Economy & Politics: Bernanke's PR push rewrites script for Fed chiefs

THE WALL STREET JOURNAL.

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UBS sees no light ahead

Caught by twin troubles, bank expects a big loss, plans more cuts

By Stephen Fidler
And Katharina Bart

UBS's outgoing Chairman Peter Kurer walks past CEO Oswald Grübel before a shareholders' meeting Wednesday. The bank is cutting another 8,700 jobs.

Reuters

The new boss of UBS AG announced plans Wednesday to further reduce the Swiss bank's size in an admission that actions taken so far had failed to stem the crises that have engulfed both its private-wealth and investment-banking operations.

Oswald Grübel, who was named chief executive in late February, told the bank's annual meeting in Zurich that UBS would cut a further 8,700 jobs by the end of next year—on top of thousands already eliminated—and cut operating costs by up to 14.5%.

Switzerland's largest bank also plans to shrink its investment bank, pulling out completely from some unspecified activities, although Mr. Grübel said the unit would remain key to its businesses.

"Unfortunately I am not able—as yet—to offer you any good news," he told shareholders at the bank's annual meeting in Zurich. He said it expects to report next month a first-quarter net loss of nearly two billion Swiss francs ($1.76 billion), falling short of market expectations. Outgoing Chairman Peter Kurer said the bank "continues to find itself in a precarious situation."

The downbeat assessment reflects the continuing damage from a one-two punch the bank has suffered to its main businesses, undercutting its status as one of the world's safest banks.

Its investment bank was

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Spain told it has no leeway on deficit

By Thomas Catan
And Jonathan House

MADRID—Spain's central bank issued a stark warning to the country's government Wednesday, saying there is no more room to revive the economy with fresh spending.

In an interview, the Bank of Spain's chief economist, José Luis Malo de Molina, also cautioned that any additional fiscal stimulus would have scant effect on the economy and require big spending cuts down the road to right the country's finances.

The margin for new spending or tax cuts is "nonexistent" unless new measures to cut the budget deficit in the medium term are taken, Mr. Malo de Molina said. Failing that, "we will find ourselves in a situation where we have to apply restrictive measures when the economy is still in a phase of contraction," further deepening the slump.

The Bank of Spain's top economist cast doubt on the effectiveness of any new fiscal stimulus. Existing measures have had "limited effect" because much of the money has been destined to savings—not spending, he said.

Without measures to boost consumer and business confidence, any new stimulus would likely go to pay down debt. "It is not clear that these, more expansive fiscal

Please turn to page 31

After Italy quake, mob activity feared

By Stacy Meichtry
And Davide Berretta

State prosecutors say they are taking pre-emptive measures to try to prevent Italy's organized crime syndicates from cashing in on rebuilding efforts in the wake of the country's earthquake last week.

Olga Capasso, the antimob prosecutor in the Abruzzo region, of which L'Aquila is the capital, says she fears that companies backed by crime groups such as the Naples-based Camorra or Sicilian Mafia could end up winning some of the contracts to rebuild the area.

This week, she said she will step in to help L'Aquila magistrates cross-reference future bid contracts against a national database of people and companies suspected of mob ties. "We need to examine anyone who wins a public contract with a microscope," she says.

On Saturday, prosecutors in L'Aquila launched an investigation into whether the city hospital, a student dormitory and other modern buildings that crumbled in the quake were built at a sharp discount and using shoddy materials. The probe doesn't target mob contracts specifically. But Ms. Capasso says that the use of cheap building materials is often a signature of contractors backed by organized crime. "When something gets built at a 30% discount, it means sand was used instead of con-

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Questions loom

A highflying financier's fund empire is scrutinized
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4 p.m. ET

	CLOSE	PCT CHG
DJIA	8029.62	+1.38
Nasdaq	1626.80	+0.07
DJ Stoxx 600	190.52	-0.25
FTSE 100	3968.40	-0.52
DAX	4549.79	-0.16
CAC 40	2985.74	-0.48
Euro	$1.3182	-0.58
Nymex crude	$49.25	-0.32

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LEADING THE NEWS

Fiat CEO may take top job at Chrysler

But Marchionne warns the alliance isn't a sure thing

BY STACY MEICHTRY

ROME—**Fiat** SpA CEO Sergio Marchionne is likely to seek broad management authority over **Chrysler** LLC, possibly as chief executive, if the Italian and U.S. car makers finalize their planned partnership, a person close to Fiat said Wednesday.

But Mr. Marchionne sounded a note of caution about the alliance actually happening, saying Fiat could walk away if U.S. and Canadian unions don't agree to significant pay cuts at the ailing Detroit auto maker.

"There's no sense in being optimistic," Mr. Marchionne said on the sidelines of a meeting in Zurich, according to a Fiat spokesman who was present.

"There's a lot to resolve. The situation with the Canadian and American unions has not reached the point where there are the conditions necessary to form a solid industrial base," he said.

Mr. Marchionne's comments add yet another layer of uncertainty to Chrysler's future. U.S. President Barack Obama has given Chrysler until the end of the month to find a partner, or else face bankruptcy proceedings.

Sergio Marchionne

In an interview published Wednesday in the Toronto daily Globe and Mail, and confirmed by a Fiat spokesman, Mr. Marchionne said Fiat was "prepared to walk" unless an agreement can be reached with unions. Cutting pay on the factory floor is a key part of Mr. Marchionne's plans to aggressively revamp Chrysler.

Asked later Wednesday whether he aimed to become chief executive of Chrysler, Mr. Marchionne said he was "ready to do whatever is necessary to turn around Chrysler."

Chrysler spokeswoman Shawn Morgan said the company "will not comment on the speculation. Chrysler has no management changes to announce. The job of Chrysler's current management team is to get the company on a solid foundation moving forward."

A week ago, talks between Chrysler, Fiat and U.S. and Canadian unions hit a wall after the parties failed to agree on potential pay cuts, according to a person familiar with the matter. Chrysler and Fiat want the United Auto Workers union to bring American wages in line with the lower employee costs of Japanese auto makers that assemble cars in the U.S.

Chrysler and Fiat are having an even tougher time negotiating pay cuts with the CAW union in Canada, where Chrysler workers earn more than their American counterparts. In the U.S., Chrysler pays employees about $55 an hour, factoring in the cost of health care and other benefits, according to people close to Chrysler. In Canada, Chrysler pays employees $63 an hour, including benefits.

Canadian Auto Workers President Ken Lewenza said formal negotiations with Chrysler are expected to resume Monday. The UAW didn't return calls seeking comment.

The Obama administration has said it will consider granting Chrysler an additional loan of $6 billion to help the auto maker stave off bankruptcy if it can reach an agreement with Fiat by April 30.

Under the terms of their potential alliance, Fiat would take a 20% stake in Chrysler with the option of increasing the stake beyond 49% once the government loans are paid off. Chrysler would gain access to Fiat technology, including its low-emission engines.

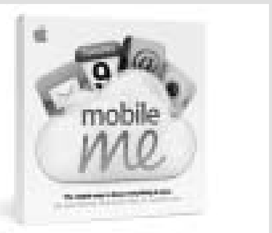
Talks between the companies, however, have been hampered in recent days by a standoff between the U.S. government and Chrysler's main creditors. The U.S. wants banks and investors who control Chrysler's debt to give up about 85% of the nearly $7 billion they are owed. The creditors believe they can get most of their money back if Chrysler is forced to file for bankruptcy and liquidate.

—Jeff Bennett in Detroit contributed to this article.

Personal Technology

No more glitches

Walter S. Mossberg calls Apple's latest MobileMe an improvement > **Page 30**



ECB policy makers differ on rescue steps

BY JOELLEN PERRY

FRANKFURT—The global slowdown is straining the European Central Bank's traditionally united front, pitting policy makers in an unusual public spat over what to do next to bolster the euro-zone economy.

The ECB has signaled that at its next rate-setting meeting May 7, it is likely to start programs to make credit more readily available throughout the 16-nation euro zone.

Some on the bank's 22-member Governing Council have suggested they support buying assets such as corporate debt directly, as central banks including the U.S. Federal Reserve have done. But Germany's influential central-bank head, Axel Weber, said Wednesday in a speech in Hamburg, Germany, that such measures should take "a back seat" to steps that aim to keep euro-zone banks flush with funds.

Policy makers also are divided over how low the central bank's key rate, currently 1.25%, should go. This month, ECB President Jean-Claude Trichet signaled that at least one more quarter-percentage-point cut to 1% is likely, but declined to specify a lower limit.

Axel Weber

Mr. Weber said he is "critical" of lowering the rate below 1%, because it could discourage banks from lending to one another. Public disputes are rare for the 10-year-old ECB and suggest the slowdown is weakening policy makers' typical resolve to speak with a single voice.

The ECB makes interest-rate decisions by consensus and doesn't publish minutes of meetings, leaving the outside world with little insight into individual policy makers' opinions. Rate-setting committees at the Fed and the Bank of England, by contrast, vote on decisions and publish minutes showing policy makers' votes.

Mr. Weber said the ECB's next steps to make credit more available should focus on ensuring that euro-zone banks—the main source of financing for businesses in the region—have ample short-term funding. When credit markets seized up during the fall, the ECB began offering banks unlimited loans at its policy rate for up to six months. Before that, banks bid for funds in auctions; the ECB capped how much it doled out, giving more money to banks that bid at higher rates.

Policy makers have suggested they may lengthen the terms of their loans, a notion Mr. Weber endorsed. "Additional easing of refinancing by banks, for example in the form of extending maturities of liquidity operations, should have a priority," he said. "Direct interventions in capital markets should take a back seat."

Last week, fellow ECB Governing Council member Ewald Nowotny said in an interview with Bloomberg News that such purchases would be a "sensible and efficient measure."

