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Inside view helps Cargill and CEO buck downturn

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Glaxo's emails on diabetes drug reveal concern

CORPORATE NEWS | PAGE 4

More bad economic news adds pressure on ECB

Greek ratings cut, falling German GDP augur more gloom

Greece became the first euro-zone government to suffer a credit downgrade and Germany's GDP plunged far further than expected in the fourth quarter—a double hit that signaled the depth of Europe's reces-

*By **Marcus Walker** in Berlin, **Joellen Perry** in Frankfurt and **Alkman Granitsas** in Athens*

sion and the difficulty countries will have spending their way out of it.

Rating agency Standard & Poor's cut its credit rating for Greek government debt on Wednesday. The news hit the euro and Greek financial markets, and sent a signal to financially fragile countries in the euro area that they can't afford to sink into much more debt, though most are depending on fiscal stimulus measures to support their economies.

In the past week, S&P has warned euro-zone members Spain, Portugal and Ireland that they too could face downgrades. Ireland on Wednesday was forced to deny that it needed aid from the International

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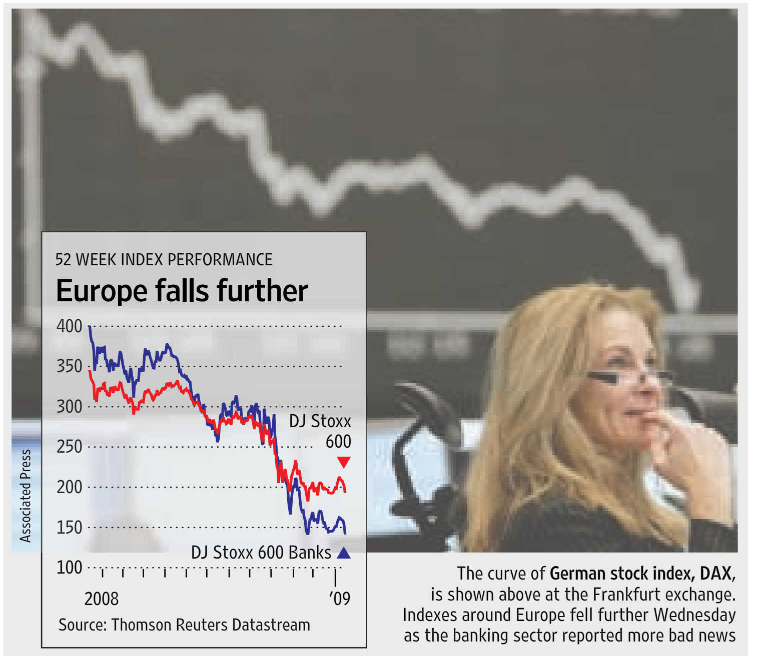

The curve of **German stock index, DAX,** is shown above at the Frankfurt exchange. Indexes around Europe fell further Wednesday as the banking sector reported more bad news

What's News—

Business & Finance

Germany's GDP fell more than expected in the fourth quarter, and Greece became the first euro-zone government to suffer a credit downgrade. European shares tumbled on a barrage of bad economic news. Page 1

■ **U.S. stocks dropped** on upheaval in the banking sector and poor retail-sales data that signaled more trouble for corporate earnings. Page 19

■ **Deutsche Bank warned** that trading losses would force it to take a $6.3 billion fourth-quarter loss, triggering a sharp drop in European bank stocks. Page 2

■ **Nortel filed** for bankruptcy protection. A $107 million interest payment due Thursday added pressure to the telecom-equipment maker. Page 19

■ **Goldman Sachs** eased restrictions on stock, allowing employees to cash out. Page 3

■ **The U.K. detailed** a $30 billion plan to help small and medium-size companies access credit. More support might be on the way. Page 11

■ **U.S. retail** and food-services sales slid 2.7% last month, raising fresh concerns about the economy in 2009. Page 10

■ **The gas standoff** between Russian and Ukraine, which has left much of the EU in the cold, is exposing weaknesses in the bloc's policies. Page 12

■ **Man Group's** managed assets dropped by about a third in the second half of 2008, a reversal due in part to a write-down of its Madoff investments. Page 21

■ **Barclays plans to cut** as many as 2,100 jobs in its retail- and commercial-banking units, on top of the same number in investment banking. Page 20

■ **France is considering** more steps to help its ailing car makers, such as capital infusions or loan guarantees, to Renault and Peugeot Citroën. Page 4

■ **Impala Platinum dropped** plans to buy smaller rival Northam for $2.1 billion. Page 8

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8200.14	-248.42	-2.94
Nasdaq	1489.64	-56.82	-3.67
DJ Stoxx 600	192.87	-8.79	-4.36
FTSE 100	4180.64	-218.51	-4.97
DAX	4422.35	-214.59	-4.63
CAC 40	3052.00	-145.89	-4.56
Euro	$1.3169	-0.0017	-0.13
Nymex crude	$37.28	-0.50	-1.32

Money & Investing > Page 19

World-Wide

Dubai property developer Nakheel is delaying construction of a one-kilometer tower unveiled just a few months ago, in a sign of how a city of seemingly limitless resources is now struggling amid a global recession. The delay follows a string of layoffs and project re-evaluations announced by other developers in recent weeks. Page 1

■ **Egypt and Hamas were close** to a deal for a 10-day cease-fire between Israel and the Palestinian militant group in Gaza, officials said, as the death toll surpassed 1,000. Guerrillas in Lebanon sent more rockets into Israel.

