweden to assume control of Carnegie investment bank

Associated Press

STOCKHOLM—The Swedish state will take control of investment bank **Carnegie** AB and sell it off after the country's financial regulator revoked its banking license due to what it said was illegal trading activities.

In an assessment of Carnegie published Monday, the Swedish Financial Supervisory Authority said the bank took "exceptional risks" by lending large amounts of money to a single customer and acting as a guarantor for the same funds it also managed.

The regulator said Carnegie will be taken over and then sold off by the national debt office. This means it will be able to continue its banking operations and that clients won't be affected by its decision.

The regulator said a general meeting will be held as soon as possible to elect a new board, which will be charged with developing the bank until its businesses are sold off. The debt office said Peter Norman, chief executive of one of Sweden's national pension funds, will take over as chairman of Carnegie.

The Swedish government said Monday that it had arranged to lend Carnegie five billion kronor ($634 million) in case it should be stripped of its license. The loan will replace the liquidity support—granted at the end of October by the Swedish central bank—which will be withdrawn as a result of the revoked license.

Founded in 1803 as a trading company, Carnegie operates brokerage services, stock analysis, stock trading, asset management and advice on corporate acquisitions.

Financial Markets' Minister Mats Odell said the government regards Carnegie's health to be important for the wider financial system considering it is managing a capital of more than 120 billion kronor.

"The state does not save banks to save the banks and their shareholders, but to make sure that households are not affected," he said.

Trading in Carnegie's shares in Stockholm has been suspended until further notice.

AIG gets a better bailout

New package totals about $150 billion, eases terms for firm

The U.S. government unveiled a plan Monday to scrap its $123 billion bailout of **American International Group** Inc. and replace it with a new package valued at about $150 billion.

While the arrangement stands to considerably ease terms on the faltering insurer, it gives the government an unprecedented role as an actor in financial markets. It could also spark a political backlash, especially from congressional Democrats, because the Treasury, while adding to its AIG obligations, has thus far refused to extend a hand to the struggling Big Three auto makers.

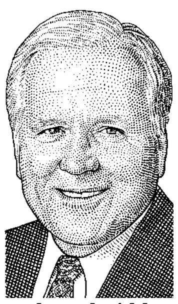
By Matthew Karnitschnig, Liam Pleven and Serena Ng

The details of the revised deal were announced as the company reported a third-quarter net loss of $24.47 billion amid huge investment losses and write-downs.

Shares of AIG rallied early Monday, reaching as high as $2.84, and changed hands at $2.47 in midmorning trade.

Under the terms ironed out late Sunday, the government would give AIG more money, including $40 billion from the U.S. Treasury's $700 billion Troubled Asset Relief Program. It would also receive less interest than on the bulk of the original loan, while freeing AIG from exposure to some of the risky financial instruments that nearly caused it to file for bankruptcy protection.

"This action was necessary to maintain the stability of our financial system," Neel Kashkari, the Treasury official in charge of the financial rescue program, said in a speech to the Securities Industry and Financial Markets Association conference Monday.



Edward Liddy

The $150 billion in government aid consists of a $60 billion loan, a $40 billion preferred-stock investment and about $50 billion in capital largely to purchase distressed assets which are to be placed into two separate financing entities.

The new package is a tacit acknowledgment that the original $85 billion rescue in September, combined with an additional $37.8 billion made available to the company last month, together haven't come close to stabilizing AIG.

Treasury is currently considering whether to expand the $700 billion rescue program to apply to a range of financial institutions that provide financing to the broad economy.

The changes at AIG follow widespread criticism from some large shareholders of the original rescue plan, which would have required AIG to quickly sell assets in a declining market while also paying steep interest rates on its loans from the government.

That plan also failed to adequately address the main challenge facing the insurer—how it was hemorrhaging billions on credit default swaps and other financial instruments—as it posted collateral to nervous trading partners. AIG Chief Executive Edward Liddy, appointed in mid-September with the support of the government, has scrambled to resolve the insurer's problems under the original bailout framework.

AIG laid out a far-reaching plan in early October for selling off assets to pay back the first loan the government extended, which was for up to $85 billion. But the turmoil in the markets has made it difficult for potential buyers to secure funding.

The revised structure is designed to improve both AIG's ability to sell assets for a decent price and the taxpayer's ability to recoup the money that has been pumped into the insurer. It also transfers to the government many of the risks once absorbed by AIG, potentially exposing the government to billions of dollars in future losses.

The company Monday had no new announcement on what AIG will look like when it emerges from its financial crisis, Mr. Liddy told investors on a conference call.

"We are absolutely spot-on consistent with where we were back in the beginning of October," he said. "The announcement of today gives us more flexibility and more time. We have great confidence in our ability to sell these remarkable assets."

Under the new agreement, the government will replace its original $85 billion, two-year loan with a $60 billion loan due in five years. Interest on the loan is set to drop from 8.5% plus the three-month Libor interest rate to 3% plus Libor. (Libor, the London interbank offered rate, is a common short-term benchmark.)

In addition, the government would tap the $700 billion Troubled Asset Relief Program to inject $40 billion into AIG in return for preferred shares. Those shares would carry 10% annual interest payments. The government's equity interest in AIG would remain at 79.9%.

The government's initial intervention was driven by concern that AIG's failure to meet its obligations in the credit-default-swap market would create a global financial meltdown. (A credit default swap, or CDS, is essentially an insurance policy on a bond acquired by investors to guard against default. AIG wrote tens of billions of dollars worth of these contracts.)Under the revised deal, AIG is expected to transfer the troubled holdings into two separate entities.

The first such vehicle is to be capitalized with $30 billion from the government and $5 billion from AIG. That money will be used to acquire the underlying securities with a face value of $70 billion that AIG agreed to insure with the credit default swaps. These securities, known as collateralized debt obligations, are thinly traded investments that include pools of loans. The vehicle will seek to acquire the securities from their trading partners on the CDS contracts for about 50 cents on the dollar.

The securities in question don't account for all of AIG's CDS exposure but are connected to the most troubled assets. The government may be betting that its involvement will encourage AIG's trading partners to sell the securities tied to the CDS contracts to the new entity.

Once it holds the securities, AIG could cancel the CDS and take possession of the collateral it had posted to back the contracts. The total collateral at stake is about $30 billion.

It may also have some unintended consequences across the markets. For the plan to work, AIG's trading partners—the banks and financial institutions that are on the other side of its CDS contracts—may have to agree to any changes in the terms of their agreements with AIG.

The agreements may be difficult to work out. Some financial institutions that face AIG in credit-default swaps don't actually hold the physical securities on which they purchased protection.

A second vehicle would be set up to solve the liquidity problems in AIG's securities-lending business. The business involves lending out securities to short sellers or others and investing the collateral for gains.

