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U.S. Treasury Secretary Paulson and Federal Reserve Chairman Bernanke urged Congress to take swift action on a Treasury plan to buy illiquid mortgage-linked securities and avoid severe spillover effects on the economy. Page 1

■ **Electricité de France** is poised to buy nuclear power-plant operator British Energy for $23.07 billion after raising its earlier offer. Page 4

■ **Jet Republic aims** to launch a business-jet service despite the gloom in financial markets and high-end sectors. Page 4

■ **Europe's economy** shows signs of flattening. The purchasing managers' index for the euro area fell to its lowest level since late 2001. Page 3

■ **Europe's first mandatory** carbon caps on the auto industry will likely win an EU committee's approval Thursday, albeit in watered-down form. Page 1

■ **Chrysler unveiled** three prototypes for electric vehicles it hopes to begin offering by 2010. Page 6

■ **Google introduced** the first smartphone that uses its Android software, seeking to challenge Apple's iPhone. Page 7

■ **AstraZeneca may acquire** branded generics in emerging countries, a shift from its strategy of selling patented drugs in the U.S. and Europe. Page 8

■ **Nomura snagged** Lehman's European and Mideastern equities and investment-banking units for a nominal sum. Page 21

■ **U.S. stocks ended lower** after swinging between gains and losses. European stocks fell amid concerns about the U.S. financial-rescue plan. Page 22

■ **Tate & Lyle lost** a patent case concerning Chinese makers of Splenda, a ruling that is likely to hurt the U.K. company's margins. Page 6

■ **Oil prices fell** Tuesday as traders cashed in profits a day after crude rocketed to its biggest one-day gain ever. Page 25

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	10854.17	-161.52	-1.47
Nasdaq	2153.34	-25.64	-1.18
DJ Stoxx 600	267.31	-5.04	-1.85
FTSE 100	5136.1	-100.1	-1.91
DAX	6068.53	-39.22	-0.64
CAC 40	4139.82	-83.69	-1.98
Euro	$1.4726	+0.0076	+0.52
Nymex crude	$106.61	-2.76	-2.52

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World-Wide

Obama holds slight leads over McCain in the key battleground states of Michigan, Minnesota, Colorado and Wisconsin, new polls show, but the candidates' handling of economic questions in coming debates could decide the outcomes there. Both are carefully assessing the Treasury's bailout plan. Pages 1, 12

■ **A masked gunman** whom police questioned a day earlier opened fire at his trade school in Finland, killing 10 people and then himself. Page 36

■ **Sudan said** it had located 19 people, including 11 European tourists, kidnapped in Egypt and now in Sudan, and talks for their release are under way.

■ **Bush told** the U.N. General Assembly multinational organizations are "needed more urgently than ever" to combat terrorists and extremists who threaten world order. Page 12

■ **Britain's Brown told** the Labour Party's conference he will guide the nation though current economic challenges. Page 10

■ **The U.S. continue**s to engage Russia on key strategic issues even as it has stepped up its rhetoric against Moscow. Page 10

■ **Georgia said** it shot down a Russian drone near the breakaway province of South Ossetia, but Moscow denied the report.

■ **The European Parliament** called for strict new EU rules governing high-risk private-equity and hedge funds. Page 10

■ **South African ministers** including the respected finance minister offered resignations to outgoing President Mbeki, rattling the nation's markets. Page 24

■ **Pakistani forces killed** over 60 insurgents in northwest Pakistan in offensives aimed at denying havens to militants.

■ **Gates told** U.S. lawmakers up to three more combat brigades could be available to go to Afghanistan early next year.

■ **China's agriculture minister** said melamine was likely added at milk-collecting stations and promised a crackdown. Page 13

■ **Myanmar's junta freed** political prisoner Win Tin and over 9,000 other prisoners, ahead of the one-year anniversary of a deadly crackdown on protests.

EDITORIAL & OPINION

Brown and out

Britons are concluding their prime minister isn't up to the job. Here's why. Page 16

Bernanke urges Congress to approve bailout plan

Fed chief says lack of action raises risks; skepticism lingers

By Greg Hitt, Brian Blackstone And Tom Barkley

Reuters

U.S. Treasury Secretary **Henry Paulson**, left, Fed Chairman **Ben Bernanke**, center, and SEC Chairman **Christopher Cox**, right, on Capitol Hill Wednesday.

WASHINGTON—U.S. Federal Reserve Chairman Ben Bernanke warned lawmakers that they risk a recession with higher unemployment and increased home foreclosures unless they act on the U.S. Treasury's plan to buy up to $700 billion in mortgage-related assets.

U.S. Treasury Secretary Henry Paulson, meanwhile, cautioned lawmakers against letting the plan get bogged down in a debate over unnecessary additions.

Despite the warning, Senate Banking Committee leaders voiced skepticism about the plan, seeking assurances that the program will work.

Six weeks before the elections, both major-party presidential contenders also insisted on alterations in the administration's prescription for the worst financial crisis in decades.

"Over these past days, it has be-

Please turn to page 35

Obama leads McCain in battleground states

By Sara Murray

Sen. Barack Obama holds a lead in four key battleground states, but it appears that the candidates' handling of economic questions in coming debates could be the key to their fates there.

Sen. Obama holds slight leads over Sen. John McCain in Michigan, Minnesota, Colorado and Wisconsin, where Quinnipiac University has conducted new polls for The Wall Street Journal and Washingtonpost.com. But his leads aren't commanding, and all the states appear to be in play.

The best news for Sen. Obama in the new surveys may come in Colorado, where he has moved to a lead of four percentage points, 49% to 45%, after being down by a percentage point in August. That means Colorado presents a good opportunity for Sen. Obama to swing a Republican state to his favor this year.

Meanwhile, Sen. McCain's best shot at turning a Democratic state Republican might be Minnesota, where Sen. Obama leads 47% to 45%, which falls within the poll's margin of error. That is a significantly reduced margin from the 17-point advantage Sen. Obama enjoyed in June in the state that hosted Sen. McCain's nominating convention.

In Michigan, meanwhile, Sen. Obama holds a four-point edge, 48% to 44%. His largest lead is in Wisconsin, where the race stands at 49% to 42%.

The findings suggest the parties' widely watched national conventions didn't produce a significant bump across the swing states.

But the poll results do suggest that the coming presidential debates could determine which of the candidates ultimately wins these Electoral College prizes. Roughly

Please turn to back page

Emissions law to carry stamp of auto makers

Europe's auto makers look likely to succeed in watering down the impact of a proposed European Union law to cap carbon-dioxide emissions in new cars, according to people familiar with the matter.

Thursday, the EU Environment Committee will likely vote through

By **Leila Abboud** *in Paris and* **Edward Taylor** *in Frankfurt*

the Continent's first mandatory set of carbon caps on the auto industry. The EU has operated a voluntary system of caps, but auto makers have failed to meet the targets. Critics say the system was ineffective because it lacked penalties.

The latest legislation has been subject to intense lobbying since last year, when the European Commission drew up plans for it, and the auto industry appears likely to win significant concessions. The financial penalties for noncompliance in 2015 have been nearly halved to €50 ($74) from €95 per "excess" gram of carbon dioxide emitted per kilometer per car, calculated as the average emission of a year's new fleet, according to people who have been briefed on the committee's plans. Emissions caps will likely be phased gradually, taking full effect

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LEADING THE NEWS

Banks' transformation comes at high cost

Morgan Stanley, Goldman can expect greater regulation

By Aaron Lucchetti
And Robin Sidel

Now that they are bank holding companies, **Goldman Sachs Group** Inc. and **Morgan Stanley** should be able to worry less about the sort of investor panic that rocked both companies last week.

But that good news will come at what could be a steep price: New regulators will scrutinize the trades both firms make and how much borrowed money is used to make those bets.