The ECB signaled it's likely to start programs to free up more credit.

Mr. Nowotny, who also heads Austria's central bank, conceded lengthening loan terms would be the quickest option. He also emphasized "if you're aiming at intensifying credit supply, measures which focus directly on credit supply are of interest. For example, the purchase of commercial paper, corporate bonds and similar things."

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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

France offers new subsidies to fishermen

To end port blockade, government will pay boats to limit catch

By David Gauthier-Villars

PARIS—The French government has offered to subsidize fishermen who agree to limit their catch, in an attempt to end a two-day protest at French ports over European Union annual quotas aimed at preserving fish stocks.

Fishermen have blocked France's main ports on the English Channel since Tuesday, disrupting ferry and freight traffic with the U.K. and leaving thousands of passengers and truck drivers stranded on both sides.

Government officials were meeting with fishermen's unions in Paris late into Wednesday evening in hopes of ending the standoff. Earlier in the day, an official from France's agriculture and fisheries ministry said the government wouldn't try to change the quota system, but was willing to pay fishermen who agreed to limit their expeditions.

"What are we supposed to do—take a nine-month vacation?" said Patrice Haezebrouck, a member of the Dunkirk fisheries union. He says fishermen in Dunkirk have caught about 350 metric tons of sole since the start of 2009, far more than the port's full-year quota of 133 tons.

Scientists say fishing capacity hasn't dropped significantly.

Europe is struggling to reduce its fishing fleet as scientists sound the alarm on rapidly shrinking fish stocks. Over the past several decades, France and other EU national governments have spent millions of euros to reduce fishing capacity and prevent overfishing. Excluding boats in its overseas territories, France trimmed its fleet of fishing boats to 5,187 in 2007 from 8,734 in 1990.

But scientists say fishing capacity hasn't dropped significantly because new trawlers are much more powerful and efficient than older boats. "There are some concerns over stock depletion," says Norman Graham, a scientist with the Irish Marine Institute and a member of the European Commission's Scientific, Technical and Economic Committee for Fisheries. "From a biological point of view, the catch of certain species should be set at zero in some areas."

The commission, which is trying to stem the depletion of fish species by imposing quotas, says it's too late to reopen talks over France's 2009 allocation. "Increasing quotas can't be the solution," said Nathalie Charbonneau, spokeswoman for Joe Borg, the EU fisheries commissioner. "Stocks would dwindle and Europe's fleet would be ruined."

In early 2008, the French government announced a €310 million ($412 million) plan to support the country's fishing industry, in response to similar protests in late 2007 by fishermen against high fuel prices and quotas.

AFP/Getty Images

One of the boats that made up the floating protest at Boulogne-sur-Mer, northern France. The banner reads in French 'Sarko, you lost the north.'

Mr. Haezebrouck says fishermen don't want to accept new government money to stop fishing. "All we want is to be allowed to fish in peace."

Channel-port fishermen say they hope the protests will spread to other areas, including Mediterranean ports—where the tuna-fishing season begins Thursday.

Earlier this week, the conservation group WWF urged EU countries to ban tuna fishing this year. The conservation group warned that the species could disappear from Mediterranean waters as early as 2012 because of overfishing.

CORPORATE NEWS

Two big U.K. owners shed pubs

Punch Taverns, Enterprise Inns sell or close locations to cut debt as slump takes toll

By Jennifer Martinez

LONDON—As the recession prompts U.K. pub crawlers to drink at home more often, two of the country's biggest pub owners are selling or closing hundreds of locations to pay the tab they rang up during a decade-long expansion.

Punch Taverns PLC and **Enterprise Inns** PLC, both publicly traded companies in London, together own nearly a third of the U.K.'s 56,000 public houses, as the taverns are formally called. The two emerged as leaders of the pub industry by borrowing heavily in recent years when credit was cheap, snapping up thousands of the cherished British drinking halls, which have long served as both an extension of the living room and the social nexus of neighborhoods here.

But now the credit crunch and the recession have combined to force a retrenchment. Consumers are increasingly likely to buy their beer at the supermarket, where it costs about £1 a can, rather than pay about £3 for a pint at the local pub. A ban on smoking in pubs that took effect in 2007 is also keeping some people home. Punch and Enterprise saw their 2008 revenue fall 8.2% and 4.5%, respectively, from the prior year.

In all, beer consumption in U.K. pubs was down 9.9% in January, according to the British Beer and Pub Association, and pubs sell 6.7 million fewer pints per day than they did 10 years ago.

As cash flow from their pubs has dwindled, the debt accumulated by Punch and Enterprise has become problematic. These days, the companies are relying largely on proceeds from pub sales to pay down their billions in debt. Though the two companies' shares have risen slightly in recent weeks, their stocks are still down sharply from a year ago, Punch's by 82% and Enterprise's by 69%.

The sales come amid general alarm in Britain about pub closures. In recent weeks, the industry has frequently cited a statistic indicating that 39 pubs are closing a week as the recession picks up steam. About half of those closings involve pubs that are independently run, while 40% or so come from pub aggregators like Punch and Enterprise.

Pub owners say they can't keep up with cheaper retail beer prices. "The supermarkets are killing trade" in pubs, says Anne Biggs, a former Punch publican from St. Helens in northwest England. "Until we can get supermarkets to realize they're taking all our business, it's like slugging a dead horse."

For Punch and Enterprise, the problem is the need to pay off billions of pounds in debt—£4.5 billion and £3.7 billion, respectively—on their balance sheets. Both companies aim to sell more than 200 pubs this year, significantly more than analysts had expected last fall. The companies will continue to shed a similar number next year, the analysts believe, though that will hinge on how much cash they receive from the sales.

"The absolute magnitude of the debt they have means they will need to reduce it just to ensure that when they negotiate any debt facility, they'll be in a slightly better position," says Charles Stanley Securities analyst James Dawson.Increasingly, Enterprise's plan is to sell pubs that aren't performing well to buyers who will redevelop the sites as office buildings or restaurants, or even knock them down for housing complexes. The pub company, which owns 7,000 locations, has sold 150 pubs so far this year, more than double the number sold in 2008.

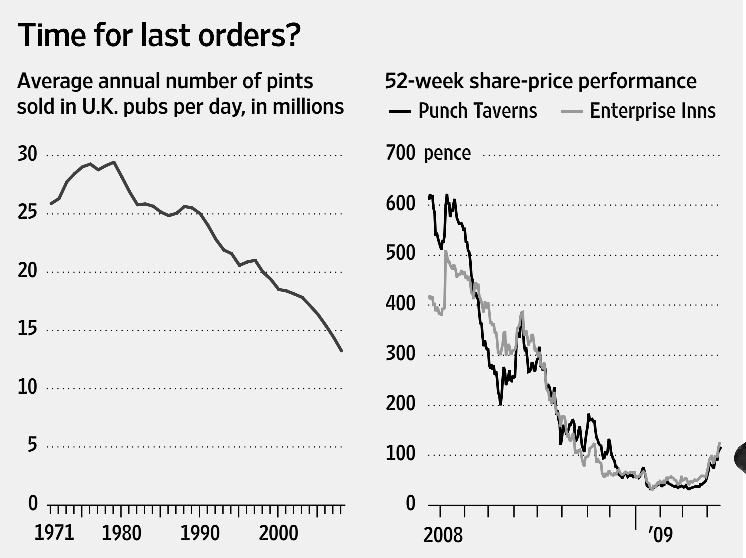
"If we can get a better price for a building that is no longer viable as a pub, then clearly we would sell it for alternative use," says Enterprise Chief Executive Ted Tuppen. "Basically what the current recession has highlighted," he adds, "is the accelerated closure of pubs that would have been unviable over time."

Enterprise currently has securitized bonds of £1.6 billion and a bank syndicated facility of £1 billion that expires in 2011. The company's plan to sell off its pubs is partly aimed at reducing the £1 billion bank syndicated facility so the entire amount doesn't have to be refinanced, says KPC Peel Hunt analyst Paul Hickman.

"They'll need to have made those debt reductions before the end of 2010. The pressure on them is in this year and next year," Mr. Hickman says.

The current focus at Punch—which leases 7,560 locations and manages another 864—is to sell its pubs to current tenants. The bulk of Punch's debt is securitized. The company bought thousands of pubs over the years and set up a program that secured its debt against the pubs already under its ownership.

At the end of 2008, Punch wrote to 500 tenants of its "worst performing outlets" and offered them the chance to buy their leases, a Punch spokesman says. She adds that the publicans will be able to continue operating the pubs even if they decline to place a bid.



Sources: British Beer and Pub Association (pints sold); Thomson Reuters Datastream (stocks)

Associated Press

H&M store sales dropped by 3% in March

By Ola Kinnander

STOCKHOLM—**Hennes & Mauritz** AB posted a surprisingly sharp decline in March sales as shoppers continued to cut spending.

H&M said sales at stores open longer than a year fell 3% last month from a year earlier. Analysts had forecast a 0.3% drop in same-store sales.

Total sales, which include sales from new stores, rose 6%, falling shy of the 9.6% increase analysts had forecast. H&M is the world's third-largest fashion chain by revenue, after U.S.-based **Gap** Inc. and Spain's **Inditex** SA.

H&M's sales may have been hurt by unseasonably harsh weather, Anders Wiklund, a retail analyst with Evli Bank in Stockholm, said Wednesday. "You don't buy spring clothes if it's cold," he said. Also, Easter fell in April this year but in March last year, which may have hurt last month's sales by comparison.

Fashion retailers world-wide have struggled in recent months as increasingly cost-conscious consumers have reined in spending.

In Germany—H&M's biggest market, where the company generates a quarter of its revenue—overall clothing sales fell only 1% last month, a big improvement from February's 11% drop, according to industry journal Textilwirtschaft.