AIG has labored to unload illiquid assets in order to give back the collateral it accepted. AIG's exposure to the securities-lending market forced it to seek a $37.8 billion loan from the government to cover its commitments.

Under the new plan, the government is expected to inject $22.5 billion into the securities lending vehicle, with AIG providing an additional $1 billion. The entity would then buy the illiquid securities the AIG unit holds, known as residential mortgage-backed securities, for about 50 cents on the dollar. AIG would use the proceeds to shut down the $37.8 billion lending facility which it has not yet fully tapped.

Over time, two scenarios could emerge. The assets held by the two vehicles might recover in value, allowing the government to eventually make money on the investment. Conversely, the assets—many of which are tied to the housing market—could continue to decline in value, hitting taxpayers with big losses.

The challenges facing AIG remain enormous. With so much uncertainty about its future, it is battling to retain some key business customers as well as valuable employees in its operating units.

The insurer swung to a net loss of $24.47 billion, or $9.05 a share, in the third quarter, compared with net income of $3.09 billion, or $1.19 a share, a year earlier. Excluding capital losses, the red ink amounted to $9.24 billion, or $3.42 a share.

Revenue declined 97% to $898 million from $29.84 billion in the third quarter 2007.The latest results included $7.05 billion in unrealized losses at AIG Financial Products, the source of the credit-default swaps and $18.31 billion in investment write-downs, of which $11.7 billion was from AIG's securities-lending program. That effort, which caused major problems for AIG as the stock market swooned in recent months,is being wound down.

AIG's general insurance business swung to a loss on $1.39 billion in catastrophe losses, primarily related to hurricanes Gustav and Ike, falling investment income and increased losses at United Guaranty. General insurance net premiums dipped 0.8% to $11.73 billion. Life-insurance and retirement-services profits were more than halved by weak partnership and mutual-fund results.

—Kevin Kingsbury, Joann S. Lublin, Sudeep Reddy and Deborah Solomon contributed to this article.

Deutsche Post retreats in U.S., shrinking DHL

By Mike Esterl

Deutsche Post AG's decision to scale back its DHL operation in the U.S. highlights a broad retrenchment by the German postal giant, which made dozens of acquisitions over the past 15 years to transform itself into a package-delivery, logistics and banking behemoth.

The move also marks a strategic reversal by Deutsche Post after it invested, and lost, billions of dollars in the U.S. over the past five years to try and wrestle market share away from **United Parcel Service** Inc. and **FedEx** Corp.

Beginning in February, DHL will provide only cross-border package delivery services for U.S. customers, reducing U.S.-linked shipping volume to about 100,000 deliveries a day from 1.2 million.

As recently as this past May, Deutsche Post had rolled out a more modest U.S. restructuring plan in which it planned to outsource the airlift—the airport-to-airport part—of its domestic U.S. deliveries to UPS while maintaining most of its domestic ground network. Deutsche Post Chief Executive Frank Appel said that the broader pullback was necessary because of deteriorating conditions in the U.S. economy that have further cut DHL's volume and exacerbated losses in recent months.

"There is no alternative," Mr. Appel said at a news conference Monday in Bonn, where Deutsche Post is based. A more radical restructuring was the only "realistic" scenario in the current conditions, he said.

Deutsche Post began its expansion drive into the U.S. in 2003, when it paid $1.05 billion to acquire Seattle-based Airborne Inc. and combined it with DHL. But despite market leadership positions in much of Europe and Asia, DHL's market share in the U.S. has remained stubbornly below 10%.

UPS and FedEx also have issued profit warnings this year, hurt by declining U.S. economic activity that results in fewer shipped packages. Both companies have predicted a rebound in shipping demand could take some time.

But the biggest loser has been DHL, which disclosed Monday that shipping volume in the U.S. has fallen in each of the past three quarters from the year before, including a drop of around 15% in the third quarter. DHL's shipping volumes in Europe and Asia have continued to grow this year, albeit at an increasingly slow pace.

Deutsche Post said its U.S. restructuring will cost $3.9 billion, up from the $2 billion estimated in May. It also expects its U.S. express business to post an operating loss of $1.5 billion this year, up from $1 billion last year.

The U.S. retreat reflects a broader retrenchment under Mr. Appel, who replaced Klaus Zumwinkel this past February. Mr. Zumwinkel headed Deutsche Post for nearly two decades and was the chief architect of an expansion drive aimed at making it the world's dominant delivery company with operations in about 200 countries.

The 47-year-old Mr. Appel has taken other steps to slim down Deutsche Post as economic conditions deteriorate. He struck a deal in September to sell a 29.5% stake in its German banking unit Deutsche Postbank AG for €2.79 billion ($3.56 billion). In recent months Deutsche Post has also sold €1.4 billion in real-estate holdings.

The German conglomerate booked €40.45 billion in revenue for the first nine months of this year.

DHL will shut its 18 U.S. ground hubs and reduce the number of delivery stations to 103 from 412. It plans to retain between 3,000 and 4,000 full-time DHL employees in the U.S., down from 13,000 full-time DHL workers currently.

In the process, Deutsche Post said it hopes to cut DHL's operating costs in the U.S. to about $1 billion from $5.4 billion.

Deutsche Post's shares rose 6.9% to €10 Monday in Frankfurt.

Nortel posts loss as woes deepen, moves to cut another 1,300 jobs

By Aude Lagorce

Network-equipment supplier **Nortel Networks** Corp. reported a third-quarter loss of $3.41 billion and announced a new round of sweeping cost cuts, including 1,300 layoffs.

Toronto-based Nortel also lowered its 2008 financial outlook for the second time in three months, amid a sharp sales drop as customers cut spending to cope with the economic downturn.

In addition to the roughly 4% reduction in its 32,500 work force, Nortel said it would implement a salary freeze and extend its hiring freeze into 2009 to preserve cash.

The company said a streamlining of its management structure will lead to the departure of its chief marketing officer and chief technology officer, among other senior executives.

"We are acting quickly to become a simpler and leaner company," Chief Executive Mike Zafirovski said in a prepared statement.

Combined with previously announced restructuring plans, Nortel expects to save $400 million annually by next year. But the new moves will also mean total charges to earnings and cash outlays of about $130 million.

Nortel reported a loss of $3.41 billion, or $6.85 a share, for the third quarter. That compared with a net profit of $27 million, or five cents a share, a year earlier.

Results for the latest quarter include noncash charges of $2.07 billion for a deferred tax asset and a $1.14 billion write-down in the value of goodwill assets. "It is important to note that these charges have no bearing on our current cash position," Mr. Zafirovski said. Excluding those items, Nortel would have posted an adjusted loss of 30 cents a share.