Instead of worrying how to survive the market's chaos, Goldman and Morgan Stanley now are likely to fret about whether it will ever be possible to churn out the supersize earnings they did as investment banks.

Tougher regulatory oversight by the Federal Reserve and Office of the Comptroller of the Currency "will lead to a reduction in risk appetite" and "lower returns," Michael Hecht, an analyst with Bank of America, said in a note to clients Monday. The bank-holding-company structure will force both firms to live with "lower leverage," or borrowed money that is funneled into trading, private equity and other Wall Street businesses.

"It's more difficult to be a bank holding company than to become one," said James E. Scott, a lawyer specializing in financial regulation at Cadwalader, Wickersham & Taft LLP. Dozens of federal banking regulators will be permanently stationed at the firms to monitor their risk-taking, compared with the audits conducted by the Securities and Exchange Commission.

Both firms still will have trading desks that take risks, much like J.P. Morgan Chase & Co. and Citigroup Inc., known more as commercial banks. But analysts predict that Goldman and Morgan Stanley will have to take fewer chances.

It isn't clear how much further leverage levels will need to decline to meet new regulatory requirements. Both Morgan Stanley and Goldman have leverage ratios in the low 20s, according to their most recent regulatory filings, while big commercial banks have comparable ratios around 10 or 11.

A Morgan Stanley spokeswoman has said the firm's use of borrowed money will come down over time, most likely within two to five years, depending on negotiations with banking regulators. A Goldman Sachs spokesman acknowledged the firm's leverage could be lower in the future than it would have been otherwise.

David Trone, an analyst at Fox-Pitt Kelton, said return on equity may slip to about 17% at Goldman and Morgan Stanley from about 21%. He said the investment banks have Tier 1 capital ratios that are high enough to meet current banking regulations, but those rules could be toughened in the next few years; Tier 1 capital is a measure of a bank's ability to absorb losses.

The Goldman spokesman said that "neither our target" return on equity "or our risk-management culture will be changed by becoming" a bank holding company.

Still, the regulatory environment is sure to toughen. As bank holding companies, Goldman and Morgan Stanley will be able to access a Fed borrowing facility that is more expansive and permanent than the temporary access that investment banks got after Bear Stearns Cos. struck its takeover deal with J.P. Morgan Chase in March; before the Bear rescue, Wall Street investment banks were regulated by the SEC and had no access to Fed funds.

Neither company will be allowed to use insured deposits to fund businesses such as prime brokerage or proprietary trading, but a small percentage of Tier 1 capital can be used to support Wall Street operations.

The firms may also need to tweak business lines, such as owning physical commodities and directly managing real estate. But Morgan Stanley said its real-estate fund business wouldn't be affected, and Goldman doesn't expect to have major changes to its commodities-trading business.

Still, it is unclear what kind of banks Goldman and Morgan Stanley could become. Goldman plans to move existing assets into its Goldman Sachs Bank USA bank subsidiary. It will end up with more than $150 billion in assets.

Morgan Stanley hopes to use its brokerage branch-office network of 500 offices in the U.S. to build a bigger deposit business. It already has $36 billion in deposits, as of Aug. 31.

Associated Press

As a bank holding company, **Morgan Stanley** will be able to access a more expansive and permanent Fed borrowing facility.

CORRECTIONS & AMPLIFICATIONS

Mitsubishi UFJ Financial Group Inc. agreed to pay roughly $3.5 billion for the 35% of **UnionBanCal** Corp. that it didn't already own. A page-one article Tuesday about Japanese financial companies incorrectly described the purchase price as more than $10 billion.

Nestlé SA recalled a brand of milk sold in Hong Kong that contained trace amounts of melamine, and its product didn't pose health risks. A headline on a Corporate News page article Tuesday about China's dairy scandal incorrectly said Nestlé recalled bad milk.

The Financial Select Sector SPDR is offered by State Street Global Advisors. Monday's Abreast of the Market column incorrectly suggested it was run by Standard & Poor's.

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.

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Fears on rescue's price tag may be overdone

Some experts say U.S. stands to get a lot of money back

By John D. McKinnon

WASHINGTON—Fears over the $1 trillion total price for the U.S. government's financial-rescue plans are likely exaggerated, some experts say, even as they concede its short-term impact on the budget could be substantial.

That argument—if it holds up and gains traction—could make the package more palatable to skeptical lawmakers and the public. For starters, some experts say, it is far from certain the U.S. government will need all the money it has budgeted.

The government has either committed or is seeking a total of $1.4 trillion for its interventions, including the new financial-rescue plan, the takeover of Fannie Mae and Freddie Mac, the bailout of insurer American International Group Inc., and the housing bill Congress passed earlier this year. The centerpiece is the $700 billion program announced last week to buy financial assets, such as hard-to-sell mortgage-backed securities, and sell them as the market settles down.

Some economists figure that policy makers have set their spending limits on the high side to make clear to investors that the government will do whatever it takes to make financial markets work again. Mark Zandi of Moody's Economist.com figures the government might need $750 billion—about half of the $1.4 trillion—before prices are established and unmarketable paper becomes marketable.

Debt-rating agencies, government economists and others say the government stands to receive a lot of its money back on the securities it buys. It can sell them or hold them as investments, depending on market conditions.

The impact on the budget deficit also will be limited. Budget rules allow the government to treat such debt as a "means of financing." Only the anticipated losses on the investments—plus interest costs—would show up as additions to the deficit.

"This is not an expenditure of $700 billion," Federal Reserve Chairman Ben Bernanke told senators at a hearing Tuesday. "This is a purchase of assets, and if auctions are done properly...the American taxpayer will get a good value for his or her money. And as the economy recovers, most, all or perhaps more than all of the—of the value will be recovered over time."

Mr. Zandi estimates total taxpayer cost at no more than $250 billion, including the estimated interest cost on the government bonds that must be issued to finance the programs.

It isn't clear when that will show up in the budget. If it were all included in the 2009 fiscal year, that could drive the annual budget deficit to almost $1 trillion, Mr. Zandi estimates. That would represent about 6.7% of gross domestic product—a record in the post-World War II period. The old record, 6.0%, was set in 1983.

Other budget experts, including William Hoagland, a former top budget staffer in the Senate, say a $1 trillion deficit for 2009 is unlikely.

Budget accounting aside, the big U.S. rating agencies say the U.S. is reasonably well-positioned for the new borrowing, despite its large existing debt. Government debt held by the public—excluding the obligations to Social Security—totals about $5.5 trillion.

Adding $1 trillion shouldn't affect the U.S. government's AAA credit rating, according to rating services. Moody's Investors Service put out a special comment this week, saying that it "continues to view the foundations of the U.S. government rating as unshaken," primarily because of the U.S. economy's wealth and resilience. Moody's added that "there is a large leeway for even a significant increase in debt issuance."

Standard & Poor's analyst John Chambers agreed. "We think the government still has enough fiscal room to maneuver [so] that this is consistent with the AAA rating with 'stable' outlook," he said. The size of the proposed rescue plan is consistent with S&P's prior estimates, he added.

He noted that the U.S. has less general government debt as a percentage of GDP than most large economies, and that adding $1 trillion in debt likely still would leave it ahead of France, Germany and Japan, for example.

Worries about the added U.S. debt have dragged down the dollar and put upward pressure on oil prices—and fueled public concerns—since the Bush administration announced its financial rescue plan Friday. But the real long-term fiscal concern for the U.S. remains the government's unfunded obligations under Social Security and Medicare, analysts added.

Still, Moody's cautioned that its analysis "is based on the assumption that the dollar and the U.S. government debt will maintain their current status in the world economy....Should the dollar lose its standing and the policy response become ineffective, debt affordability would diminish because of higher borrowing costs and an erosion of the revenue base."