In Sweden, also one of H&M's biggest markets, overall clothing sales fell 1.8%, according to the Swedish Retail Institute, after dropping 4% in February.

The retailer later this month will start selling a new spring collection created by Britain's Matthew Williamson, the latest in a string of guest designers hired to boost sales. H&M plans to introduce his spring collection for women next Thursday in about 200 stores, followed later by a broader collection in nearly all of its stores. H&M had 1,767 stores as of March 31, up 14% from a year earlier.

Firm aims to obtain Web-content fees

By Shira Ovide

A trio of media executives is starting a firm to guide efforts by newspapers and other publishers to charge for content posted on their Web sites as ad revenue tumbles.

The venture, Journalism Online LLC, is being led by Steven Brill, founder of the American Lawyer magazine and Court TV; Gordon Crovitz, a former publisher of The Wall Street Journal; and cable-television veteran Leo Hindery. Many newspapers threw open their Web sites hoping to build an audience and earn money from advertising.

But as online-ad spending has slowed, **New York Times** Co., **Time Warner** Inc.'s Time Inc. magazines and other news organizations are exploring how to levy fees on consumers who read their digital content. Journalism Online will advise publishers on charging for online content.

One obstacle is setting up the infrastructure for transactions with readers. To simplify the process, the firm aims to have a technology platform ready by fall that publishers can use to start collecting fees.

Separately, Journalism Online will advise news organizations on collecting royalty or licensing fees from Web portals such as **Google** Inc. Mr. Crovitz said revenue from online consumer fees isn't a panacea for struggling news organizations but can help significantly. The venture aims to make money by sharing in revenue from consumer payments and licensing fees, he said.

Daimler plans to buy out Hero in truck venture

By Christoph Rauwald

FRANKFURT—**Daimler** AG said Wednesday that it will acquire the whole of its truck-making joint venture with Hero Group after the Indian company decided to pull out of the business, blaming weak demand.

The German company added that it is sticking to plans to increase its presence in emerging markets such as India, China and Russia to benefit from these markets' long-term growth potential.

"In light of the current economic downturn, declining market conditions and the group's strength, Hero Group has decided to...continue to grow its core business and not to pursue the commercial-vehicles business," Sunil Kant Munjal, chairman of Hero Corporate Service Ltd., said. He said ending the joint venture was the result of "amicable and mutual decisions between the partners and we shall continue to explore doing business together in the future."

Last month, Mr. Munjal said there might be some tweaking of the joint venture because of a slowdown in commercial-vehicle sales in India, but the project was on schedule to start production in the fiscal year ending March 31, 2011.

"I really regret the Hero Group's decision, but Daimler Trucks will nonetheless enter the truck volume market in India," said Andreas Renschler, a Daimler executive-board member responsible for sales.

Daimler's truck division aims to invest more than €700 million, or more than $929 million, over the next four years in India.

"India is more than just a market; it's the key to a completely new generation of products," Mr. Renschler said. Daimler has to "realize that the economic crisis does not pass India without any impact," he said, "but this gives us more time" to increase the company's footprint there.

Daimler said the Indian operations will be renamed as soon as it has bought Hero's shares. The new company will initially produce light, medium and heavy-duty commercial vehicles for the Indian volume market. Production of trucks for export to other emerging markets will come at a later date.

Daimler Trucks is the world's largest producer of commercial vehicles by sales and comprises the Mercedes-Benz, Freightliner, Mitsubishi Fuso and Western Star brands, as well as Thomas Built Buses. The division sold 472,100 vehicles in 2008 and posted revenue of €28.6 billion.

Daimler, based in Stuttgart, Germany, is pushing to cut costs at its truck division by at least €1 billion as demand for trucks has waned in major markets around the globe amid the recession. But Daimler's commercial-vehicle projects in emerging markets remain cornerstones for the division's long-term growth targets.

Earlier this year, the board of China's Beiqi Foton Motor Co. approved plans for a 50-50 truck-and-engine joint venture with Daimler, with a total investment of about 6.35 billion yuan, or $929.4 million. In December, Daimler said that it paid $250 million for a 10% stake in Russian truck maker Kamaz.

Guinea ruler worries mining firms

Negotiating on TV, he threatens to close or take over projects

By Andrea Hotter

LONDON—Mining companies in Guinea, a mineral-rich country in West Africa, have concerns about their prospects under the country's new leader, whose treatment of the sector as part of an anticorruption drive is seen as heavy-handed.

Captain Moussa Dadis Camara seized power in Guinea in December after the death of longtime dictator Lansana Conte. Companies had hoped for an improvement in the operating environment, along with better governance and greater clarity on operating rules.

Transparency International, a consultancy based in Berlin that grades countries on their operating environment, ranks Guinea as tied for second to bottom among 47 African countries, after Somalia.

But in recent weeks the self-appointed president's behavior has looked increasingly autocratic. Holding negotiations with international mining companies live on national television, he has threatened to close mines and confiscate projects.

Mining companies like **Rio Tinto** PLC, **BHP Billiton** PLC, **Alcoa** Inc. of the U.S. and Russia's **UC Rusal** have operations in Guinea and have been questioned about their businesses, with the discussions interrupted by outbursts from Mr. Dadis, say executives involved in the discussions.

Few miners will publicly comment on the situation for fear of becoming the government's next target and risking the loss or disruption of their projects.

Guinea holds a third of the world's bauxite reserves, the ore refined into a white powder called alumina that in turn makes the aluminum used in cars and planes. When Mr. Conte declared martial law in 2007, aluminum prices skyrocketed because bauxite exports stopped before resuming a couple of months later.

The country also has large deposits of iron ore, gold and diamonds. But its infrastructure is poor, tending to focus on the area around mines and projects, and most of the population lives in poverty. Despite having bauxite resources worth about $500 billion even at current depressed prices, Guinea has one of the world's lowest gross domestic products per capita, ranking 210th.


Rio Tinto

Bauxite giants

World production and reserves of bauxite, which is processed into alumina, a key aluminum ingredient. In dry metric tons

Country	Reserves	Production '08
Guinea	8.6 billion	18 million
Australia	7.9	63
Vietnam	5.4	21
Jamaica	2.5	15
Brazil	2.5	25

Source: U.S. Geological Survey

The Guinea government revoked the licenses for 50% of Rio Tinto's Simandou iron ore project, prompting miners' worries about the country, which has the world's biggest reserves of bauxite.

Mr. Dadis came to power promising to end corruption. But his closure of **AngloGold Ashanti** Ltd.'s Siguiri mine in March because a company executive failed to appear at a meeting sent alarm bells through the mining sector. AngloGold said the manager's chartered aircraft was unable to take off on time to get to the meeting. Mr. Dadis took the no-show as a sign of disrespect, his mining minister said. The mine was reopened five days later after a "constructive meeting," AngloGold said.

The government has also said it won't reverse Mr. Conte's decision to revoke Rio Tinto's license for the northern part of its Simandou iron-ore concession. Rio Tinto contests that decision and the Conte government's move to award the license to BSG Resources (Guinea) Ltd., a subsidiary of billionaire Israeli businessman Beny Steinmetz's BSG Resources Mining & Metals. Mr. Dadis has upheld both decisions.

In a statement, Rio Tinto said it "remains of the view that it has complied with all its obligations in relation to the concession such that it is entitled to hold and retain the entire concession." BSG Resources Chief Executive Marc Struik said BSG followed proper procedures to obtain the mining licenses.

Still, deals struck under Mr. Conte may not have always been in the best interests of the broader population, particularly one involving the country's only alumina refinery, the government says.

Rusal is facing the threat of having to return the country's sole alumina refinery, known as Friguia, to the state. Mr. Dadis is setting up a commission to investigate the sale of Friguia to Rusal by Mr. Conte's government in 2006.

Rusal's representative in Guinea, Anatoly Patchenko, has taken refuge in the Russian Embassy in the capital, Conakry, after Mr. Dadis accused him of being a "thief" on national television because of how he claims the concession was awarded. Mr. Patchenko hasn't commented.

Few miners will publicly comment for fear of becoming the next target.

Mr. Dadis also couldn't be reached for comment. But his minister for mines and energy, Mahmood Thiam, said that the refinery was independently valued at $250 million but Rusal paid only $21 million. The minister didn't clarify who provided the independent valuation.

Rusal has denied it has acted improperly and said the government has known about the $21 million valuation at every stage of the deal. "We completely deny any claims or grounds for any wrongdoing," said Pavel Ovchinnikov, director of UC Rusal's alumina division. "We are confident that the valuation [of the refinery] was absolutely correct."

Mr. Dadis has also suspended ministers for not turning up at meetings and has publicly berated members of his government on TV.

Some of Mr. Dadis's concerns may be legitimate. Mr. Dadis has made a number of high-profile arrests, targeting drug crime and corruption among mining officials.

Confessions have been televised on what is now known locally as "The Dadis Show," with apologies extracted from apparently repentant individuals, including four former mining ministers, at least one of which was involved in the Rusal deal.

"He is making sure no one thinks they are immune from his determination to stamp out corruption," Mr. Thiam said. "Companies have used access to money or to the former president to break rules, and the new president wants to make sure authority is recognized."

Meanwhile, Mr. Dadis's failure to set election dates has raised concerns at the World Bank, the African Union and the Economic Community of West African States. In recent weeks Mr. Dadis has backed away from an original timeline of holding a presidential election in December, and it is unclear when elections will be held.

Chrysler Financial boosts rates

By Alex P. Kellogg

Chrysler Financial raised some of its lending rates to vehicle buyers Tuesday an average of more than a full percentage point, according to a number of **Chrysler** LLC dealers.

The move likely will prompt the dealers to seek financing for some of their customers elsewhere, such as from credit unions. It is a sign that Chrysler Financial is running out of the $1.5 billion in government funds it received in mid-January to boost car sales, said a person familiar with Chrysler Financial's operations.