Sales fell 14% to $2.32 billion.

The turbulent markets prompted large phone companies to reduce spending, especially in North America, executives said.

In lowering its financial outlook for the current year, Nortel said results would likely come at the low end of a September forecast of a 2% to 4% sales decline or could miss expectations altogether.

Intel takes a health turn

Company is testing technology to help homebound patients

By Don Clark

Intel Corp.

Intel has developed a **specialized computer** and software to help manage patients' health at home.

Intel Corp. is taking its next step in building a business in health care, introducing technology to help homebound patients with chronic medical problems.

The Silicon Valley company, at a medical conference in New Orleans, announced a series of trials with health-care organizations of specialized hardware and software developed by the chip maker. The tests are designed to show whether the new tools bring improved results in treating conditions such as diabetes, hypertension and heart disease.

Intel and other computer-related companies see big opportunities in health care, hoping to address inefficiencies that will become more costly as patients and caregivers get older. Allowing more people to receive care at home can save billions of dollars, the companies say.

Intel's offerings—collectively called the Intel Health Guide—include a simplified computer and software that are designed to help elderly people and other patients monitor and manage their conditions at home. It connects to medical devices such as scales, blood-pressure monitors and glucose readers, recording information that can be shared with health professionals over the Internet.

Intel also has developed software to help staff at medical call centers to remotely monitor patients' conditions and manage their treatment; it will manage patient-monitoring systems for customers as well. "We are going to do end-to-end services," said Louis Burns, vice president and general manager of the Intel Digital Health Group.

That's a new approach for Intel, which has been studying medical issues since 1999 and kicked health-care efforts into a higher gear in 2005.

The company ordinarily makes components that other companies assemble into systems. In other cases, Intel makes prototype designs that it offers to hardware companies—including a tablet-style computer for nurses.

In managing home care, however, Mr. Burns said health-care organizations want a complete system that can be customized for their needs. Intel is discussing pricing for its latest offerings, in part because each deployment may differ greatly in size and scope.

But there are many obstacles. Intel's Health Guide, for example, had to be approved by the U.S. Food and Drug Administration, a process that took several months.

The company also hopes to deliver its software to patients on conventional laptop and desktop computers and cellphones, but each combination of hardware and software would have to go through FDA approval processes, said Eric Dishman, Intel's director of product research and innovation.

Who pays for such advances is another issue. Medicare, which covers many elderly patients, hasn't yet been willing to reimburse patients or caregivers using remote monitoring systems, said Marc Holland, research director at Health Industry Insights, a unit of research firm IDC. "Unless and until Medicare gets on the bus, it will be slow going," he said.

There is also likely to be plenty of competition—some of it aided by an Intel-spearheaded consortium called Continua that has been developing standards to help medical devices exchange information, he added.

Still, Mr. Holland said he is "very excited" about Intel's new offerings and the involvement of companies that will test them, which include **Aetna** Inc., **Erickson Retirement Communities** LLC and SCAN Health Plan. Another company, **Advanced Warning Systems** Inc., said it plans to use the Intel technology in services to monitor patients such as retired football players and war veterans.

Retailer Circuit City seeks court protection

By Peg Brickley

U.S. electronics retailer **Circuit City Stores** Inc. filed for Chapter 11 bankruptcy protection Monday in an effort to stay ahead of lenders, which are owed $898 million.

With store-closing sales already in full swing at about 20% of its outlets, Circuit City said it has an immediate need for financing. The company cited erosion of vendor confidence and consumer retreat in the face of the global economic crisis in explaining its bankruptcy filing.

Bruce Besanko, chief financial officer of Circuit City, said in court papers that the Chapter 11 filing is an effort to salvage a restructuring effort that has already cost thousands of jobs. An expected $75 million tax refund has yet to arrive, leaving the cash-strapped retailer struggling to make sure it has goods for the holiday season, Mr. Besanko said in a court filing.

Roughly 6,800 job cuts have been announced in connection with Circuit City's shuttering of 155 of its 721 U.S. locations.

Circuit City will ask the U.S. Bankruptcy Court in Richmond, Va., for permission to roll its existing bank debt into a Chapter 11 loan, in order to free up cash to stock the shelves, according to court papers.

In what is becoming a familiar pattern in retail bankruptcies, the company's existing lenders, led by **Bank of America** Corp., will finance the bankruptcy, as long as the new loan they makes is used to pay off their existing loans. Circuit City will get a $1.1 billion loan to keep its doors open through the holiday season. The amount available under the bankruptcy loan will be cut to $900 million on Dec. 29.

The retail chain is struggling to stay alive as it enters what is expected to be a grim Christmas shopping season. It has posted only one profitable quarter since 2007, and was down to $92.5 million in cash and equivalents in the latest quarter. Last week the company disclosed that its vendors were tightening credit terms and that an audit of its inventory found that it was worth less than the company expected.

Circuit City—the U.S.'s second-largest consumer electronics chain by revenue behind **Best Buy** Co.—cited "the widespread liquidity crisis among all major banks and other lending institutions throughout the country" in arguing for court approval of the Chapter 11 loan.

The company has two years of losses under its belt, including a $404 million loss for the six months ended in August.

Circuit City's Canadian operations are being placed under the protection of insolvency courts as well, according to court papers.

—Miguel Bustillo contributed to this article.

Sun expands 'open' storage line

By Christopher Lawton

Sun

Sun's new hardware is based on a concept it calls "open storage."

Sun Microsystems Inc. is making another move to expand its small position in data storage, as the computer maker continues to take advantage of the "open-source" movement that has shaken up parts of the industry.

Sun on Monday introduced its latest family of hardware based on a concept it calls "open storage," which avoids proprietary technology in favor of standard components and open-source software that can be modified by users. Sun says the "open" approach, among other things, makes its products less expensive and more flexible than competing offerings.

Sun's new Storage 7000 Unified Storage System—code-named Amber Road—will compete with products from bigger storage players like **EMC** Corp. and **Network Appliance** Inc.

Sun's storage hardware relies heavily on what it calls the Zettabyte file system, which is software that manages how data files are named and stored. By offering ZFS as a free open-source program, Sun hopes to build a community of companies and developers, such as exists for the open-source Linux operating system.

Sun earns revenue by selling services around it's open-source software, which is free to download and use, as well as by selling related hardware.

Sun's open storage line includes a hybrid server-storage machine called Thumper, introduced two years ago. Sales of such products are a small bright spot for a company beset lately by declining revenue. In the first fiscal quarter ended in September, for example, Sun reported $25 million in open-storage sales—nearly triple the amount in the year-earlier period—while Sun's total revenue declined 7% to $2.99 billion. "Certainly open storage is one of the bright spots in the storage industry," says John Fowler, executive vice president for systems at Sun.