Moody's Senior Vice President Guido Cipriani said his company believes that outcome is unlikely, despite the market's initial negative reaction Monday.

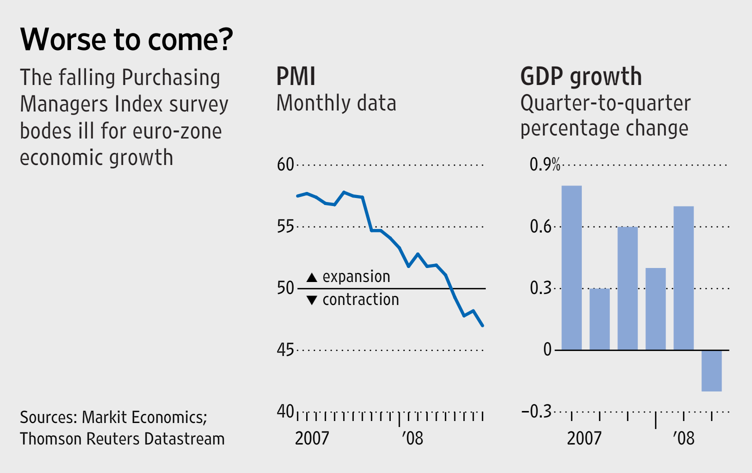
"On a day-to-day basis, the dollar and interest rates can gyrate," Mr. Cipriani said. "We don't worry too much about such near-term volatility....What we're speaking to is the ability of the U.S. to maintain confidence in the dollar as a global reserve and transaction currency....That's a key point we're stressing."

Still, predicting the rescue's precise costs remains a daunting challenge. The job is falling primarily to the Congressional Budget Office, the White House and the Treasury Department.

Experts have to predict how much the government will actually spend, as well as how much it will collect in the form of income.

There are multiple pitfalls. The main one is that the government doesn't know much about the mortgage-backed-securities business. So Treasury officials are working out a system for micro-auctions of each individual tranche of mortgage assets. Officials hope that will make for relatively efficient auctions.

Another wrinkle, some experts say, is that the government's rules for figuring the net loss or profit from the assets are too loose, and could allow the government to show exaggerated profits from many of the deals. The White House and Congress are negotiating a way to avoid that result.



Euro-zone business activity falls to lowest level since '01

By Marcus Walker

BERLIN—Business activity in the euro zone is falling sharply, according to a closely watched survey, adding to evidence that Europe's economy is flatlining.

The Purchasing Managers Index for the euro area, which measures output in the private sector, fell to 47.0 in September from 48.2 in August, hitting the lowest level since late 2001. Slumping export orders and slowing activity in Germany dragged down the result.

The data imply that the 15-nation euro-zone economy, second in size to the U.S., has barely grown in the third quarter and might even contract, economists said. Weak new orders mean the chances of a recovery in European economic growth in the fourth quarter also are fading.

"With foreign demand slowing sharply and domestic demand already weak, you have to wonder where growth will be coming from," said Jacques Cailloux, European economist at the Royal Bank of Scotland in London.

The PMI for Germany, Europe's biggest economy, fell to 48.6 in September from 50.5 in August, reaching the lowest level since July 2003, when Germany was mired in a long economic downturn.

Germany's economy was growing relatively strongly until this spring, while others such as Italy's and Spain's were already faltering. "This supports the view that the downturn is spreading throughout the region," said Ben May, European economist at London consultancy Capital Economics.

Wednesday's Ifo survey of German business confidence should offer another sign of whether the recent falls in oil and other commodity prices are offering companies respite, or financial-market turmoil and weaker global demand for Europe's goods matter more, as the PMI survey suggests.

For four months now, the eurozone PMI survey has been below 50, indicating that private-sector business activity is contracting. That could indicate the euro-zone economy is on its way to an overall contraction in the third quarter, following the 0.2% decline in gross domestic product in the second quarter.

—Joellen Perry in Frankfurt contributed to this article.

CORPORATE NEWS

AIRLINES

British Airways suspends its service to Pakistan

Associated Press

A SPOKESMAN for **British Airways** PLC said the airline is "indefinitely" suspending its flights to and from Pakistan "in light of the current security situation."

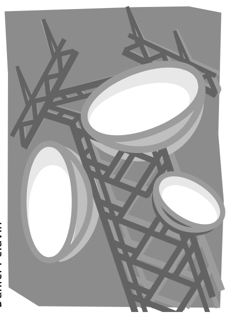
The move comes after a truck bombing over the weekend at a luxury hotel in the capital, Islamabad, killed 53 people, underscoring the threat extremists pose to the nation.

Separately, the company that runs four visa-application centers for the British High Commission in Pakistan has closed them pending a security review, commission spokesman Aidan Liddle said.

—Associated Press

TELECOMMUNICATIONS

Etisalat signs agreement to acquire 45% of Swan



Daniel Pelavin

EMIRATES Telecommunications Corp. has signed a final agreement to buy about 45% of India's **Swan Telecom Private** Ltd. for as much as $900 million, the company told Zawya Dow Jones.

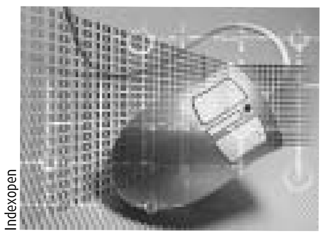
The Abu Dhabi-listed company, known as Etisalat, operates in 16 countries across Asia, the Middle East and Africa. It said the deal implies a total valuation of $2 billion for the Indian firm, according to a statement on the Abu Dhabi exchange Web site.

Swan Telecom holds a license for operating telecom services in 13 of the 22 service areas in India. Foreign companies are allowed to own up to 74% in a local telecom company.

—Reem Shamseddine

TECHNOLOGY

Ofcom presents proposals for super-fast broadband



Indexopen

BRITISH communications watchdog Ofcom announced proposals aimed at bringing super-fast broadband to more U.K. homes and businesses. Ofcom said the proposals would provide regulatory certainty and allow efficient delivery of services. They include developing standards for wholesale broadband products and allowing companies to have pricing freedom where competition exists.

Super-fast broadband would push speeds up to 100 megabits per second by delivering connections through fiber-optic cables rather than through copper wires, which deliver speeds up to eight megabits per second.

—Monica Mark

EDF buys British Energy

Higher bid revives deal for U.K. firm as key holder accepts

BY DANA CIMILLUCA AND DAVID GAUTHIER-VILLARS

ELECTRICITÉ DE FRANCE SA agreed to buy U.K. nuclear power-plant operator **British Energy Group** PLC for £12.4 billion ($23.07 billion), people familiar with the matter said, in a long-awaited deal that promises to reshape the U.K.'s energy sector and accelerate its transition to nuclear power.

The companies plan to announce the deal Wednesday morning. In a second stage of the deal, EDF will likely resell about a quarter of British Energy to U.K. energy group **Centrica** PLC, people familiar with the matter said.

To seal the deal, EDF agreed to offer 774 pence ($14.40) per share, the people said. That would be nine pence higher than a takeover offer from the French company that British Energy rejected in July. British Energy shares closed at 724 pence, down 0.6%, on the London Stock Exchange on Tuesday.

The original deal fell apart when British Energy's two largest shareholders, **Invesco Asset Management** Ltd. and **M&G Investment Management** Ltd., balked at the price. At least one of them, Invesco, has agreed to accept the new offer, one of the people said. As before, last-minute snags could yet derail the deal.

It is unclear why such a small increase was enough to bring around Invesco, British Energy's largest institutional shareholder with a roughly 15% stake. The British government, which has about a 35% stake in British Energy, has been supportive of an EDF deal all along, on the grounds that the French company will help revive the U.K.'s nuclear industry.