Spokeswomen for Chrysler LLC and Chrysler Financial, the car maker's independent lending arm, declined to comment.

The loan rate increases, which varied slightly by region, could affect anyone who buys a vehicle from a Chrysler, Dodge or Jeep dealership.

However, those who take advantage of the company's Employee Pricing Plus Plus campaign won't be affected since that program is financed by Chrysler itself, not the finance company. The program, which has helped buoy the car maker's sales in recent months, offers steep discounts and 0% financing to some customers. The deal is expected to end April 30.

Tuesday's rate boost means other customers, even those with top credit scores, likely will pay higher loan rates. "Short term, it's probably going to mean the banks and credit unions are going to be more competitive than Chrysler Financial," said a dealer who declined to be identified.

Chrysler Financial's grading system factors in such variables as the length of a customer's credit history and amount of outstanding debt, dealers said. It has tightened its lending practices in the past year, often taking only the safest customers, leaving dealers to scramble to find financing elsewhere for more marginal customers.

Chrysler Financial confirmed last month it requested more assistance under the U.S. government's Troubled Asset Relief Program, but neither Chrysler Financial nor the Treasury Department has confirmed an amount or timetable.

The person familiar with the matter said the financing company could run out of the earlier TARP funding in a matter of days.

Marketplace

False security

Pop-up 'scareware' messages spread to become a big business > **Page 30**

De Beers venture with Botswana reopens 3 mines

By Devon Maylie

LONDON—Debswana, a diamond joint venture between De Beers SA and the Botswana government, reopened three mines shut since December and said it will leave a smaller mine and processing plant closed for the rest of the year.

Debswana, which accounted for 65% of De Beers total 2008 production, said Wednesday that the reopening was possible because there are some signs of improvement in demand for rough diamonds. The country's mining minister said the restart was prompted by Botswana's reliance on diamond revenue.

"Our De Beers colleagues said demand seems to be improving," a Debswana spokesman said. "We are crossing our fingers and hope that the improvement, though small, continues." De Beers, the world's largest diamond miner, is a unit of **Anglo American** PLC.

Stephen Lussier, chairman of De Beers Botswana, said he expects demand for rough diamonds to continue improving in 2009.

The Jwaneng, Orapa and Letlhakane mines resumed operations Wednesday, and 5,800 people returned to work. Production at the fourth and smallest mine, Damtshaa, and processing at the Orapa No. 2 plant will remain suspended until the end of 2009.

Damtshaa accounts for less than 2% of Botswana's diamond output. Orapa 2 produced roughly nine million carats out of a total 32 million carats in Botswana last year.

"If De Beers thought there was a full recovery in demand, it would have started all mines," said Des Kilalea, an analyst at RBC Capital Markets, adding Botswana has needs as well because its fiscal revenue is dependent on diamonds.

In the three months that the Botswana operations were closed, he estimates about 12 million carats, or 8% of world production, was removed from the market. "They wouldn't have reopened the mines, though, if they will lose money," Mr. Kilalea said. "It might be that the diamond market has bottomed."

Debswana said it expects to produce about half as many carats in 2009 as last year, and operations across De Beers are running at 40% of capacity.

Mining accounts for a third of Botswana's gross domestic product, 80% of export earnings and 50% of government revenue. The current slump in diamond mining has seen government revenue fall by 35%, the mining ministry estimates.

Prices for diamonds in Botswana are down by between 30% and 40% from about $105 per carat last year, RBCCM's Mr. Kilalea said.

Botswana's mining and energy minister, P.H.K. Kedikilwe, said that as a result of a drop in diamond demand, monthly revenue from diamond sales fell from $350 million in November, and is currently fluctuating in the low $30 million range.

"The goal of reopening is to protect the industry in Botswana and maintain confidence," Mr. Kedikilwe said. "It's important to mine to generate some revenue in diamonds and also other minerals, such as gold and copper."

Namdeb, a partnership between De Beers and the Namibian government, shut its mine for a three-month period at the start of April to save money. Namibia produces about two million carats a year.

CORPORATE NEWS

AT&T throws out old models

CEO aims to reframe the company around wireless—and iPhone

By Amol Sharma

When Randall Stephenson became **AT&T** Inc.'s chief executive, the company had just started offering the iPhone. The blockbuster device has since reeled in millions of new customers and helped revitalize the telecom giant's brand.

But AT&T's exclusive deal to carry the iPhone in the U.S. expires next year, according to people familiar with the matter, and Mr. Stephenson is now in discussions with **Apple** Inc. to get an extension until 2011.

An Apple spokeswoman declined to comment, saying only, "We have a great relationship with AT&T."

Keeping the iPhone away from rivals and finding the next hit devices, such as smart phones and multimedia handheld tablets, are among the challenges the 48-year-old CEO faces as he shifts AT&T's energy away from the crumbling U.S. landline phone business and into the wireless market, where technologies evolve quickly and hit products don't last long.

Mr. Stephenson also is seeking to overhaul AT&T's marketing to make wireless the priority. The next step, he said, is to do away with a requirement that customers have AT&T's home-phone service to qualify for discounts on TV or broadband Internet services. Being a wireless customer should be enough, he said.

"We have 77 million wireless customers and 30 million consumer phone lines," Mr. Stephenson said in a recent interview at AT&T's headquarters in Dallas, where he moved the company last summer. "Which customer base would you rather work from? We tend to come at this backwards."

Mr. Stephenson is trying to remake AT&T amid a recession that has accelerated the decline of the home-phone business, intensified pricing pressures on wireless services and forced carriers to pull back on investments. AT&T is cutting 12,000 jobs and reducing capital spending by 15% this year.

The big push into wireless has been costly. Since Mr. Stephenson took over two years ago, AT&T has made $18.8 billion in acquisitions of radio spectrum and smaller cellphone companies, and it has spent upwards of $1.3 billion to discount the iPhone.

Scaling back the landline business, meanwhile, has been painful, with that unit expected to take the brunt of the layoffs this year. The company is now locked in tense union negotiations as it tries to pare the health benefits of 90,000 landline workers.

AT&T rival **Verizon Communications** Inc. is facing the same pressures. Along with wireless services, Verizon also is betting on television through a $23 billion network that strings high-capacity fiber-optic cable to homes, a wager that has been paying off lately with strong demand for the service. AT&T has made a more modest video investment that still uses copper lines.

Mr. Stephenson symbolizes generational and technological change in the telecom industry. The wiry, 1.9-meter executive, the son of a cattle feed businessman from Moore, Okla., started out in 1982 in the technology department of Southwestern Bell, the predecessor of modern-day AT&T.

He rose quickly through the ranks as a financial whiz, eventually becoming AT&T's finance chief and chief operating officer.

Mr. Stephenson's predecessor, Ed Whitacre, a tough, quail-hunting Texan known to some employees simply as "The Chairman," didn't keep a computer on his desk. Mr. Stephenson, who generally goes by "Randall," has a 32-inch flat-screen monitor on his desk.

He holds staff meetings through a newfangled Cisco teleconferencing system. And he had his technology staff create a custom iPhone application so he can read his internal AT&T financial reports.

Umesh Ramakrishnan, a technology and telecom specialist at executive search firm CTPartners, credits Mr. Stephenson with "pushing AT&T more into mobility than ever before."

Still, he said, the U.S. market is saturating and the company needs to look abroad for growth. "They haven't been as aggressive as they could be in this downturn looking at the overseas market," he said. "It's an issue that could come back and bite them later."

Mr. Stephenson did spend several months last year evaluating potential acquisitions in India. And at one point he discussed a deal with Indian cellphone giant **Reliance Communications** Ltd.

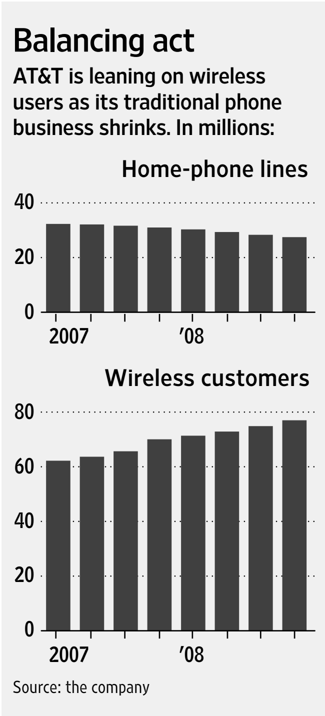
But Mr. Stephenson balked at the price, which could have been as high as $30 billion at the time, people familiar with the discussions said.

Mr. Stephenson declined to discuss the terms of AT&T's agreement with Apple—only saying it is a multi-year deal. The company has said it added 4.3 million iPhone subscribers in the second half of 2008—about 40% of whom were new to AT&T.

With or without the iPhone, Mr. Stephenson said AT&T plans to invest heavily in wireless to "future proof" the business as new bandwidth-hogging devices come online. Mr. Stephenson said two-thirds of the company's capital outlays in the next five years will go to wireless-network investments and acquisitions.

Shane Kislack for The Wall Street Journal

AT&T CEO Randall Stephenson, shown in his office, aims to lock up the iPhone and overhaul Ma Bell's marketing.



Yahoo prepares for first job cuts under new CEO

By Jessica E. Vascellaro

Yahoo Inc. is preparing a significant round of job cuts, according to people familiar with the matter, the first downsizing by new Chief Executive Carol Bartz, who is taking a fresh shot at turning around the company.

These people said the cuts are likely to affect several hundred employees company-wide on top of 2,400 jobs trimmed last year. The move could be announced as soon as next week, when Yahoo is to report its first quarter earnings.

A Yahoo spokesman declined to comment. The New York Times, on its Web site Tuesday evening, reported that Yahoo was planning layoffs.