But the company has a long way to go to recover from a series of stumbles in storage. Its first-quarter results included a $1.45 billion goodwill impairment charge that reflects the diminished value of its $4.1 billion acquisition of Storage Technology Corp. in 2005, a specialist in tape-drive systems.

NetApp, meanwhile, sued Sun last year, arguing that ZFS infringes NetApp patents. Sun denied those charges, and countersued NetApp for patent infringement.

Andrew Reichman, senior analyst with Forrester Research Inc., says Amber Road offers some advances. But he says that open storage doesn't resonate with many companies as well as competing offerings, in part because the products don't scale up as well for use in large data centers. "They have not done enough to define the use case for their open source products," says Mr. Reichman.

He adds that Sun's storage products will likely appeal to smaller companies looking for cheaper storage, pitting the company against others in the low end of the market such as **Dell** Inc.'s EqualLogic products.

Sun's Mr. Fowler argues that Amber Road makes it easier to deploy storage systems into existing data centers, and automates processes such as recovery from breakdowns.

CORPORATE NEWS


Getty Images

Exelon Chief Executive **John Rowe** had said he thought that NRG's assets would fit nicely with his company's.

NRG rejects Exelon bid, casts doubt on financing

Power company says $6.2 billion offer undervalues its stock

By Rebecca Smith

Power generator **NRG Energy** Inc. rejected a $6.2 billion buyout offer from Chicago-based **Exelon** Corp., saying the price "manifestly undervalues" NRG. NRG also expressed doubts about whether Exelon could finance the transaction.

In an unsolicited bid last month, Exelon offered to pay a fixed exchange ratio of 0.485 Exelon share for each share of NRG, which is based in Princeton, N.J.

As recently as April, NRG shares were selling for about $45, but they fell to about $15 prior to the offer, battered by the credit-market crisis and pessimism about power sales in a recession by unregulated generators like NRG.

On Sunday, NRG said in a letter to Exelon that its low stock price was an "unwarranted aberration" that shouldn't be regarded as a basis of a transaction.

Concerns about financing for the deal, and the ability to finance operations in the future, appeared to be a major factor in NRG's response. A person familiar with NRG's board discussion said this was the "worst credit crisis in at least 50 years" and that Exelon risked having its investment rating dragged below investment grade if it persisted in its effort to buy NRG, which has a fleet of power plants that are performing well but doesn't have an investment-grade credit rating. "There is no financing available," this person said.

"Exelon is disappointed that NRG's management and board are not willing to discuss our attractive offer for NRG," said a company spokeswoman, adding, "Our board will review the NRG response and we will determine our next steps."

It is uncertain whether Exelon will make a counteroffer. Hostile takeovers in the power sector are rare. Although NRG owns no regulated utilities, Exelon owns two—Commonwealth Edison in Chicago and PECO in Philadelphia—and state regulators often look unfavorably upon transactions that appear likely to weaken the credit rating of utility holding companies.

Exelon is the largest nuclear operator in the U.S., and a combination of the two firms would create a powerhouse with a market value of approximately $40 billion and 47,000 megawatts of generating capacity.

Redstone's departure at Midway raises expectations for a sale

By Merissa Marr

Sumner Redstone's daughter, Shari Redstone, resigned as chairwoman of **Midway Games** Inc. in a move that could be a precursor to the media mogul's family selling its stake in the videogame company.

The Redstones are considering asset sales as part of an urgent restructuring of their $1.6 billion debt pile.

The family's holding company, **National Amusements** Inc., has been in negotiations with lenders after the value of its assets tumbled in the recent stock-market rout.

Ms. Redstone, 54 years old, said Friday that she was resigning from the Midway board to focus on her role leading those negotiations. Board member Peter Brown will succeed Ms. Redstone at Midway.

People familiar with the situation have said Mr. Redstone may opt to sell the family's stakes in Midway and slot-machine company **WMS Industries** Inc. as part of a restructuring.

Mr. Redstone has ruled out selling any more of the family's holdings in **Viacom** Inc. and **CBS** Corp. after unloading $233 million of stock when the family first discovered its debt problems in October.

GLOBAL BUSINESS BRIEFS

Cable & Wireless PLC

Firm's demerger plans are put on hold amid volatility

Cable & Wireless PLC reported first-half results at the top end of expectations and raised its full-year guidance. The international telecommunications company said the financial crisis hasn't affected its earnings so far. But in light of volatile markets, the company said it has put its demerger plans on hold. Cable & Wireless had been considering listing separately its U.K. and international units. Net profit fell to £115 million ($180 million) from £132 million a year earlier, hit by restructuring costs. Sales were up 5% at £1.65 billion. Earnings before interest, tax, depreciation and amortization, or Ebitda, jumped 26% to £357 million. Cable & Wireless raised its full-year Ebitda forecast to £780 million from a previously expected range of between £702 million and £725 million.

CGG Veritas

CGG Veritas said it made a friendly offer to take over **Wavefield Inseis** ASA, a Norwegian company that specializes in seismic surveying. The French oil and gas exploration-services company said the proposed share-exchange deal values Wavefield at $310 million. Wavefield's board has approved the offer. CGG Veritas is offering one new CGG Veritas share for every seven Wavefield shares. It said the transaction, if successful, will have little impact on its debt levels. Wavefield Inseis posted third-quarter revenue of $110 million and an operating profit of $37 million. It has an order book valued at $485 million. CGG Veritas said Wavefield's five high-performance seismic survey vessels will boost its capacity and will reinforce its cash-flow generation.

Audi AG

Audi AG said sales rose 7.2% in October to about 82,400 vehicles but announced plans to cut production during the holiday season amid waning demand in major auto markets. So far, the luxury-car unit of **Volkswagen** AG has weathered the storm in the premium-car segment better than **BMW** AG and **Daimler** AG's Mercedes-Benz brand, thanks mainly to strong demand for the revamped A4 model as well as relatively small exposure to the troubled U.S. market. During the first 10 months of 2008, Audi sold 844,700 cars, up 3.3% compared with the same period last year. "Audi is performing well, but our corporate performance is increasingly influenced by declining markets," Audi Chief Executive Rupert Stadler said. The company confirmed its full-year target of selling one million cars.

Allianz SE

Allianz SE said the soured investments at its soon-to-be-sold Dresdner Bank unit cost it €900 million ($1.15 billion) in the third quarter. Chief Financial Officer Helmut Perlet said the group could face an additional €1 billion in impairments on equities in the fourth quarter if stock markets don't recover. Still, Allianz doesn't need a capital increase, Mr. Perlet said in calls with journalists and analysts to discuss a third-quarter net loss of €2.02 billion, which Allianz reported late Friday. Allianz said the €2.6 billion hit from Dresdner includes the bank's €1.2 billion net loss and €1.4 billion in transaction-based impairments related to the sale of the bank. Allianz is selling Dresdner to **Commerzbank** AG for about €9.8 billion.