The drop in oil prices since July—down roughly 20% before the recent resurgence—likely dampened investors' price expectations. Oil and gas prices are closely tied to what British Energy can charge for its power generation, so the perceived value of the company tends to rise and fall with the price of oil.

Whatever the factors that led to a resurrection of the deal, it shows that recent volatility in world financial markets hasn't completely taken the life out of the mergers and acquisitions market. In this case, that volatility may have helped, by deflating energy prices.

British Energy shareholders will be able to choose between two forms of payment: the full cash price, or an alternative deal consisting of 700 pence per share and a certificate, known as a contingent value right, that is tied to British Energy's output and power prices. The value of the certificate has also been sweetened, a person familiar with the matter said.

EDF, controlled by the French government, is the world's largest operator of nuclear power plants. Britain is crucial to its ambitious international expansion plans.

British Energy would be a welcome victory for EDF, after its plan to participate in an acquisition of its U.S. partner, **Constellation Energy Group** Inc., was thwarted by billionaire Warren Buffett. Mr. Buffett's **MidAmerican Energy Holding** Co. last week reached a tentative agreement to buy Constellation for $4.7 billion. Constellation's board spurned a higher offer from a group including EDF.

As part of an arrangement with the British government, which would like to see several nuclear operators emerge in the U.K., EDF will commit to sell some of British Energy's industrial premises, say people familiar with the matter. Those premises could be used to build new nuclear plants.

Energy groups such as **GDF Suez** SA of France and **E.On** AG of Germany have said they were interested in investing in nuclear projects in the UK.

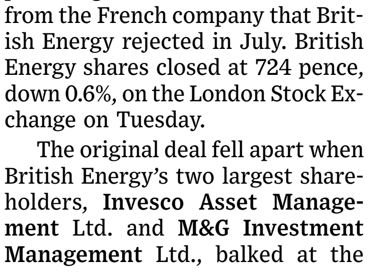
Bloomberg News/Landov

As part of an arrangement with the British government, EDF will **commit to sell** some of British Energy's industrial facilities.

The Property Report

Cultivating value

Prices of farmland in Europe reach highs amid economic fears > **Page 32**



Jet Republic sets launch despite threatening skies

BY DANIEL MICHAELS AND JONATHAN BUCK

LONDON—Bucking the gloom in financial markets and high-end industries, a new business-jet company is scheduled to launch Wednesday and unveil a $1.5 billion order for Learjet aircraft.

Jet Republic, backed by Austrian private bank **Euram Bank** and a consortium of clients, plans to offer customers access to more than a thousand destinations in Europe on demand, with aircraft available on short notice. It expects to start flying in October 2009.

The company, which will be based in Lisbon, said that it signed a deal in June with Canada's **Bombardier** Inc. for 110 Learjet 60 XR aircraft, in what it described as the largest European business-aircraft order ever.

The timing of Jet Republic's launch, during the world's worst financial crisis in decades, is likely to raise eyebrows among industry observers. More than 30 commercial airlines have gone out of business this year amid higher fuel costs and declining traffic.

Air traffic in premium cabins of scheduled airlines is also down: It dropped 1% in July and 0.4% in June from the year earlier, reversing months of strong growth and a rise of 8% in 2007, according to the International Air Transport Association, an airline trade group based in Geneva. "The sharp decline in premium travel most likely reflects a fall in business travel driven by the increasing weakness of major economies," IATA said.

Jet Republic's chief executive and founder, Jonathan Breeze, said that despite those headwinds for traditional airlines, he sees continued demand for business-jet services. "The global base of European high-net-worth individuals is so strong we don't see any reduction in their numbers or their desire to work hard," Mr. Breeze said.

Jet Republic is a so-called fractional jet operation, in which customers buy a share in a plane and pay usage fees, much like a time-share condominium. The company plans soon to start signing contracts for flights with the Learjet fleet beginning in October 2009, and says it will offer a higher level of service than existing fractional-jet operators, but at comparable rates.

Jet Republic will offer customers the opportunity to purchase or lease shares of one-sixteenth or more of a Learjet 60 XR, with prices starting from $875,000. Alternatively, card membership is available, providing blocks of 25 hours of flight time for €130,000 ($193,000).

The start-up announcement comes as business-jet sales worldwide are booming. Deliveries rose 28% in 2007 from 2006 to a record 1,138 business jets, according to the General Aviation Manufacturers Association, a trade group based in Washington. Deliveries in this year's first half hit another record, up 39% to 663 business jets.

Once dismissed as a luxury, business jets are an increasingly important tool for executives who want to avoid connecting flights, airport delays and hassles, or to reach destinations not served by scheduled carriers. Some large companies, particularly in the U.S., press their top managers to use business jets because corporate insurers don't want key executives using public airlines.

"There is a much higher level of acceptance of private-jet use in Europe than before," Mr. Breeze said. While use by publicly listed companies is lower in Europe than the U.S., it is high and growing among closely held companies and wealthy individuals, he said.

The new company is positioning itself as a more upscale rival to the European arm of NetJets Inc., the fractional-ownership company owned by Warren Buffett's **Berkshire Hathaway** Inc. At the end of 2007, NetJets operated 487 planes in the U.S. and 135 in Europe. Mr. Breeze is a former executive of NetJets.

Jet Republic says it will offer flight-attendant service as standard, the latest communications, BlackBerry connectivity and video iPod interface to the entertainment system. It expects to be carbon-neutral from its first flight.

Judge rebuffs Tate & Lyle

Ruling on Splenda may pinch margins; share price falls 11%

BY MICHAEL CAROLAN

LONDON—**Tate & Lyle** PLC was dealt a setback after a U.S. judge ruled against it in a patent case concerning Chinese makers of artificial sweetener sucralose. The product, which Tate & Lyle sells under the brand Splenda, has been a key plank in its plan to transform itself into a major value-added food producer.

The ruling is likely to expose Tate & Lyle to lower-cost generic versions of the sweetener, hitting the company's margins. While sucralose generates only 4% of the U.K. company's sales, the product's strong margins mean it accounts for 21% of its profit. Tate & Lyle's traditional operations—producing sugar and industrial ingredients—have far lower margins and are more susceptible to fluctuations in global commodity pricing.

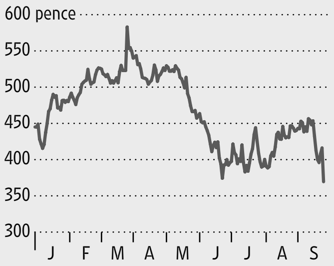
The news sent Tate & Lyle shares to a four-year low of 345 pence Tuesday. The stock recovered somewhat, closing 11% lower at 369.50 pence. The stock has halved in price in the past two years.

Tate & Lyle said it will appeal the preliminary ruling, issued late Monday by a U.S. International Trade Commission judge in Washington. The judge ruled against Tate & Lyle in a case against a group of Chinese manufacturers and six importers. Tate & Lyle launched the lawsuit in April 2007 after products containing sucralose not made by the U.K. company began appearing in U.S. stores. Tate & Lyle had argued the companies had infringed its patents on the manufacturing process for sucralose. A final decision on the case will be made by January.

DAILY SHARE PRICE

Tate & Lyle

On the London Stock Exchange
Tuesday's close: **369.50 pence, down 11%**



Source: Thomson Reuters Datastream

Tate & Lyle makes the sweetener under the Splenda brand as an ingredient for food companies, while **Johnson & Johnson**'s McNeil Nutritionals owns the Splenda brand and the tabletop business, which encompasses jars and packets of Splenda.

While the patent on sucralose itself has expired, Tate & Lyle holds a host of patents on its manufacturing process, which it claims covers all known economically viable routes for making sucralose. The company has long said that while a chemistry undergraduate could make small amounts of the product, its patented manufacturing process was the only viable way of producing it in commercial quantities.