The Sunnyvale, Calif., Internet company has slashed its staff several times in less than two years to compensate for slower growth, followed by the deepening impact of the recession. The company ended last year with 13,600 employees.

When the company laid off about 1,400 employees in December, it suggested more cuts might be necessary if the economy worsened. Yahoo, which is heavily exposed to display advertising, has been harder hit by customers curtailing their ad spending than other Internet companies, such as **Google** Inc.

Ms. Bartz has been looking at businesses to cut and layers of management to trim since she joined the company in January. A few weeks into her tenure, Yahoo reported that it had swung to a loss in its fourth quarter, prompting analysts and investors to intensify their calls for tighter cost controls. In February, she overhauled the company's executive ranks.

ASML reports loss, sees chip recovery

By Maarten van Tartwijk

AMSTERDAM—**ASML Holding** NV reported a first-quarter net loss, blaming a collapse in chip demand. But the semiconductor-equipment maker said it sees signs of a recovery later this year.

"Although we will continue to be affected by the global economic recession and very limited capacity demand, we are seeing signs of a pickup in technology purchases," Chief Executive Eric Meurice said.

ASML posted a net loss of €117.2 million ($155.6 million), compared with a net profit of €145.1 million a year earlier. Sales dropped 80% to €183.6 million from €919.2 million.

The Veldhoven, Netherlands, company—which counts Intel Corp., Samsung Electronics Co. and Taiwan Semiconductor Manufacturing Co. among its customers—forecast second-quarter sales of €210 million to €230 million. It predicted quarterly sales of €400 million to €500 million for the second half.

"The capital market has opened for some of our customers...and that is helping us," Chief Financial Officer Peter Wennink said in a video presentation on the company's Web site.

SNS Securities analyst Victor Bareno said quarterly revenue of €450 million would enable ASML to break even.

But Petercam analyst Eric de Graaf said "end demand for semiconductors is not yet showing signs of fundamental improvement."

ASML's forecast came a day after Intel said it sees signs of stabilization in the personal-computer market. It said the chip industry is returning to normal seasonal patterns, although it said economic conditions remain uncertain.

EBay, citing poor fit, plans to unload Skype in an IPO

By Geoffrey A. Fowler

EBay Inc. said it plans to separate its Skype Internet-phone business through an initial public offering, bowing to investor demands to unload a popular service that didn't fit well with its core business.

The IPO plans signal eBay couldn't find buyers for the business at a price that it liked. A group of private-equity firms recently teamed up to back Skype's co-founders, Niklas Zennstrom and Janus Friis, in an attempt to buy back the business, according to people familiar with the matter.

But the founders' offer fell on deaf ears, as it was well below the price at which eBay was willing to sell the business, these people said.

John Donahoe

EBay declined to say how much it expects to raise by separating Skype, which had revenue of $551 million last year. EBay said it hopes to complete the IPO in the first half of 2010 and has hired **Goldman Sachs Group** to handle the offering. An eBay spokesman said the company plans to remain a shareholder after the IPO, but eventually will separate from Skype entirely.

The online-auction giant purchased Skype in 2005 for about $2.6 billion in cash and stock, on the premise that eBay buyers and sellers would use Skype's service to communicate. But two years later eBay took a $1.4 billion charge for Skype, reflecting the unit's shrinking value.

After John Donahoe became eBay's chief executive last year, he said Skype seemed to be a poor fit with the rest of the company. Shedding the business next year "will give Skype the focus and resources required to continue its growth and effectively compete," he said Tuesday.

Christopher King, a telecom analyst with Stifel Nicolaus & Co., said investors who have been burned by other IPOs, like that of wireless broadband start-up **Clearwire** Corp. in 2007, might be hesitant to buy into Skype's offering.

"A standalone [Internet] telecom story would be a difficult sell for telecom investors in this environment," he said.

Skype uses a technology called voice over Internet protocol, which treats calls as data like email messages and routes them over the Internet, rather than a traditional phone network.

Skype's software, which can be downloaded free, allows users to call other Skype users on computers or certain cellphones for free. Skype users can also call land lines for a fee, typically 2.1 cents a minute, and conduct video calls. EBay says Skype has more than 400 million users.

—Amol Sharma and Lynn Cowan contributed to this article.

EBay to buy Korean auction site

By Geoffrey A. Fowler and Evan Ramstad

EBay Inc. reached a tentative agreement to buy a controlling stake in **Gmarket** Inc., South Korea's largest online auction Web site, a move that would make eBay the leading player in the country's e-commerce market.

The deal—with an indicated value of $413 million, according to a person familiar with the situation—is another move by the company's chief executive, John Donahoe, to refocus the San Jose company on its high-growth PayPal online payments arm and the core e-commerce business that fueled its early days.

Ebay will pay $24 a share for the 34.2% stake of GMarket, owned by **Interpark** Corp. and its chairman Lee Ki-hyong, a premium of around 50% over GMarket's share price in the past month, according to a person familiar with the situation.

Representatives of eBay and Interpark declined to comment on the deal.

CORPORATE NEWS

Sony tries simple design

New camera offers lower price rather than new features

BY DAISUKE WAKABAYASHI AND CHRISTOPHER LAWTON

TOKYO—**Sony** Corp.'s new digital camcorder sells for under $200 and doesn't offer any major breakthroughs. But it symbolizes an important shift in Sony's culture, which has been focused on making expensive technological marvels, rather than affordable, easy-to-use products.

The Webbie is a bare-bones camcorder for recording video clips to post on the Internet. It's Sony's answer to the low-priced Flip, a simple, pocket-sized camcorder that has quickly become a top seller in the U.S.

The Webbie is made in China by contract manufacturers, not at Sony's factories. Its development was spearheaded by Sony's U.S. marketing team, not Tokyo engineers. And it's targeted at price-conscious Americans, not gadget-loving Japanese who are willing to pay more for the latest technology.

Changing Sony's corporate culture has been a top priority for Chief Executive Howard Stringer to make the company more competitive against rivals including **Apple** Inc., whose iPod has proven that slick design and intuitive software can trump Japanese engineering wizardry. Mr. Stringer's task took on more urgency early this year, when Sony forecast its first annual loss in 14 years.

"We simply have no alternative but to dramatically change the fundamental ways we do our business," Mr. Stringer said in a recent interview.

Challenges remain. Sony is releasing the first Webbie models nearly three years after the Flip camcorder launched. Sony also has some kinks to work out—the Webbie's software is not compatible with Apple's Macintosh computers, limiting the camera's potential appeal.

Sony said Webbie sales are proceeding "as expected," but declined to specify. The company said it is working on a software download for Mac users.

Sony started development on the Webbie in 2007 as sales of its Handycam camcorders—a brand introduced in the 1980s—started to plateau. While Sony has had to lower Handycam prices, high-definition models still cost more than $600. Sony estimates Handycam sales fell about 20% to 6.2 million units in the fiscal year ended March 31.

Meanwhile, the market for low-cost video cameras using flash memory has grown, accounting for half of all 22 million camcorders sold worldwide last year, according to research firm IDC, up from 22% in 2006. Unlike high-end camcorders, these devices can generally store only one or two hours of video.

The Flip now accounts for 14% of the U.S. digital-camcorder market in terms of units, according to NPD. **Cisco Systems** Inc. last month agreed to buy the start-up behind the Flip, **Pure Digital Technologies** Inc. of San Francisco, for $590 million.

Sony first tiptoed into the market in August 2007 with a test product called the Network Sharing Camera. Sony said it learned from the camera's limited U.S. release that customers wanted a high-definition video camera that was more sleek and colorful.

With that feedback, it assembled a team of about a dozen engineers, designers and marketing personnel in Tokyo and San Diego where Sony's U.S. electronics division is based. The team was led by Yoshihiko Nishimura, the project leader in Tokyo who had spent three years at Sony's U.S. office, and Kelly Davis, a U.S. marketing director.

During daily telephone calls, Ms. Davis relayed a long list of requests to Mr. Nishimura that sometimes surprised him. The product needed fewer buttons but each remaining button must be larger. The menu screen needed to be simpler with fewer options.

Most shocking of all to Mr. Nishimura, Ms. Davis asked for orange and purple-colored cameras, a departure from the Handycam's more conservative black, silver and navy-blue color schemes. Ms. Davis said the "eggplant and pumpkin strategy" is critical in targeting younger consumers and women. The Webbie also comes in silver, but Tokyo denied Ms. Davis's request for more colors over inventory risk concerns.

By contrast, the Flip camera offers hundreds of exterior designs. Customers can also personalize Flip cameras with their own images. The devices cost as little as $129, but high-definition models cost $229.

Pure Digital CEO Jonathan Kaplan said he isn't fazed by the competition directed at the Flip. "You can't out-price and out-market a great product," he said.

Sony has released two versions of the Webbie, both of which record high-definition video. The CM-1, which launched in January for $199, is a conventionally shaped camcorder with a view screen that flips open to the side. The PM-1, which costs $169, is more candy-bar shaped and closer in style to the Flip. The PM-1 made its debut this month.

Associated Press

Sony's new Webbie camcorders are simple, low-priced devices that were spearheaded by the company's U.S. marketing team, not Tokyo engineers.

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CORPORATE NEWS

Intel calls a 'bottom' for battered PC market

Chip maker says orders strengthened throughout quarter

By Don Clark

Intel Corp. said the personal-computer market "bottomed out" in the first quarter, suggesting that conditions may be starting to improve for the hard-hit technology sector.

The chip maker reported a 55% drop in profit for the period, but still exceeded the downbeat projections it issued in mid-January. Intel executives said the company benefited from cost-cutting measures as well as improved demand, with orders strengthening through the quarter—particularly for chips used in consumer notebook PCs.

"The quarter was better than we expected," said Stacy Smith, Intel's chief financial officer, in an interview.