Air France KLM SA

Air France-KLM SA said Monday its passenger traffic rose 9% in October compared with the year-earlier month, when a five-day strike affected the airline's flights. Excluding the strike's impact, the year-to-year rise in traffic would have been about 3.6%, the Franco-Dutch airline said. Capacity increased 8% last month, and load factor for the period improved by 0.7 percentage point to 81.3%. Air France-KLM carried 6.6 million passengers last month, up 5.7% from a year earlier.

Zentiva NV

Zentiva NV posted a 12% increase in its third-quarter net profit, thanks to improved productivity and lower costs. The Czech generic-drug maker, which agreed to be acquired by its key shareholder **Sanofi Aventis** SA, said net profit rose to 259 million Czech koruna ($13 million) from 231 million koruna a year earlier. Sales fell 3.2% to 4.82 billion koruna. The company reiterated its 2008 outlook, calling for sales growth of "around 20%." Sales for the first nine months were up 18% to 13.1 billion koruna. Zentiva Chairman Jiri Michal again asked shareholders to act on Sanofi's takeover offer of 1,150 koruna per share, which values the Czech company at around €1.8 billion ($2.3 billion).

Safilo SpA

Gucci Group NV, a unit of France's **PPR** SA, and Italy's **Safilo** SpA said Monday they have renewed an agreement for Safilo to produce eyewear for the Gucci, Bottega Veneta and Alexander McQueen brands. The Gucci contract was renewed until 2018, Bottega Veneta to 2010, and Alexander McQueen to 2013. Along with Armani, Gucci is one of Safilo's biggest brands and renewing the contract was critical for the eyewear maker's future. Analysts said Safilo was under pressure to renew the Gucci license after rival **Luxottica** SpA signed a sunglasses deal in April with designer Stella McCartney, also part of PPR. The agreements are for the production and worldwide distribution of branded frames and sunglass collections.

Alitalia SpA

Cabin-crew and ground-staff members of the **Alitalia** SpA unions that still resist a new contact deal aimed at relaunching the Italian carrier voted to strike for a 24-hour period starting early Monday evening. Protests at Rome's Fiumicino airport already had caused delays and cancellations of some 20 flights earlier on Monday, according to Italy's civil-aviation authority, Enac. "We are trying to safeguard as many flights as possible," said Vitaliano Turrà, head of Enac's Fiumicino office. The consortium Cia. **Aerea Italiana** has offered to purchase Alitalia assets and merge them with smaller Italian rival **Air One** SpA as part of efforts to save Alitalia from liquidation. Four of Italy's main unions have signed up with CAI.

BNP Paribas SA

BNP Paribas SA is planning to launch a $400 million private-equity fund early next year in an effort to target opportunities in the Arab Gulf region, the bank's regional director for the Gulf Cooperation Council said. The French bank, which has been present in the the region for around 35 years, sees a healthy pipeline of mergers and acquisitions as well as corporate-finance deals in the Middle East amid the global meltdown, said Jean-Christophe Durand. "The plan is to launch it in early 2009 as a close-ended fund with a target to raise $400 million," he added. BNP will contribute around 25% of the size of the fund as seed money, Mr. Durand said.

OAO Uralkali

OAO Uralkali said Monday its future would be at risk if Russia ruled that the potash miner was culpable for a flood two years ago. Uralkali said it would face an "enormous financial burden" if forced to pay damages after Russia reopened a probe into the flood at a potash mine, of which Uralkali was earlier cleared of blame. Uralkali's London-listed shares fell 62% Monday to close at $6.50. "We believe there are no legal or moral grounds for making Uralkali responsible for the accident," the company said. Deputy Prime Minister Igor Sechin last month ordered the country's mining-safety watchdog to determine the cause of the accident and possible damages.

Thai Union Frozen Products

Thai Union Frozen Products PCL's third-quarter net profit more than doubled to a quarterly record, thanks to higher sales and the depreciation of the baht. The company, Thailand's largest canned- and frozen-seafood processor and exporter by revenue, said it expects record full-year results. Thai Union posted third-quarter net profit of 911.9 million baht ($26.1 million), compared with 422.4 million baht a year earlier. Sales rose 34% to 18.43 billion baht. "If we can keep up with this momentum, we should be able to break our record," said financial controller Wai Yat Paco Lee. The company reiterated its 2008 sales target of $2 billion.

Foster's Group Ltd.

Australia's largest brewer **Foster's Group** Ltd. said the head of its Australia and Asia Pacific division, Jamie Odell, has resigned after nine years with the company. Mr. Odell's departure comes as the company conducts a review of its global wine business, with the outcome expected in February. Foster's said pending the results of the review, the heads of the Australian sales and marketing functions, and the managing director of Asia-Pacific will report directly to the chief executive, Ian Johnston. "I personally thank Jamie for his contribution in various senior roles over nine years with the company and sincerely wish him well as he seeks fresh challenges in the future," Mr. Johnston said.

Orica Ltd.

Explosives maker **Orica** Ltd. said its annual net profit rose 11% on acquisitions and higher sales but said growth this fiscal year depends on demand from the developing world. Orica's earnings have swelled because of productivity improvements, higher sales from expanded production, acquisitions and increasing explosives demand from miners working to supply emerging markets with metals and coal. Earnings rose to 539.6 million Australian dollars (US$365 million)in the year ended Sept. 30 from A$487.7 million a year earlier. Sales increased 18% to A$6.54 billion from A$5.53 billion.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Obama and Bush meet at White House

First couple greets successor and wife in continuation of transition tradition; shades of Eisenhower-Kennedy

ASSOCIATED PRESS

WASHINGTON—U.S. President-elect Barack Obama and President George W. Bush met Monday for their first face-to-face meeting, an Oval Office session that comes during a historic shifting of power to a new administration.

Mr. Obama and his wife, Michelle, arrived at the South Portico 11 minutes early, with Mr. Bush and first lady Laura Bush waiting for them. Mrs. Bush and Mrs. Obama enjoyed a warm greeting, while the president and his successor exchanged smiles and a handshake.

Taking a bit of prerogative, the president-elect put his left hand on Mr. Bush's back as the two couples entered the Diplomatic Reception Room.