Tate & Lyle said Tuesday that its manufacturing is protected by a "multilayered matrix of patents," adding that the ruling in the U.S. refers to just a few of the company's 28 global patents and it has another 28 patents pending.

The company also added its strength in sucralose isn't wholly reliant on its patents. Its modern production facilities and relationships with global food makers mean that it is unlikely to be threatened in the short term, it said.

"We're still the most efficient and most cost-effective producer," said a Tate & Lyle spokesman.

Long term, though, the potential emergence of large-scale competitors will undoubtedly hit the company's margins, analysts say. Tate & Lyle's margins on sucralose have already declined. U.S. demand for the product never quite lived up to expectations, with a number of soft-drink makers trying out the sweetener only to abandon after getting negative consumer feedback. This weaker demand combined with an expansion in capacity following the construction of a new factory in Singapore has led Tate & Lyle to cut sucralose prices in the past two years.

Chrysler

Chrysler unveiled the Peapod, a small **'neighborhood electric vehicle'** that can go up to 48 kilometers on a charge.

Chrysler unveils models for three electric vehicles

BY JEFF BENNETT

AUBURN HILLS, Mich.—**Chrysler** LLC unveiled three prototypes for electric vehicles it hopes to begin offering by 2010, intensifying the auto industry's race to develop battery-powered cars.

Until now, **General Motors** Corp. and a handful of start-up companies have appeared to be in the lead to produce electric vehicles, and Chrysler, which, like its U.S. counterparts, is struggling financially and suffering a decline in vehicle sales, seemed to be behind.

But at a small test track outside its headquarters here, Chrysler demonstrated a battery-powered Dodge sports car with an estimated range of 240 to 320 kilometers. It also showed a Town & Country minivan and Jeep Wrangler that are supposed to go 60 kilometers on electric power and have a small gasoline engine to provide power and recharge the battery on longer trips.

"We are well ahead where the industry observers thought we were," said Chrysler President Tom LaSorda, who said the auto maker had been working on electric technologies for more than a year. "We kept a pretty good secret."

Auto makers have tried several times over the years to make electric cars, but the efforts were undermined because batteries were heavy and expensive and couldn't power cars for long distances. Cheap gasoline in the U.S. gave consumers little reason to reduce fuel consumption. That has changed in the past few years.

Lithium-ion batteries—the type used in laptop computers and power tools—appear to be light and powerful enough to work in automobiles. Rising fuel prices have focused consumer interest in reducing U.S. dependence on foreign oil. At the same time, the popularity of **Toyota Motor** Corp.'s Prius hybrid have persuaded other auto makers they need to be seen as leaders in new technologies to win credibility in the market.

Few auto makers have bet as much on a push into electric cars as GM. For the past two years it has been working on a small, four-door car called the Chevrolet Volt. Earlier this month it showed the version of the car it hopes to begin producing by 2011. **Nissan Motor** Co., France's **Renault** SA, Toyota and start-ups such as **Tesla Motors** Inc. and **Fisker Automotive** Inc. also are working on electric cars.

Chrysler's unveiling comes as it, GM and **Ford Motor** Co. hope to persuade Congress and the White House to make $25 billion in low-cost loans available to them and their suppliers to retool plants or fund research into the development of more fuel-efficient vehicles.

Speaking to reporters, Chief Executive Robert Nardelli said he is "very encouraged" by prospects for a congressional approval of the request for the loan guarantees, which he insists is "not a bailout." He declined to say whether the auto maker's electric presentation Tuesday was moved ahead as legislators weigh whether to fund a $700 billion bailout of Wall Street amid concerns about the financial market's stability.

Chrysler also said it is pursuing a joint project with **General Electric** Co. and the U.S. Department of Energy to develop smaller battery packs for electric vehicles. The auto maker didn't release details on the volume, pricing or where the cars would be built. Mr. LaSorda said Chrysler is building some of the vehicles now but wouldn't release the location.

Chrysler, in which private-equity group **Cerberus Capital Management** LP acquired a majority stake a year ago, is working with several partners to provide some components for its electric car. Tuesday, Chrysler officials confirmed they are in talks about using batteries made by **A123 Systems** Inc. The Dodge sports-car prototype uses a chassis made by an outside supplier, **Group Lotus PLC.**

The Dodge sports car is a two-passenger, rear-wheel-drive vehicle with a 268-horsepower electric motor. Chrysler said it can go from zero to about 100 kilometers per hour in less than five seconds, has a top speed of more than 190 kilometers per hour and a range of 240 to 320 kilometers before its battery needs to be recharged.

Chrysler estimated the Jeep Wrangler would go 60 kilometers on battery power alone. When using its gasoline engine to recharge the battery, it is supposed to go 640 kilometers on about 30 liters of gasoline. Chrysler said the Town & Country minivan has the same propulsion system as the Jeep Wrangler.

CORPORATE NEWS

Google, T-Mobile unleash Android phone

IPhone rival arrives after months of buzz; Sprint version is due

By Roger Cheng

T-Mobile USA and **Google** Inc. revealed the first smart phone powered by Google's Android operating system, as the Internet company hopes to shake up the wireless industry.

The G1 represents the first direct attempt by Google to link its name with cellphones. The company, which dominates Internet search, has struggled to break through the controls of the wireless carriers and establish a strong foothold in the mobile Web. The phone arrives after months of speculation and buzz surrounding a Google phone and its prospects as a rival to **Apple** Inc.'s iPhone.


Reuters

The **G1 smart phone**, above, will be available in the U.K. in November, and throughout Europe in the first quarter.

Cole Brodman, chief technology officer of T-Mobile USA, called the device a game changer. "The mobile Internet experience hasn't been compelling," he said. "We're going to change that."

The device means a lot for T-Mobile USA, a unit of **Deutsche Telekom** AG, which needs a flagship device to promote its burgeoning third-generation network. The phone's maker, Taiwan's **HTC** Corp., which has slowly built up its brand as a premier smart-phone maker in the past year, also has a stake in its success.

The G1 has a touch-screen that slides up to reveal a full keypad underneath. The device is compatible with T-Mobile's 3G network, which it is early in the process of rolling out. Front and center on the handset is a Google search interface.

The G1 will sell for $179 with a two-year contract with T-Mobile in the U.S. The device will be available in the U.K. in November, and throughout Europe in the first quarter.

The device features a mobile Web browser similar to Google's Chrome browser for the personal computer. The iPhone's slick browser has made other handset makers work to improve their offerings.

"G1 is a milestone in bringing the open Internet to the mobile platform," said Christopher Schladder, group product and innovation officer for Deutsche Telekom.

Google has been eager to get into the mobile arena to access potentially lucrative opportunities from marrying its targeted ad technology to the phone's ability to determine a person's location. The company has said that mobile advertising represents a huge source of growth.

Google has already made ripples in the industry. Its maneuvering during the last wireless license auction forced Verizon Wireless—jointly owned by **Verizon Communications** Inc. and **Vodafone Group** PLC—to commit to open standards for its network.

Google isn't wholly relying on the G1. Another Android device for **Sprint Nextel** Corp. is in the works.

AT&T Inc. also says it is open to the idea of an Android phone. "If it makes sense for our customers, it's something we will consider offering," said AT&T spokesman Mark Siegel.

Marketplace

Alphorn of plenty

Hip musicians fuel an uncool instrument's newfound chic > Page 31

CORPORATE NEWS

AstraZeneca plans shift toward branded generics

U.K. company seeks to expand business in emerging markets

By Elena Berton

LONDON—**AstraZeneca** PLC will consider acquiring branded generic drugs in emerging countries as it boosts its business outside the U.S. and Europe, Chief Executive David Brennan said.