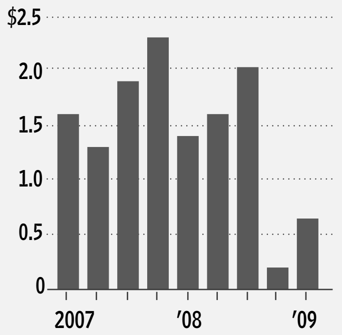
Intel, citing continued uncertainty in the market, for the second time declined to issue a formal revenue projection for its current quarter. The company said for its internal planning, it is assuming revenue will be about flat with the first period—better than the customary seasonal decline for the second quarter, but a less-bullish projection than some analysts expected.

Intel shares were down 4%, or 64 cents, to $15.37, midday Wednesday on the Nasdaq Stock Market.

Intel is closely watched as a proxy for technology demand. Its fourth-quarter results, released in mid-January, came as the industry appeared to be in near freefall. Its profit plunged 90% on a 23% drop in sales, and Intel soon afterward announced a move to close several older factories, displacing 5,000 to 6,000 workers.

Chipping away

Intel's quarterly net income, in billions



Source: the company

At that time, Intel projected that its gross margin would fall from 53.1% in the fourth period to percentages in "the low 40s." On Tuesday, Intel said its first-quarter gross profit margin was 45.6%.

Revenue slid 26% to $7.1 billion. Net income fell to $647 million, or 12 cents a share, from $1.4 billion, or 25 cents a share, a year earlier.

Intel has been dogged by questions about the impact of low-price laptops called netbooks. Intel sells the Atom chip for netbooks, but that product has lower profit margins than its other chips used in more-expensive notebook computers.

Paul Otellini, Intel's chief executive, said during a conference call that demand for all consumer laptops continues to be a "volume driver" for the company. "Netbook sales continue to grow as anticipated, and are clearly incremental volume for us in a difficult market."

AstraZeneca holders urged to object to donations, pay

By Steve McGrath
And Elena Berton

LONDON—An advisory group recommended shareholders in U.K.-based drug maker **AstraZeneca** PLC oppose its 2008 report and accounts because the company is donating too much to U.S. political parties and awarding executives compensation that is too high.

Pensions Investment Research Consultants, which advises institutional investors on corporate-governance issues, said AstraZeneca contributed $815,838 to U.S. state political-party committees and campaigns last year, and is also seeking authority for additional political donations and expenditure of as much as $250,000.

"We do not consider political donations to be an appropriate use of shareholders' funds. Therefore we recommend that shareholders oppose the company's report and accounts to express concern," PIRC said Wednesday.

An AstraZeneca spokesman said the company believes such donations are a good use of funds because they help the company shape health-care policy, which has a large impact on AstraZeneca's business.

U.K. drug maker **GlaxoSmithKline** PLC said in December that it will no longer use corporate funds for political contributions in the U.S. But Glaxo employees are still free to contribute.

PIRC also said shareholders should oppose AstraZeneca's remuneration report because it has significant concerns that executive bonuses, options and performance-share programs are excessive.

AstraZeneca Chief Executive David Brennan received compensation of $4.7 million in 2008, representing a 9% increase to his salary package in 2007.

—Jeanne Whalen contributed to this article.

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GLOBAL BUSINESS BRIEFS

Pernod Ricard SA

Quarterly sales fall by 2% as wholesalers cut stocks

French drinks company **Pernod Ricard** SA, which is preparing to raise new capital from shareholders this week, said sales in its fiscal third quarter fell 2% after distributors and wholesalers cut stocks. The company, known for its anise-flavored aperitifs as well as Beefeater gin and Chivas Regal cognac, said sales dropped to €1.35 billion ($1.79 billion) from €1.38 billion. However, stripping out acquisitions, including Absolut vodka, sales fell 12% in the three months ended March 31. Some of the company's top brands, including coffee-flavored liqueur Kahlua and Perrier Jouët champagne, are suffering as demand for top-end wines and spirits falls amid the recession.

News Corp.

John Moody is leaving his role as head of editorial operations for the Fox News Channel to head up a new content-sharing initiative at **News Corp.**, the cable-news network's parent company. Mr. Moody will lead an effort to more closely share news stories and resources across News Corp.'s businesses, which include more than 100 newspapers in the U.S., the U.K. and Australia, as well as U.S. local-television stations and pay-TV channels. News Corp. also owns Wall Street Journal publisher Dow Jones & Co. News Corp. said in a statement that Mr. Moody will work to "improve news gathering efficiencies and identify areas of cost savings," as well as to "investigate the company's worldwide contracts and reliance on global news services." News Corp. is one of the largest customers of the Associated Press. Mr. Moody has worked for Fox News since before the network's launch in 1996.

EADS

European Aeronautic Defence and Space Co. said Wednesday it has appointed Bodo Uebber, **Daimler** AG's chief financial officer, as its new chairman. Daimler, which holds a 27.5% stake in the Airbus parent, said last week it had nominated Mr. Uebber for the position. EADS said Wednesday the board approved the nomination and that Mr. Uebber's new position was effective Tuesday. He follows Rüdiger Grube, who resigned to become chief executive of Germany's state-owned Deutsche Bahn AG. Separately, Stefan Zoller, EADS's defense chief, said Germany, Britain, Italy, and Spain are set to order more than 100 advanced fighter planes amid a compromise over funding.

Grupo Ferrovial SA

Traffic at the U.K.'s main airports fell sharply in March highlighting the impact the global economic downturn is having on air travel. BAA Ltd., the operator of the U.K.'s main airports, said it handled 11.3% fewer passengers in March than a year earlier. Airports that handle mainly leisure travelers were particularly badly hit. The Easter holiday fell into March last year and April this year. But BAA, which is owned by Spanish construction company **Grupo Ferrovial** SA, said only 2% to 3% of the reduction could be attributed to Easter, meaning an 8% to 9% decline can be attributed to the economic downturn. Frankfurt Airport operator **Fraport** AG, meanwhile, said 4.03 million passengers passed through its airports last month, down 9.2% from a year earlier.

General Motors Corp.

General Motors Corp. would need to build another car-assembly plant in China to meet its goal of doubling its annual sales in the country to two million vehicles in five years, a senior executive said Wednesday. "We're pretty well-placed to do a lot of growth at the moment without having to spend a lot of money," Kevin Wale, head of GM China Group, said in an interview. That said, "we would probably need at most one new facility to get to two million units." Mr. Wale gave no indication that GM is already planning an additional factory in China. He said most of the company's existing plants in China have been designed and built with flexibility for expansion, and that GM will try to squeeze more production capacity out of those existing plants.

Sanofi-Aventis SA

French drug maker **Sanofi-Aventis** SA said Wednesday that it is acquiring closely held U.S. biotechnology company **BiPar Sciences** Inc. for as much as $500 million, in another sign of the company's pursuit of small and midsized acquisitions. The deal will reinforce Sanofi-Aventis's pipeline with new cancer therapies that work by preventing tumor cells from repairing their own DNA. BiPar's key experimental product is BSI-201, currently in mid-stage trials for advanced breast cancer, ovarian cancer and other tumors. Sanofi said the final purchase price of the Brisbane, Calif., company will depend on how well BSI-201 performs in further trials, and on whether the drug makes it to market. The deal is expected to close in the second quarter, Sanofi said.

Air France-KLM SA

Air France plans to eliminate 2,500 jobs over the next two years, without making layoffs but by not replacing workers as they leave, a spokesman for the French airline said Wednesday. Air France, part of France-Dutch airline **Air France-KLM** SA, currently employs 70,000 people. It has seen its passenger-traffic numbers shrivel since the start of the economic crisis and last month it forecast an operating loss of approximately €200 million, or about $265.5 million, for its fiscal full year, which ended March 31. Air France's job cuts will be made by not replacing retiring workers and not renewing short-term contracts, spokesman Jérôme Nguyen said.

AMR Corp.

AMR Corp.'s first-quarter net loss widened as the slumping economy depressed demand and took a toll on the American Airlines parent. AMR posted a net loss of $375 million, or $1.35 a share, compared with a year-earlier loss of $341 million, or $1.37 a share, with more shares outstanding in the most recent period. The latest results included charges of five cents a share related to aircraft retirements. Revenue decreased 15% to $4.84 billion. Analysts polled by Thomson Reuters expected a loss of $1.50 a share on revenue of $4.73 billion. "While lower fuel prices have provided a significant buffer against falling demand in 2009, the struggling economy and capital markets remain significant challenges," Chief Executive Gerard Arpey said. AMR's fuel bill fell from a year ago as per-gallon prices slid 30%. Load factor, or the percentage of available seats filled, shrank to 75.7% from 79.1%.

Volkswagen AG

Italy's Automobili Lamborghini SpA, whose made-to-order sports cars are a fixture among celebrities and the wealthy, posted record deliveries and profit for 2008 but noted that the economic uncertainty hasn't left it unscathed. The Sant' Agata Bolognese-based company—part of **Volkswagen** AG—posted a pretax profit of €60 million ($79.7 million) in 2008, up 27% from €47.1 million in 2007. Net profit figures weren't released. Sales rose 2.5% to €478.8 million from €467.1 million, as the company sold a record 2,430 cars. The increase was driven by improved sales in China and the Middle East, which helped offset a dip in the U.S., where sales fell 20% to 741 cars. The company didn't provide a forecast for 2009, but said that "the overall target for the 2009 financial year is to attain an overall profit."

Ford Motor Co.

Ford Motor Co.'s European division said Wednesday that sales fell 13% in March from a year earlier. Ford Europe said it sold 163,000 vehicles in its 19 core markets last month as record demand for its small Fiesta model failed to offset shrinking sales of its larger cars and vans. Ford said it sold 52,800 Fiesta cars in Europe in March. Incentive programs initiated by several European governments to trade in old gas-guzzlers for new, more fuel-efficient cars have sparked demand for small cars in recent weeks. Ford said it increased its market share in Europe to 10% in March, up 0.2 percentage point from a year earlier. It was the first time since September 2001 that Ford reached a double-digit figure. For the first quarter, sales fell 16% to 352,200 vehicles.