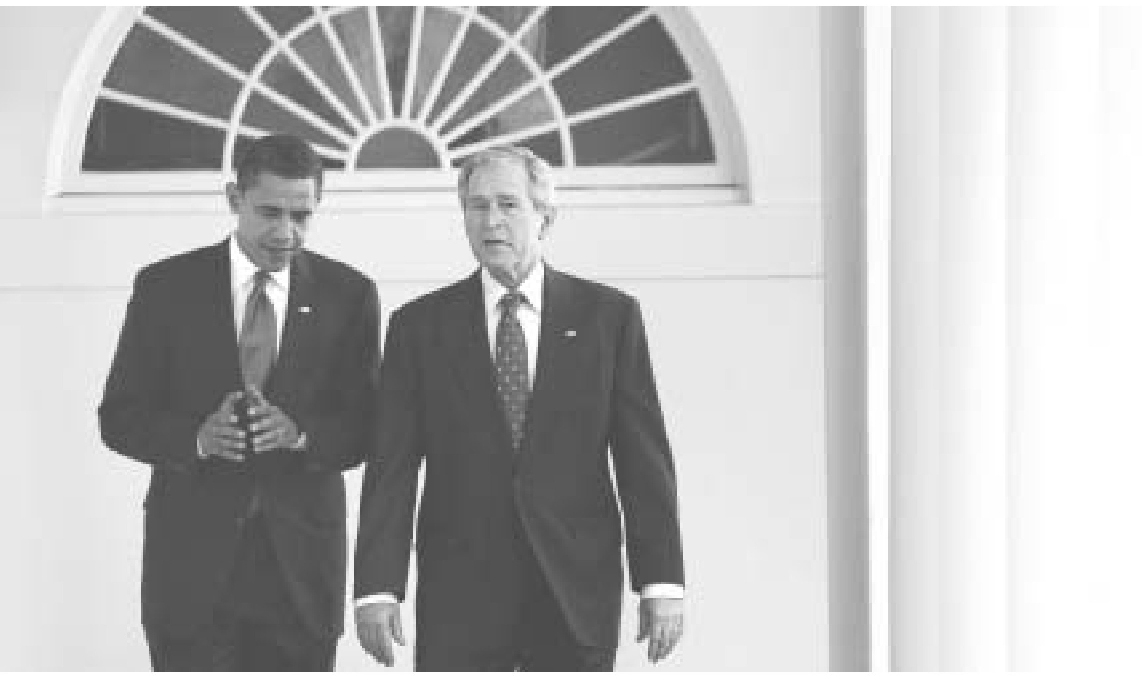
Messrs. Bush and Obama strolled along the Colonnade and waved for the cameras. The president and the president-elect then headed into the Oval Office to talk about the future of the country.

It was the president-elect's first visit to the White House since his landslide election victory—and his first visit ever to the Oval Office.

Mr. Obama's arrival had the look of a foreign head-of-state visit, although there were no fife and drum bands, speeches or official pageantry.

Mrs. Bush was to give Mrs. Obama a tour of the first family's living quarters, including the bedrooms used by children of past presidents.

Even before their meeting, the outgoing and incoming first ladies had established the beginnings of a rapport. When Mrs. Bush defended Mrs. Obama against campaign critics earlier this year, Mrs. Obama sent the first lady a note of thanks. She has praised the first lady for her "calm, rational approach."


Associated Press

U.S. President-elect **Barack Obama**, left, and President **George W. Bush** met privately at the Oval Office on Monday.

Ahead of the meeting, Mr. Obama told reporters last week that he was headed to the White House meeting with "a spirit of bipartisanship."

Mr. Bush invited Mr. Obama for the private talk, a rite of passage between presidents and successors that extends for decades. Mr. Bush, who had endorsed the Republican nominee, Sen. John McCain, lauded Mr. Obama's victory as a "triumph of the American story."

Mr. Obama, in turn, thanked Mr. Bush for being gracious. The president-elect has made clear to the people of the U.S. and those watching around the world that there is only one president at a time, and for now it is Mr. Bush. Mr. Obama is in the transition to power but doesn't assume the presidency until Jan. 20.

Josh Bolten, Mr. Bush's chief of staff, said Messrs. Bush and Obama would be the only ones in the room when they met.

"I know the president will want to convey to President-elect Obama his sense of how to deal with some of the most important issues of the day," Mr. Bolten said. "But exactly how he does that, I don't know, and I don't think anybody will know."

Unlike the incoming president, Mr. Bush knew his way around the Oval Office by the time he was elected in 2000 because his father had been president. Still, like many before them, President Bill Clinton and President-elect Bush had their own private meeting, keeping up a tradition that temporarily puts the presidency above politics.

Monday's meeting followed a hard-fought campaign in which one of Mr. Obama's most effective strategies was to rail against the "failed policies" of Mr. Bush.

Such meetings are often emotional for both the incoming and outgoing presidents. Although the formal transfer of power is still more than two months away, the "psychological transfer occurs then," former Vice President Walter Mondale once said.

As significant as the first meeting can be, it isn't mentioned in the Constitution or federal law, so there are no rules governing it.

Discussing past meetings between outgoing and incoming presidents, presidential historian Leo Ribuffo of George Washington University said, "They've been bad, and they've been good and they've been in the middle."

One of the most analogous transfers of power to the Bush-Obama transition occurred when 70-year-old Dwight Eisenhower, a Republican, made way after two terms for 43-year-old John F. Kennedy, a Democrat whom the president had derided as a "young whippersnapper" and "this young genius."

After the three-hour meeting, an aide later described Eisenhower as "overwhelmed by Sen. Kennedy, his understanding of the world problems, the depth of his questions, his grasp of the issues and the keenness of his mind."

It wasn't all about weighty matters of policy, though. Eisenhower also showed Kennedy how to use the panic button that would bring a helicopter to the back lawn. Eisenhower demonstrated its use, and "Kennedy watched the fluttering helicopter coming down outside the windows within a few minutes," Kennedy aide Kenneth P. O'Donnell later wrote.

Mr. Bush, for his part, set the stage for an amiable meeting with Mr. Obama when he praised his election as "a testament to hard work, optimism and faith in the enduring promise of our nation." Mr. Bush has promised to help make "America's first wartime presidential transition in four decades" as seamless as possible.

"I can't remember as generous a statement about a winner of the opposite party than that of Bush on the historic significance of Obama's win," said Fred Greenstein, a professor of politics at Princeton University.

Economists push leaders to act

BY JUSTIN LAHART

Days before world leaders convene in Washington, they are getting a raft of advice from academic economists on addressing the financial crisis.

A number of the 20 nations that will gather at the summit hosted by U.S. President George W. Bush have tried to temper expectations for immediate solutions. Governments have yet to coordinate a long-term policy response to the economic and financial woes gripping the world.

However, academic economists are trading ideas across the world at a furious pace. Their latest effort: a salvo of 17 essays aimed at moving members of the Group of 20 large economies to act quickly on stabilizing the economy when they meet on Friday.