"I do believe there are opportunities to acquire branded products on a market-by-market basis," Mr. Brennan said Tuesday on the sidelines of the Economist Emerging Markets Summit in London. However, he said AstraZeneca doesn't plan a large-scale move into generics.


David Brennan

The U.K.-based company's plans signal a shift from its strategy of concentrating on selling high-price patented drugs in the key U.S. and European markets, reflecting the growing importance of emerging markets to the industry as sales in developed markets slow.

Big pharmaceutical companies have been looking at ways to diversify their business into newer areas as they face the loss of patents covering their top-selling products as well as pricing pressure from health insurers and generic competitors in prime markets such as the U.S., Europe and Japan.

In July, AstraZeneca's U.K. rival **GlaxoSmithKline** PLC stepped into the branded-generics sector by securing an alliance with South Africa's **Aspen Pharmacare Holdings** Ltd., gaining access to a number of low-cost branded—but unpatented—drugs to sell in emerging markets.

Other pharmaceutical companies have made even bolder steps into the business, acquiring generic drug makers in a bid to gain a bigger share of the growing emerging markets.

Japan's **Daiichi Sankyo** Co. made a deal for Indian generic maker **Ranbaxy Laboratories** Ltd. in June valued at as much as $4.6 billion, while on Monday France's **Sanofi-Aventis** SA agreed to buy Czech generics company **Zentiva** NV in a move to expand its presence in Central and Eastern Europe.

Annual drug sales in emerging markets are expected to reach $400 billion by 2020, according to health-care information firm IMS Health.

Mr. Brennan ruled out plans to step into the over-the-counter medicines business in emerging countries. "If you don't have a foothold in over-the-counter medicines, it's a higher hurdle to convince yourself it's a step you should take," he said.

In the past few years, AstraZeneca has been expanding its business in emerging markets in Asia, Central and Eastern Europe and Russia. Last year, it opened a research-and-development center in Bangalore, India, and is also investing in a new center in Shanghai that will focus on researching medicines specifically designed for Chinese patients.

Rough road for GE Capital as loans, real estate are hit

By Paul Glader

With **General Electric** Co. stock on a two-week wild ride, Chief Executive Jeffrey Immelt has tried to reassure investors that the company's finance arm is conservatively invested, even calling its business "boring stuff." The conglomerate's exposure to credit-market upheaval, he says, is catching more attention from worried investors than may be justified.

While that may be true, the near-term fate of GE Capital depends on two sensitive corners of the economy—commercial real estate and loans to midsized businesses—both of which are headed into rough sledding.

By midday Tuesday, GE shares traded 3.5% lower at $25.36, continuing a volatile two weeks in which they have traded as high as $29.28 and as low as $22.16, an unusually wide range for the U.S.'s second-most-valuable company by market capitalization.

Most of that volatility reflects concerns about GE Capital, the finance arm, which generated roughly 30% of the company's profits in 2007. GE's real-estate unit is among the world's largest property investors, with $87 billion in assets. Commercial-property values, which had been holding up much better than residential values, have fallen 5% to 15% in recent months, according to REIS, a New York real-estate research firm. A softer market, coupled with the weakening U.S. economy and the credit crunch, could increase delinquencies among GE's borrowers. GE already lowered profit projections for the real-estate unit this year.

GE also faces difficulties in areas of its commercial-finance business, which lends money to restaurant franchisees to buy big-ticket items such as kitchen equipment. "The credit quality of the customer is getting weaker," says Stephen Tusa, an analyst for J.P. Morgan Chase & Co. "You are definitely going to see delinquencies are going to go up in that business."

In April, GE reported an unexpected drop in first-quarter profit and lowered its forecast for the year. GE is also trying to sell its $30 billion private-label credit-card business.

GE moved heavily into financial services in the 1980s to boost growth and help smooth the cycles of its economically sensitive industrial businesses. For most of this decade, GE's financial arm has been its strongest-growing sector, but the global meltdown is a reminder that any business can be vulnerable. At least two Wall Street analysts last week lowered earnings projections for 2009, citing concerns about GE's commercial-finance and real-estate businesses.

—Lingling Wei contributed to this article.

CORPORATE NEWS

EU proposal would lower bills for text messages

By Peppi Kiviniemi

BRUSSELS—The European Commission unveiled Tuesday a proposal aimed at lowering the high cost of sending texts messages and downloading data across borders.

The proposed law will cap the price a consumer pays for a text message while traveling within the European Union at 11 Euro-pean cents (16 U.S. cents), down from the current average of 29 cents. Meanwhile, the wholesale charges mobile operators are allowed to charge each other when passing on text messages will be limited to four euro cents.


Viviane Reding

Addressing the high costs of downloading data through a mobile phone while traveling, the commission wants to introduce a €1 per megabyte cap on the wholesale price that operators charge each other. It also wants to allow consumers to set their own maximum cost level, so that their service cuts out when they've reached a certain level, avoiding nasty billing surprises at the end of the month.

Europe's smaller telecom operators have blamed high data charges for the slow European uptake of data-downloading services—such as Web surfing or email.

Depending on political will in the other two Brussels institutions that also have to vote on these proposals—the European Council and the European Parliament—the commission hopes the changes will become lawfully binding by July.

The GSM Association, representing all major European operators, said the commission's attempt to regulate prices wasn't needed and potentially damaging as prices for mobile services were falling in Europe by about 13% per year.

Vodafone Group, one of Europe's largest mobile operators, said regulating text-message roaming would create a "one price fits all policy for 27 different markets" giving very little incentive for deeper competition.

However the commission's telecommunications chief, Viviane Reding, has long attacked the high cost of roaming within the EU's borders as a market failure, saying that "using your mobile phone abroad in the EU should not cost unjustifiably more than at home."

The European market has historically been fragmented and ruled over by national regulators which many complained were too quick to side with the large state-owned telecom companies.

Smaller operators felt that the commission's cap on data roaming wasn't enough to kick start roaming services in the sector. The incumbents have been choking the market, and the recommended cap of €1 per megabyte is still very generous to the industry leaving consumers paying more than 100 times more for data abroad than they do at home, said Christian Salbaing, managing director of 3 Group Europe, part of Hutchison-Whampoa Ltd.

Bristol goes at ImClone

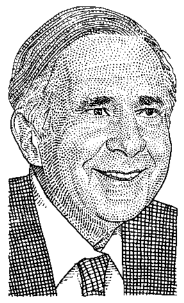
Bidder turns hostile with sweetened offer, plan to oust board

By Shirley S. Wang

Bristol-Myers Squibb Co.'s bid to acquire **ImClone Systems** Inc. turned hostile Monday as the pharmaceuticals giant said it intends to go directly to its target's shareholders with an enhanced all-cash offer for their shares that exceeds its existing offer by $2 a share.

The move turns the tables on ImClone Chairman Carl Icahn, an activist investor who has profited handsomely through the years by initiating similar maneuvers, and reaffirms Bristol's interest in the deal while signaling its wariness of overpaying for the biotechnology concern.

The revised offer, disclosed Monday evening, increases the value of the potential deal by about $200 million to $4.7 billion. Although it was widely expected that Bristol would raise its original $60-a-share, the new bid is far lower than what many investors and analysts believe Bristol is willing and able to pay.


Carl Icahn

But in a letter to Mr. Icahn from Bristol Chief Executive James Cornelius made public Monday evening, Bristol says it plans to up the stakes for ImClone's management. The letter says Bristol will solicit "written consents from ImClone stockholders to remove all existing members of ImClone's board of directors and replace them with five highly qualified nominees proposed by Bristol-Myers. Bristol-Myers is taking this action to ensure that ImClone's board of directors does not prevent the ImClone stockholders from having a direct voice in the process by refusing to satisfy the conditions to our offer."