Burger King Holdings Inc.

Burger King Holdings Inc. reported preliminary revenue for its fiscal third quarter that was lower than analysts' expectations as weak demand hampered margins. The fast-food company, however, expects earnings in line with Wall Street's forecast. The economic slowdown is helping fast-food chains maintain sales growth as consumers trade down from higher-priced restaurants. The company expects earnings for the quarter ended March 31 of 33 cents to 35 cents a share. Revenue was $600 million, up 1%. Analysts polled by Thomson Reuters expected earnings of 33 cents a share on revenue of $626 million. The company is due to report quarterly results on April 29.

Infosys Technologies Ltd.

Infosys Technologies Ltd. said it expects its first annual decline in earnings and revenue in the current year as the global financial crisis deepens and clients cut their information-technology budgets. The software company also said Wednesday it would freeze wages and reduce recruitment. For the fiscal year that started April 1, revenue in dollar terms is expected to be 3% to 6.7% lower than the previous year, while earnings per American depositary share are expected to decline by 11% to 15%. The company forecast revenue of $4.35 billion to $4.52 billion and earnings of $1.91 to $2 per ADS. Infosys reported earnings of $2.25 an ADS on revenue of $4.66 billion for the last financial year.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Bernanke's PR push rewrites script

'Professor in chief' takes starring role at U.S. central bank, a departure from predecessors' tendencies

By Jon Hilsenrath

WASHINGTON—Ben Bernanke became Federal Reserve chairman intent on making the central bank less personality-driven than it was under Alan Greenspan and Paul Volcker. But as he confronts an economic crisis that has pushed the Fed to shatter precedent and lend trillions of dollars, Mr. Bernanke is waging a public-relations offensive that casts him in the starring role.

The latest example came Tuesday at Atlanta's Morehouse College, where Mr. Bernanke delivered what amounted to an Economics 101 lecture on the crisis. On a day when the government said U.S. retail sales had fallen a worse-than-expected 1.1% in March, Mr. Bernanke told students he's "fundamentally optimistic" about the economy's prospects. After his speech, he sat with undergraduates at a table and took questions with television cameras rolling.

The Fed chief's efforts to speak plainly to Americans come on the heels of a March interview with CBS television's "60 Minutes" and a February appearance at the National Press Club in Washington, where he took questions from a crowd of journalists.

Mr. Bernanke long has wanted the world's most influential central bank to be more open about its thinking. But now that the Fed is coming under often-blistering attack from Congress and its responses to the crisis have been met with confusion by the public, Mr. Bernanke is taking his campaign for openness in directions he hadn't anticipated.

Bank officials are currently discussing whether to hold regular news conferences, people familiar with the matter say, as the European Central Bank already does. Mr. Bernanke's National Press Club appearance was seen by some in the bank as a dry run and as evidence they could pull off such conferences without disrupting markets. A decision on the move hasn't been reached.

"I think it is important for the public to understand what is going on and to know that the government is trying to solve the problem," Mr. Bernanke said in an interview. "They should know we have a plan and a strategy."

The public-relations campaign comes with Mr. Bernanke's own future in question. President Barack Obama must decide later this year whether to reappoint the Fed chairman. Mr. Bernanke's term ends Jan. 31, 2010, and White House economic adviser Lawrence Summers is widely seen as a contender for the post.

The White House, in response to a Wall Street Journal question, offered Mr. Bernanke high grades. It said President Obama had enjoyed a "positive and productive" relationship with him, calling his advice on the crisis "invaluable" and his broader efforts "critical to the country."

Mr. Bernanke's turn as the nation's Professor-in-Chief is a stark contrast to the public roles of his predecessors. Mr. Greenspan and Mr. Volcker liked to keep financial markets and lawmakers guessing about their next moves, in part because they felt it gave them more flexibility. Disclosing little, they were scrutinized much.

Mr. Volcker's cigar-chomping performances on Capitol Hill were seen as a metaphor for the smokescreens he threw up to questions about interest rates. Mr. Greenspan, who took over from Mr. Volcker in 1987, did one on-the-record TV interview shortly before that year's stock-market crash and never did another as chairman. He almost never took questions after speeches. He delighted in his ability to obfuscate.

"I spend a substantial amount of my time endeavoring to fend off questions and worry terribly that I might end up being too clear," he joked to a room full of economists more than a decade ago.

Mr. Bernanke, a Princeton university economist who joined the government in 2002 as a Federal Reserve governor, was among the academics and economists who argued that markets operate more smoothly if participants understand central bankers' rules and processes. He advocated setting inflation targets to make the Fed's goals clear to all. He felt the Fed had become too driven by its chiefs' outsized personas. He was co-author of papers on the need for the central bank to depersonalize and explain itself.

"You shouldn't be treating the central bank head as a semi-divine authority who then might turn out to be a false god," says one of Mr. Bernanke's co-authors, Adam Posen of the Peterson Institute for International Economics.

When Mr. Bernanke took over the Fed in February 2006, he promised more detailed and timely forecasts for its primary audience of traders, investors and the financial media. Such views would represent the collective opinion of the Fed's governors and regional bank presidents, playing down the persona of the chairman.

But the financial crisis has forced Mr. Bernanke to explain the Fed to those well beyond the old circle of bond traders and professional Fed watchers—efforts that are winning him some praise from advocates of a more open central bank.

"The American public is seeing things happening that it doesn't like and doesn't understand and nobody is really explaining it to them," says Alan Blinder, a Princeton professor and former Fed vice chairman. "That was true in the Bush administration and it remains largely true in the Obama administration. The Fed is filling the void."

Fed officials have been struck by the public response to Mr. Bernanke's "60 Minutes" appearance, which took him to his hometown of Dillon, S.C., to reminisce about his modest upbringing and to visit his childhood home, which a subsequent owner recently lost to foreclosure.

Strangers have been coming up to him in airports and supermarkets to compliment him. One Fed employee approached him in the Fed's top-floor cafeteria after the television interview. She told him she was touched to learn his mother was reluctant to send him off to Harvard as a teen because he didn't have the proper clothes.

Mr. Bernanke, who taught an introduction to economics class to Princeton freshmen, is known for lectures that are clear, not flashy.

The title of his Morehouse lecture, "Four Questions about the Financial Crisis," is an allusion to a ritual in the Jewish religion in which adults explain the Passover holiday to children. His questions: How did we get here? What's the Fed doing about it? Is there a threat of inflation? Why did the Fed bail out some large firms?

Yet as Fed chairman, he has also stumbled in communicating some messages. Early in his tenure, an offhand cocktail-party comment to a CNBC television reporter became a market-moving event that made him look unsteady in the spotlight.

More recently, Mr. Bernanke has confused some investors by thinking out loud about new policies. He suggested in December the Fed might begin buying Treasury bonds. Bond prices tumbled when the Fed backed away from the move in January. Then it followed through in March and announced a $300 billion program of purchases.

Meanwhile, the financial crisis has generated calls for yet more disclosure. The Fed used powers outlined under a Depression-era law—permitting it to make loans to almost any institution in "unusual and exigent" circumstances—to arrange the takeover of Bear Stearns Cos. in March 2008. It turned to the law several more times since, coming to the aid of American International Group Inc., a messy rescue that Mr. Bernanke himself has identified as the episode in the past 18 months about which he is most unhappy.

U.S. lawmakers have since demanded that the often-secretive central bank disclose even more about which institutions are receiving Fed loans, what collateral it is taking in return and whom the recipients of Fed loans are in turn lending to.

"We need to know where, who benefited, where this money went," Sen. Richard Shelby of Alabama, senior Republican on the Senate Banking Committee, said in March. "The Fed can be, and the Treasury can be, secretive for awhile, but not forever."

Sen. Shelby and Sen. Christopher Dodd (D., Conn.), the committee's chairman, proposed a nonbinding resolution this month demanding that the Fed disclose broad information about those receiving its loans. The resolution passed 96-2. The Government Accountability Office, meanwhile, is pushing for authority to audit the Fed more closely.

Mr. Bernanke is responding with stepped-up efforts to explain the Fed to Congress. The central bank has been hosting congressional staff in briefings on how the Fed works, and Mr. Bernanke has been popping in to introduce himself. The Fed chief is also scheduling more meetings with lawmakers, armed with handouts explaining how the Fed's balance sheet works.

In the weeks ahead, the Fed is likely to provide more information on the collateral it holds on loans to AIG, Bear Stearns and in some programs such as one meant to revive the commercial-paper market, say people familiar with the matter. That could include information on credit ratings of debt held as collateral and the geographical distribution of mortgages backing its loans.

Mr. Obama met with Mr. Bernanke in the Fed chairman's office before the election. At the meeting, Mr. Obama emphasized his respect for the Fed's independence.

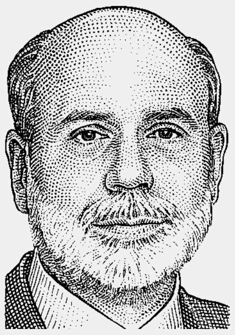
But there have been awkward moments since. Friends and associates of the central bank chief were appalled in November when word leaked out of Mr. Obama's transition team that Mr. Summers could be a successor to Mr. Bernanke.

"It was a terrible thing to start lame-ducking the chairman of the Fed a year before his term is over," says Mr. Blinder.