The essayists agree that governments need to act more quickly than they have to recapitalize banks, guarantee cross-border bank claims, restructure nonperforming assets and extend support to countries in crisis.

There also is wide agreement among the economists on the need to strengthen existing institutions, such as the International Monetary Fund, so they have adequate tools to deal with crises as they arise.

Unlike past crises, when economists' analyses of what went wrong came to light long after the troubles subsided, academics have been attacking this one in real time. Leveraging professional networks and the Internet, they are sharing, vetting and disseminating ideas quickly.

To be sure, history suggests it is unwise to expect much out of a meeting like the coming G-20 summit. But there is a danger in doing nothing, say Barry Eichengreen, a University of California, Berkeley economist, and Richard Baldwin, an economist at the Graduate Institute of International Economics in Geneva.

Messrs. Eichengreen and Baldwin assembled the collection of essays on the summit released Monday on VoxEU.org, the Internet portal of the Centre for Economic Policy Research, a European economic-research network Mr. Baldwin leads.

"Signs that our leaders are bereft of ideas and unable to agree to priorities will tell investors that the future will resemble the recent past," the two economists say in their introduction to the essays.

"They need to coordinate their initiatives," Messrs. Eichengreen and Baldwin say in the introduction. "They need to move fast. There is no mystery about how to go about this."

In the collection, several essayists offer creative ideas about how to regulate financial institutions across borders. Mr. Eichengreen argues for a World Financial Organization, modeled on the World Trade Organization. At the same time, economists worry that countries may overregulate financial institutions and raise protectionist barriers in response to the crisis—a response they say would impede the global economy in the long run.

Messrs. Eichengreen and Baldwin put together a similar group of essays before the Group of Seven summit in October. While nothing in the way of policy prescriptions came out of that meeting, the book generated about 30,000 downloads.

That initial effort came together in little more than a day. This time, the two economists had a longer lead time and were able to draw from a deeper pool of experts, including Stanford University Nobel laureate Michael Spence and Yale University's Ernesto Zedillo, the former president of Mexico.

Obama poised to roll back orders on drilling, stem cells

BY JONATHAN WEISMAN

President-elect Barack Obama will likely use his executive powers after taking office to block new drilling leases on environmentally sensitive land in Utah and to allow federal funding of stem-cell research, putting a quick mark on policy making.

"There's a lot the president can do using his executive authority without waiting for congressional action," John Podesta, head of Mr. Obama's transition team, said on "Fox News Sunday."

Mr. Podesta said Mr. Obama is "a transformational figure" and that the support he received among voters in some Republican states and conservative counties gives him a mandate to pursue his agenda aggressively.

Rolling back executive orders issued by the Bush administration could give Mr. Obama a fast way to put his mark on policy making after he takes office, as past presidents have. Other Bush-era executive orders that Mr. Obama could reverse include a ban on federal aid to family-planning organizations that counsel women on abortion, and a decision in December that restricts California in regulating greenhouse-gas emissions from cars.

The Bush administration has been rushing to implement regulations before Mr. Obama takes office. Unlike with executive orders, some of these would take longer to roll back.

One Bush-era measure Mr. Obama is likely to address quickly are the new oil and gas leases approved recently by the Department of Interior that would open up for drilling land near Arches and Canyonlands national parks in southern Utah's desert. Environmentalists said drilling in the area could damage the parks and surrounding land.

Mr. Obama could also lift restrictions placed by President George W. Bush on the type of stem-cell research that can be funded with federal dollars. Democratic congressional leaders have vowed to push a twice-vetoed stem-cell research bill as one of the first acts of the next Congress.

Mr. Podesta and other top Obama aides fanned out on the Sunday news talk shows, suggesting that after Tuesday's electoral sweep, the incoming administration would begin to try to influence policy making before January's inauguration.

ECONOMY & POLITICS

Associated Press

U.S. President-elect Barack Obama plans to **leverage support** from campaign backers like Lovieree Warren to push his agenda.

Grass-roots army at ready

Obama to mobilize campaign's backers to push his agenda

By Christopher Cooper

U.S. President-elect Barack Obama's winning campaign was built with a vast base of grass-roots supporters. Now, he plans to harness this army to help push legislation in Washington.

Hours after his victory, Mr. Obama emailed this note to millions of supporters whose addresses his campaign collected over the 21-month campaign: "I want to thank all of you who gave your time, talent, and passion to this campaign. We have a lot of work to do to get our country back on track, and I'll be in touch soon about what comes next."

Obama campaign officials have provided few hints about when Mr. Obama will mobilize these supporters, or over what issues. But the ability to quickly call on millions of constituents to pressure a lawmaker, knock on doors or vote on a state initiative appears valuable.

"What the Obama candidacy has shown is that he understood the importance and usefulness of new technology," said Harold Ickes, a Democratic strategist who organized voter data for the Obama campaign. "It seems to me that the grass-roots data he used to run his campaign can be transferred into a tool to support legislation and other initiatives."

People close to the Obama campaign said it combined its donor list with names collected at rallies and voter-registration drives for a total that could top more than 10 million names. The Obama campaign tapped about four million donors and had two or three times that number of supporters who knocked on doors, worked phone banks, attended rallies or were registered to vote by the campaign.

Obama campaign officials and others said the supporter database could be organized to help Mr. Obama influence the direction of legislation or pressure a congressional voting block. "Say, if as congressman, you decide to bump President Obama on an issue. With a simple email, he could have the netroots beating the hell out of you back home in your district," said one staff member in the Democratic congressional leadership.

A person familiar with Mr. Obama's database said it includes information about how individual voters stand on issues, what motivated them to participate in politics and their main concerns. Such information could be used to mount a targeted campaign for or against a candidate or a particular piece of legislation.

Calls for change follow costly race

By Brody Mullins And T.W. Farnam

WASHINGTON—The mountain of money raised by this year's political candidates in the U.S. has spurred campaign-finance watchdogs to agree on a set of principles and start lobbying to improve the public financing of presidential elections.

In particular, a group of seven nonpartisan organizations wants to require disclosure of more information about fund-raising bundlers and to ban joint fund-raising committees.

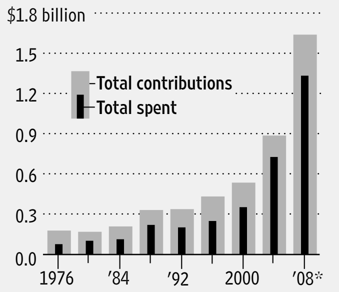
The 2008 federal election cycle was the most expensive in history, with a price tag of about $5.3 billion, according to an estimate by the nonpartisan Center for Responsive Politics. The presidential campaign drove the increase, with candidates raising a total of $1.6 billion—double the 2004 figure.