Bristol's initial offer in July represented a 29% premium over ImClone's closing price the day before the bid was announced. But after declining to meet with Bristol for a month, ImClone and Mr. Icahn rejected the offer and disclosed that another major pharmaceutical company had made a tentative bid of $70 a share. Mr. Icahn and Mr. Cornelius have since traded letters pointedly discussing their dissatisfaction with each other's actions.

Since Bristol's initial offer was made public, ImClone's stock had been trading in the $64 to $65 range until recently, leading many on Wall Street to believe Bristol would have to pump up its bid. In midafternoon trading Tuesday, ImClone shares were up $3.31, or 5.6%, at $62.71 on the Nasdaq market.

Monday, Mr. Cornelius made public a letter to Mr. Icahn acknowledging that ImClone considered Bristol's first bid to be "inadequate" and raising its tender offer to $62 a share for the 83% of ImClone it doesn't now own. The move suggests further "gamesmanship" in Bristol's attempt to take over ImClone, said Leerink Swann analyst Seamus Fernandez.

"I think to some degree they're making a statement about the $70-a-share offer," Mr. Fernandez said. "They don't think that offer is completely valid."

In addition, Bristol appears to be trying to capitalize on the turmoil in the stock and credit markets. In the letter to Mr. Icahn, Mr. Cornelius says "the current extraordinary market conditions" make it even clearer that "an orderly and transparent process with a clearly delineated timeline" is needed.

The letter says that ImClone's delay in responding to Bristol's offer, "combined with ImClone's lack of transparency, have created a protracted period of uncertainty among your stockholders, employees and other constituents which could hurt the intrinsic value of ImClone's assets."

Bristol declined to comment Monday night, and ImClone couldn't be reached for comment.


James Cornelius

ImClone has only one product on the market, the cancer drug Erbitux, which brought in revenue of $1.3 billion in 2007. Bristol, which owns a 17% stake in ImClone and co-markets Erbitux in the U.S., is widely considered by analysts to be the most logical purchaser of ImClone.

The interest in acquiring ImClone stems from its product-development pipeline, particularly its next-generation cancer drug, the rights to which are currently under dispute. Bristol has stated publicly that it believes it has the rights and will protect its stake even if another company were to acquire ImClone. If another company were to swoop in to buy ImClone, it would likely face a legal battle from Bristol over the rights to the drug.

Big drug makers are desperate to restock their pipelines to replace top-selling drugs that will soon lose patent exclusivity, and one strategy for them has been to acquire smaller biotech companies with innovative products or drugs in development.

In a shareholders' meeting this month, Mr. Icahn acknowledged that ImClone would likely be sold, but he was adamant that $60 a share was too low a price.

"I personally feel there comes a time when the shareholders have to make the decision and you get the right price," he said, noting that he felt he made the right decision not to sell ImClone several years ago for around $37 a share. "I do not think that 70 is adequate," Mr. Icahn added during that meeting.

Singapore rules against magazine

HONG KONG—Singapore's High Court ruled the publisher and editor of the Far Eastern Economic Review defamed two of the country's top leaders in a July 2006 article.

Minister Mentor Lee Kuan Yew and his son Prime Minister Lee Hsien Loong both were awarded damages, which were to be assessed later.

The Review is published by Review Publishing Co. and owned by Dow Jones & Co., a subsidiary of **News Corp.** In 2006, the Singapore government deemed it an offense to import the magazine or reproduce it for distribution after the magazine declined to comply with tighter restrictions imposed on foreign publications, including appointing a legal representative and paying a 200,000 Singapore dollar (US$142,000) bond.

Tuesday's ruling was in relation to an article concerning Chee Soon Juan, head of the Singapore Democratic Party. The lawyers for the Lees said, and the court agreed, that the article defamed the plaintiffs by accusing both leaders of corruption.

"We are disappointed with the decision finding against the Far Eastern Economic Review in the libel actions brought by Lee Hsien Loong and Lee Kuan Yew," a Dow Jones spokesman said. "It is notable that the court has determined that the public interest privilege that is available in the United Kingdom and other Commonwealth countries, is not applicable in Singapore. We are considering an appeal."

Meanwhile, The Wall Street Journal Asia, another Dow Jones publication, and two of its senior editors are defendants in an application for contempt proceedings initiated this month by Singapore's attorney general. The action is related to two editorials and a letter to the editor written by Mr. Chee. A hearing in the case has been set for Nov. 3-7.

Singapore's political leaders have won damages against a number of foreign news publications for defamation.

German gas-transmission grids set to be regulated

By Jan Hromadko

BONN—Germany's network regulator, the Bundesnetzagentur, said it will start regulating the country's natural-gas-transmission grids from 2010 in light of inadequate competition.

The move is part of the German government's efforts to regulate more parts of the energy market. Regulation of gas-distribution grid operators, a more downstream sector, is to start next year.

Matthias Kurth, the network regulator's president, said at a news conference here that the regulator will scrutinize the operating cost structures of the country's three largest gas-transmission grid operators.

The gas-transmission units of **E.On** AG; Wingas GmbH, a 50-50 joint venture between **BASF** SE's Wintershall AG and Russia's OAO **Gazprom**; and Dutch company **Nederlandse Gasunie** NV will have to submit information about their cost structures within two months, Mr. Kurth said. Together, these three operators' grids account for about 66% of German gas-transmission capacity, he said.

The companies will be included in the coming incentive-based regulation system as of 2010. Under the program, the most cost-efficient grid operator will set the benchmark for the remaining competitors, Mr. Kurth said.

GLOBAL BUSINESS BRIEFS

Daimler AG

Board member says company doesn't plan truck spinoff

Daimler AG executive-board member Andreas Renschler said the German vehicle maker has no plans to spin off its truck operations. Speaking to reporters at the international truck show in Hannover, Germany, Mr. Renschler said a spinoff wouldn't make sense, as there are many synergies between the company's passenger-car and truck operations. Recent media reports said several Daimler shareholders were pushing for a spinoff. "I'm not aware of any pushing investor," Mr. Renschler said. Mr. Renschler said the U.S. truck market is expected to rise in 2009, while the European market is expected to drop to "a normal level."

WinWinD Oy

Abu Dhabi Future Energy Co., known as Masdar, said it bought a "significant equity stake" in Finnish wind-turbine maker **WinWinD** Oy for €120 million ($178 million) as part of plans to expand its renewable-energy business into the wind sector. Masdar, a unit of Abu Dhabi government investment firm **Mubadala Development** Co., was set up in 2006 to invest in clean technologies and renewable and sustainable energy. A Masdar representative said the holding isn't a majority stake, declining to elaborate, and added the company will have three seats on the turbine maker's board.

Vnesheconombank

Russia's Bank for Development and Foreign Economic Affairs, **Vnesheconombank**, said it is taking over **Svyaz** bank, in the latest sign the country's financial sector has been seriously hit by the global crisis. State-owned Vnesheconombank, or VEB, said it received approval from the Russian central bank to take a 98% stake in Svyaz, which has been hit by turmoil in the financial markets. Financial terms weren't disclosed. Svyaz is Russia's 22nd-largest bank, with assets of about $6.4 billion, according to local researchers RBC.

UBS AG

UBS AG of Switzerland said it is beefing up its China investment-banking team with the appointment of Joe Zhang as deputy head of investment banking for China and Henry Cai as vice chairman of investment banking for Asia. Mr. Cai, who is currently chairman and head of investment banking for China, takes up his expanded role immediately. Mr. Zhang, who was head of China research until 2006, joins from Shenzhen Investment Ltd., where he was chief operating officer. He will take on his new role Monday, reporting to Mr. Cai.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

EUROPEAN UNION

British retirement rules for firms receive support


Indexopen

A EUROPEAN Union court adviser backed British rules on Tuesday allowing employers to dismiss workers without redundancy payments once they reach mandatory retirement age.