Still, Mr. Bernanke speaks frequently with Mr. Summers, Treasury Secretary Timothy Geithner and Christina Romer, the chairwoman of the White House Council of Economic Advisers, say people familiar with the conversations. He has a weekly lunch with Mr. Geithner—a tradition for Treasury and Fed chiefs—and he has joined White House economic advisers at two recent briefings with Mr. Obama.

Friends say Mr. Bernanke isn't focused on his reappointment. Mr. Bernanke says his focus is on getting "the best possible outcome for the U.S. economy. Everything I do is with that in mind."

Economic messengers | Fed chairmen in their own words

			
Chairman	**Paul Volcker**	**Alan Greenspan**	**Ben Bernanke**
Tenure	1979-87	1987-2006	2006-present
Quote	'We did what we did, and we didn't do what we didn't do.'	'I spend a substantial amount of my time endeavoring to fend off questions and worry terribly that I might end up being too clear.'	'I think it is important for the public to understand what is going on and to know that the government is trying to solve the problem.'

Obama touts tax cuts on filing day

By Henry J. Pulizzi

WASHINGTON—President Barack Obama used Wednesday's federal tax filing deadline in the U.S. to spotlight the tax cuts implemented since he took office, but the effort competed for attention with a series of protests against higher taxes and increased government spending.

Mr. Obama pledged to rewrite the "monstrous" U.S. tax code, which he said is "far too complicated" for most people to grasp.

"We will make it quicker, easier and less expensive for you to file a return, so that April 15 is not a date that is approached with dread each year," Mr. Obama said at the White House.

At the same time, protesters marked tax day with demonstrations in hundreds of U.S. cities, including in Lafayette Park, across from the White House.

In his remarks Wednesday, Mr. Obama touted the tax measures in the $787 billion economic recovery package, which the White House said delivers a tax cut for 95% of all working families. In addition to Mr. Obama's Making Work Pay tax credit, which provides $800 for working households, the stimulus bill included an expansion of the first-time home-buyer tax credit and an increase in the Earned Income Tax Credit.

The White House says its tax cuts have created or saved one million jobs and lifted two million families out of poverty.

Republicans, however, said Mr. Obama hasn't delivered on his campaign tax pledges—the Making Work Pay credit is scheduled to expire in two years—and has committed to pricey long-term programs that will require a big boost in government revenue.

ECONOMY & POLITICS

Reshaping the India vote

Coalition-building is vital amid choice of numerous parties

By Paul Beckett And Peter Wonacott

NEW DELHI—Indians go to the polls Thursday to begin an election noteworthy both for its size and for the array of parties and power alliances that will determine who governs the world's largest democracy.

The Congress party, which currently runs the government, is forecast by many experts to hold the single largest number of seats, followed by the Bharatiya Janata Party, the chief opposition for the past five years.

But neither party is expected to hold anything close to a simple majority once India's 714 million voters have had a chance to cast their ballots before votes are counted May 16. The government that takes power June 2 will almost certainly involve a coalition with smaller parties.

The strength of the two national parties in India has waned over the past few decades, while the number of political parties has been increasing. In the latest Parliament—elected in 2004—the 545 seats were divvied up among 35 political parties, 15 more than in 1984.

Some 1,000 parties—many based on regional, ethnic or caste identity—are registered today, although the Election Commission of India can't say how many are actually on ballots. The growing number of seats held by these parties gives them the leverage to sway the election outcome and push their officials for posts in a new government, even though any one party may win only a handful of seats.

A collection of leftist and regional parties could band together and exclude both Congress and the BJP to form what is known in India as a Third Front government. "The Congress and the BJP don't represent the nation as a whole," says D. Raja, a senior leader of the Communist Party of India, a member of the alternative alliance. "There is always space for other parties."

For the two major parties, forging alliances with potential coalition partners has become as important as wooing voters. In many cases, the national parties don't field a candidate in constituencies where a regional party—and potential coalition partner—has its own candidate, so that the vote isn't split between two allies.

Sharad Pawar, a politician in Maharashtra, for example, is being courted by the Congress party even though he quit the party not long ago because Congress Chairwoman Sonia Gandhi was born in Italy. Mrs. Gandhi's Italian heritage became an issue in the last election when she led Congress to victory. But Ms. Gandhi, the daughter-in-law of one prime minister and the wife of another, silenced her critics after she handed the premiership to a Sikh economist, Manmohan Singh.

Mr. Pawar's breakaway party, the Nationalist Congress Party, has just 10 seats in the Indian Parliament. Yet, he is campaigning across the country—and tailoring his message accordingly. Last week, he visited the eastern state of Orissa to campaign with Naveen Patnaik, the leader of the Biju Janata Dal party, a regional party that runs the state government. The BJD had been aligned with the BJP, the national opposition party, but has since severed ties.

Mr. Pawar said in Orissa that if there is no clear-cut majority in the Parliament "all secular parties have to sit down and discuss the possibilities"—a reference to the horse-trading expected before a new coalition is formed. A senior Communist Party official said after the event that Mr. Pawar would be welcome in a Third Front government.

Later in the week, however, Mr. Pawar was campaigning in Maharashtra, home state of the city of Mumbai, with Mrs. Gandhi of the Congress party. There, he told the crowd, "We want to bring the UPA government back to power"—a reference to the Congress-led United Progressive Alliance.

A spokesman for the NCP said Mr. Pawar wasn't available to comment. In Orissa, Mr. Pawar explained the difference in his campaign appearances. "These political combinations exist because of different party equations in different states," he said. "NCP will have a tie-up with the Congress in Maharashtra and Goa, but will form a government with the Biju Janata Dal in Orissa."

This proliferation of Indian political parties will pose a big challenge to the next government as it tries to grapple with a slowing economy. Terrorism also is a top concern, largely because of an increasingly unstable neighbor in Pakistan.

In this context, local interests could assume national significance, according to Yogendra Yadav, a scholar at the Centre for the Study of Developing Societies, a think tank in New Delhi. "One small player moving from one side to another can tip the balance of power," he says.

Indian and international business leaders say their top priority is a stable government anchored by one of the two national parties; which one is less important. Congress has put forward Mr. Singh as its candidate to return for another term as prime minister. The BJP's coalition, known as the National Democratic Alliance, is backing BJP veteran L.K. Advani as its prime ministerial candidate.

"There's a fair degree of consensus in the business community that a stable government with a comfortable majority by either the UPA or the NDA group would be just fine," said Arun Duggal, former chief executive of Bank of America's Indian unit.

Some analysts, however, predict a similar outcome to the election in 1996, when no single party won a majority of the votes, and three governments were formed in less than two years. The first government, headed by the BJP, lasted two weeks. Subsequent governments were run by a coalition of regional parties known as the United Front, but supported by Congress. When Congress withdrew its support for the second government, the nation headed back to the polls in 1998, three years ahead of schedule.

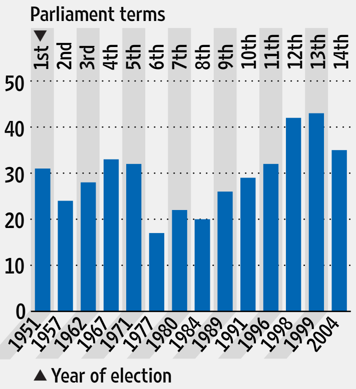
Such instability today would likely spook investors looking for a new government to stimulate the slowing economy by pushing ahead on infrastructure development and supporting hard-hit industries, such as autos, steel, real estate and textiles. It may also sink a rally in the Indian stock market, which has risen 14% so far this year amid hopes that the impact of the global economic crisis will be relatively mild on India.

"If the outcome is different—a potentially unstable government by UPA or NDA or government by the Third Front or other people—it will be very negative for business sentiment and the markets," Mr. Duggal said.

—Krishna Pokharel and Vibhuti Agarwal contributed to this article.

Contesting for seats

Number of parties in the Indian Parliament since the first Parliament was formed in 1952



Source: Indian Parliament

Reuters

A shopkeeper in Kolkata last month displays flags of political parties for the general elections.

Drive for Pakistan aid hits Saudi resistance

By Jay Solomon

WASHINGTON—The Obama administration is seeking to help Pakistan raise $4 billion to $5 billion at an international aid conference in Tokyo Friday in a bid to stabilize the finances of a counterterrorism ally.

Washington's effort, however, is coming into conflict with Saudi Arabia, which is showing only muted interest in supporting Pakistani President Asif Ali Zardari, according to people involved in the deliberations.

Riyadh has close ties with opposition leader Nawaz Sharif, who has emerged as a serious challenger to Mr. Zardari. Mr. Sharif, a former prime minister, spent much of nearly a decade in exile in Saudi Arabia, before returning to Pakistan in late 2007.

"The big outstanding question about the conference is Saudi Arabia," said a senior official involved in the aid discussions. "They are closely aligned with Sharif."

Pakistan appears certain to get at least $4 billion from the conference. If Saudi Arabia doesn't contribute to that total, it could undermine Islamabad's efforts to meet its financial obligations. In November, Pakistan was forced to turn to the International Monetary Fund for $7.6 billion in loans to avert a balance-of-payments crisis.

A pass by Saudi Arabia would also send a signal that it doesn't support the Zardari government. Mr. Sharif's political capital has grown significantly since opposition protests last month led to concessions by Mr. Zardari.

Riyadh took part in a meeting last week in Dubai to address Pakistan's finances but declined to make a formal pledge to Islamabad, according to participants in the talks. An official at the Saudi Embassy in Washington declined to comment.

Saudi Arabia has traditionally been among Pakistan's largest aid donors and strategic allies. In recent years, however, the U.S. and Saudi Arabia have taken differing positions on Pakistan's leadership.

Saudi Arabia is also giving Pakistan 80,000 to 100,000 barrels of oil per day: at current prices, this equals about $5 million per day.

Agence France-Presse/Getty Images

U.S. envoy Richard Holbrooke, above, could meet Iranian officials in Tokyo.

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