By agreeing to a single set of priorities Thursday, advocates for revamping campaign finance took an important first step toward securing legislation on the issue. But they haven't agreed on specific proposals in several areas, or figured out how to make their task a priority for President-elect Barack Obama.

Mr. Obama was a lead sponsor of legislation in Congress this year to upgrade the public-financing system, and he said on the campaign trail that he supports campaign-finance changes. But he and congressional Democrats face a crowded agenda, touching on everything from tax and trade policy to health-care and labor issues.

The price of politics

The huge jump in fund-raising has spurred groups to try to revamp U.S. campaign-finance law.



*Through Oct. 20

Note: Not adjusted for inflation. Figures include both public and private funding for general and primary presidential elections.

Source: U.S. Center for Responsive Politics

"Everybody in town—every possible group and every possible interest—is trying to get Obama's attention," said Meredith McGehee, a campaign-finance lobbyist for the Campaign Legal Center. She said enacting legislation will be difficult, but revamping the campaign-finance law is essential if Mr. Obama wants to change the culture in Washington.

The Obama campaign didn't respond to a request for comment. But campaign spokesman Tommy Vietor said during the campaign that Mr. Obama "agrees with the idea that we need to limit the influence of big donors on campaigns."

Backers of changing campaign-finance laws believe their best chance of getting legislation passed is next year, while memories of this campaign remain fresh and before candidates begin politicking for the 2010 elections.

Mr. Obama shattered the previous record for presidential fund raising; Republican candidate Sen. John McCain also surpassed the previous record, by $100 million.

Candidates in both parties relied on new and expanded loopholes to get around the $2,300-per-person limit on donations. In the primaries, Republican and Democratic candidates relied on bundlers who funneled millions of dollars into the election by raising money from others in chunks of $2,300 or less.

In the general election, Messrs. Obama and McCain established joint fund-raising committees that could legally accept donations of as much as $70,000 to help the presidential candidates. A recent survey by the nonpartisan Public Citizen found that 15% of the money raised by Mr. Obama and 20% of Sen. McCain's haul came from donors who contributed $25,000 or more to their joint fund-raising accounts.

Banning such committees and requiring more information about bundlers are among the priorities of the campaign-finance groups.

CAPITAL JOURNAL ▪ Gerald F. Seib

Trio cross paths again as leaders of the White House transition

MANY MONTHS ago—before investment firms failed, before credit markets froze, before the government had to lay out $700 billion in financial rescue money—Rahm Emanuel called Josh Bolten.

Rep. Emanuel, head of the Democratic caucus in the House, had previously spent a few years and earned a small fortune as an investment banker. He had been talking with friends in the investment community and came away feeling that the meltdown in the housing market would have far more severe consequences than most in Washington realized.

Josh Bolten

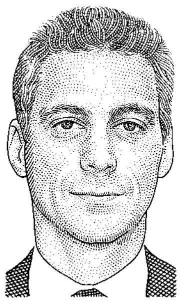
So he placed a call to Mr. Bolten, the White House chief of staff for Republican President George W. Bush, and delivered a quiet, nonpartisan warning: The administration ought to be prepared for some financial problems requiring action.

The fates of the two men—similar in age and experience, dissimilar in temperament and ideology—have been intertwined ever since. Mr. Bolten remains chief of staff for the outgoing president; Mr. Emanuel has been named chief of staff for President-elect Barack Obama.

They are two of the three key staff figures handling what is now recognized as one of the most sensitive presidential transitions in modern times. The third is John Podesta, head of Mr. Obama's transition team—and himself a former White House chief of staff.

In fact, in one of the great twists in recent political history, Mr. Podesta was White House chief of staff at the end of the Clinton administration, when he oversaw the turnover of power to Mr. Bolten and other incoming Bush staffers. Now, Mr. Bolten will return the favor.

THE PUBLIC FACE of the transition was on display Monday, when Mr. Obama visited the White House, shook hands with Mr. Bush and sat down in the Oval Office he soon will occupy. That the transition is, by all accounts, going smoothly and intelligently so far owes much to these two leaders, of course. Mr. Bush has chosen to rise above months of campaign-trail bashing of him and ensure that his administration provides a smooth and thorough handoff to Team Obama. His performance will serve as a model for future outgoing presidents.



Rahm Emanuel

Mr. Obama, in turn, has shown the kind of presidential demeanor that helped him to a comfortable victory, and has been careful to say the one essential thing: The U.S. has only one president at a time, and that remains Mr. Bush.

But much of the task of transferring power during the 70 days until Mr. Obama's inauguration will fall on the shoulders of this staff troika—Messrs. Emanuel, Podesta and Bolten—that will be on the front lines every day. They form an intriguing group, Washington veterans all, with careers that have quietly crossed paths in ways that leave them well-suited to the assignment history has dealt them.

The one who has attracted the most attention so far is Rep. Emanuel, who has the most public face of the three. He was a White House aide to former President Bill Clinton who subsequently went into the banking sector, won a seat in Congress, and led the Democrats' House campaign committee when the party took control of Congress in 2006. He since has been the hard-charging, sharp-tongued head of the Democratic caucus in the House.

BECAUSE OF Rep. Emanuel's elbows-out style, much of the instant analysis of his selection has suggested that the Obama White House will have a partisan tone. But that misses the more subtle signal his choice emits. He comes from the ideological center of the Democratic Party, not its left wing, and some of the issues on which he worked most diligently in the Clinton White House—crime legislation, welfare reform, trade agreements—were most important to moderate and conservative Democrats and required cooperation with Republicans.

Mr. Podesta worked with Mr. Emanuel in the same Clinton White House, of course. He now runs the Center for American Progress, which is rapidly emerging as the Democrats' leading policy think tank, and he was an early backer of Sen. Joe Biden as the vice-presidential nominee.

He is more closely attuned to the party's progressive wing on the left, and Mr. Obama's decision to pair the two suggests a nice feel for balance, ideologically and stylistically. Mr. Podesta's style is cooler, while Mr. Emanuel's is hotter. The former has strong ties to Democrats in the Senate, the latter to those in the House.

And both of these Democrats have career tracks that in many ways parallel those of Mr. Bolten, their low-key Republican counterpart. Like Mr. Podesta, Mr. Bolten earned some of his policy experience working as a Senate staffer in the 1980s. Like Mr. Emanuel, he later took a sabbatical from politics to work in the private investment world, as an executive for Goldman Sachs International in London in the late 1990s.

Together, this transition troika has spent a combined 23 years in the White House. At least one of them has had a desk there for the past 16 years. If you wondered whether the government is capable of continuity amid change, these three provide the answer.