The case is being closely watched in Britain, where lawyers estimate that as many as 25,000 people are forced to retire against their will each year. Under legislation that came into force earlier in 2006, British workers have the right to work until age 65 and can't be made to retire before then. However, employers can force workers over 65 to retire.

—*Reuters*

GERMANY

Chancellor defends law blocking VW takeover


Associated Press

CHANCELLOR Angela Merkel vowed Tuesday the German government would strive to keep in place the so-called Volkswagen Law allowing the state of Lower Saxony a blocking minority of Europe's largest auto maker **Volkswagen** AG.

Ms. Merkel said the German government was "deeply convinced" the 50-year-old law doesn't affect the VW's competitiveness and said Berlin would fight for it despite European Union attempts to overturn the law as **Porsche Automobil Holding** SE builds on its controlling stake in VW. A European court struck down a longstanding law protecting VW from a hostile takeover. —*Associated Press*

RUSSIA

Corruption levels worst in years, watchdog claims


Associated Press

CORRUPTION in Russia is at its worst level in eight years, watchdog Transparency International said Tuesday. The annual survey by the Berlin-based watchdog put Russia in joint 147th position with Bangladesh, Kenya and Syria, raising the challenge for President Dmitry Medvedev, who has made fighting graft a priority.

Corruption has penetrated every sphere of life from politics, the police and judiciary to business, health and education, the report said. "The phenomenon of corruption...seriously undermines the very statehood of Russia," the watchdog said in a commentary attached to the survey. —*Reuters*

Brown rallies Labour with speech

Leader charts policy on health care, poor in nod to party's core

By Alistair MacDonald
Manchester, England

PRIME MINISTER Gordon Brown promised crowd-pleasing measures for cutting health-care costs, fighting child poverty and taming financial markets excess, in a speech aimed at reviving his political standing from historically low approval ratings.

The crowd at his Labour Party's annual convention repeatedly rose to its feet in applause. Mr. Brown showed the audience a personal side, rare for the often-dour-looking politician.

It will be clearer in the coming weeks whether the speech helped Mr. Brown in the opinion polls and silenced rumblings among some fellow politicians about unseating him. In Manchester, at least, Mr. Brown succeeded in getting the party to rally around him.

In a speech that lasted more than an hour, Mr. Brown made an appeal to the left in his party, offering a vision of Britain that evoked traditional Labour Party beliefs in a society that looks after its poorest citizens and promotes opportunity. He also gave details on some new policies. But he gave little notion as to how Britain, with a large budget deficit, would pay for them.

"The speech was brilliant, very well-received by the party," said Nick Brown, a longtime government minister. "I think it was the best speech he has ever made."

Now, Mr. Brown, whose popularity hovers at record lows, has to convince a country heading toward its first recession in about 15 years that he is the man to lead it through financial turbulence, for which many people blame him. With house prices falling and unemployment rising to levels not seen since the early 1990s, the U.K. is facing economic problems expected to stretch well into 2010. Mr. Brown must call an election by then.

Reuters

Britain's Prime Minister **Gordon Brown** addresses the Labour Party conference in Manchester, outlining plans for dealing with the economy, health care and crime.

"My unwavering focus is taking this country through the challenging economic circumstances we face and building the fair society of the future," said Mr. Brown, who was Treasury chief for a decade under his predecessor, Tony Blair.

Mr. Brown sought to fend off the rival Conservative Party, which holds its conference next week, by contrasting his economic experience with what he said were "novices" in the opposition party.

George Osborne, the main Conservative finance expert, said Mr. Brown had retreated to the left to save his job.

Mr. Brown received a standing ovation when he announced health-care measures that included no prescription charges for cancer drugs, free checkups for everyone over 40 years old and free nursery school for two-year-olds.

He said he would help rebuild the world financial system around transparency, better risk management and bonuses that don't reward short-term thinking.

The speech had the personal touch considered by many to be missing from the man who dislikes bringing his private life into his political world. In an almost unprecedented move in British politics, and one reminiscent of American political conventions, Mr. Brown was introduced by his wife, Sarah. He talked of nearly losing his sight in a rugby accident and apologized for mistakes he said he has made in office, including a move that resulted in taxing the very poor.

It isn't clear how long the lift from Manchester will last. In recent weeks, three members of Parliament in junior government roles have either resigned or have been fired by the Labour Party after calling for a chance to vote on a leader. If Mr. Brown were to lose such a challenge, that would give the U.K. a new prime minister.

Mr. Brown's speech appeared to hit the right notes with the party faithful. "This is exactly the sort of agenda that people wanted to hear from their Labour government," said Dave Prentis, the secretary general of Unison, the union.

Tighter EU rules on funds sought

Associated Press

BRUSSELS—The European Parliament called for strict new European Union rules governing high-risk private-equity and hedge funds, even though top regulators have said they had no plans to push forward extra legislation.

EU lawmakers can only ask the European Commission, the EU's executive body, to draft new rules. And so far, the commission's financial-services chief, Charlie McCreevy, has been adamant that there is no need for the EU to add to existing national rules for private-equity and hedge funds.

The two types of funds are usually privately controlled, allowing them to take high risks and publish relatively little information about what they do. Hedge funds' shareholders are increasingly using their muscle to oppose what they see as bad management in the companies they invest in.

After funds forced out Deutsche Börse AG's chief executive a few years ago, some German politicians began a campaign for these funds be governed by stricter rules—something EU regulators have continuously resisted, saying there is no need to clamp down on a sector that isn't causing widespread trouble.

The European Parliament is asking the EU commission to review existing rules governing funds and to put forward legislation to cover any gaps and require greater transparency on their investments. It also wants all financial institutions to follow capital requirement rules, which means they must put aside money to cover the risk they are taking on.

Lawmakers backed a report by former Danish Prime Minister Poul Nyrup Rasmussen that also called for action to prevent "unreasonable" asset stripping of companies taken over by private investors and for executive-reward packages to reflect losses as well as profits.

U.S. continuing to engage Russia despite rhetoric

By Jay Solomon

WASHINGTON—The U.S. is continuing to engage Russia on some key strategic issues even as it has stepped up its rhetoric against Moscow.

The Bush administration is also keeping open an option that would allow the next U.S. president to move ahead with a landmark nuclear-cooperation agreement with Russia should bilateral tensions eventually ease, U.S. officials said.

U.S. President George W. Bush had promoted legislation authorizing the pact in a bid to strengthen strategic ties between the White House and the Kremlin. His administration withdrew its support for the deal this month, following Russia's military actions in Georgia.

But senior U.S. officials said the White House decided to formally withdraw the legislation from Congress rather than allow lawmakers to vote to kill the deal. This approach would give the next administration the option to reintroduce the legislation after taking office in January.

American diplomats say engagement with Russia is critical because its involvement is central to any efforts to combat weapons proliferation and terrorism. The administration has rebuffed calls from politicians, including Republican presidential nominee Sen. John McCain, to expel Moscow from the Group of Eight forum of leading nations.

U.S. Secretary of State Condoleezza Rice warned Thursday that an increasingly authoritarian Kremlin was taking "a dark turn" toward international isolation. She described Moscow's military occupation of Georgia and its subsequent recognition of the breakaway territories of South Ossetia and Abkhazia as illegal acts that threatened Europe's stability.

"Our strategic goal now is to make clear to Russia's leaders that their choices could put Russia on a one-way path to self-imposed isolation and international irrelevance," Ms. Rice said in a speech.

Russian President Dmitry Medvedev responded Friday that Washington and the North Atlantic Treaty Organization had "provoked the conflict" by arming Georgia's military.