■ **Osama bin Laden urged** Muslims to launch a holy war against Israel, in a new audiotape aimed at harnessing anger in the Mideast over the Gaza offensive.

■ **The price tag** of the U.S.'s two-year economic-stimulus bill has grown close to $850 billion after negotiations that have focused on job creation. Page 10

■ **Americans support** Obama's stimulus plan but worry the government will drive up the budget deficit, a Wall Street Journal/NBC News poll found. Page 9

■ **An antigovernment protest** in Bulgaria turned violent, with demonstrators clashing with police and hurling stones and bottles at the Parliament building.

■ **Islamic insurgents attacked** Somalia's presidential palace and fought with government forces, leaving several civilians dead, a day after Ethiopian troops handed over security duties.

■ **The Bush administration** plans to sign a nuclear-cooperation pact with the United Arab Emirates on Thursday. Page 32

■ **Tax issues postponed** a tentatively scheduled confirmation hearing for Timothy Geithner as U.S. Treasury secretary. Page 9

■ **A French court acquitted** six medical workers in the deaths of over 100 people who contracted a brain-destroying disease after taking tainted growth hormones.

■ **Greek terror group** Revolutionary Struggle claimed responsibility for recent attacks on police in Athens, authorities said.

■ **A Russian warship foiled** a pirate attack on a Dutch container ship in the Gulf of Aden.

EDITORIAL&OPINION

Governing Gazprom
The company is hurt by politics, just like another big firm (hint: it makes airplanes). Page 15

Dubai's bust in property takes turn for worse

By Chip Cummins And Stefania Bianchi

DUBAI—Property developer Nakheel said it is delaying construction of a one-kilometer tower unveiled just a few months ago, in a sign of how a city of seemingly limitless resources and ambition is now struggling to avoid a hard crash.

The tower, a project of the government-owned developer that is also building Dubai's iconic palm-tree-shaped archipelagos, would beat out the Burj Dubai, a skyscraper due to be completed this year, as the world's tallest building. The Nakheel tower was supposed to be the centerpiece of what the developer billed in October as a $38 billion commercial and residential project.

Since then, property prices have fallen and the government has announced plans to slow its development pipeline to limit supply and bolster prices.

The skyscraper's delay follows a recent string of layoffs and project re-evaluations announced by other developers. In late November, Limitless, another government-backed developer, said it was reviewing the pace of a $61 billion canal development. Sama Dubai, a unit of Dubai Holding, a conglomerate controlled by Dubai's ruler, said it was reviewing its property-development pipe-

Please turn to page 31

European shares slump on economy, bank woes

By Neil Shah

European shares tumbled Wednesday after a barrage of bad news about banks and the U.S. economy punctured investor confidence.

The Dow Jones Stoxx index of Europe's 600 largest companies fell 4.4%, its sixth consecutive loss, with many of Europe's banks plummeting about 10% or more on worries about the sector's health. The index closed at 192.87, its lowest close since Dec. 5.

Credit markets also slipped after having performed better than stocks in recent trading sessions. In the U.S., the Dow Jones Industrial Average fell 2.9%.

"We've had a salami-slicing-away of investor confidence," said Andrew Lynch, portfolio manager at Schroder Investment Management in London. "There's been a lot of bad news and absolutely no good news to upset it."

Bad news about European banks dominated the early part of Wednesday's session. Germany's **Deutsche Bank** warned of a loss of nearly €5 billion, or $6.5 billion, for the final three months of 2008, while Morgan Stanley analysts predicted the U.K.'s **HSBC Holdings** will require up to $30 billion in extra capital.

Shares of Deutsche Bank fell 9% and HSBC dropped 8%. British banks were among the hardest hit: **Royal Bank of Scotland Group** tumbled more than 18%, while **Barclays**

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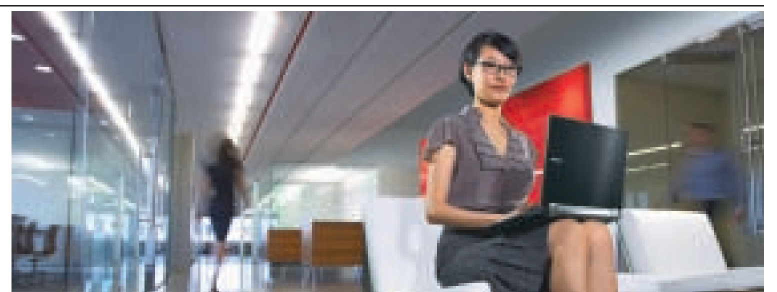

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Deutsche Bank takes loss

Lender cuts dividend, blames trading woes; toll bigger than seen

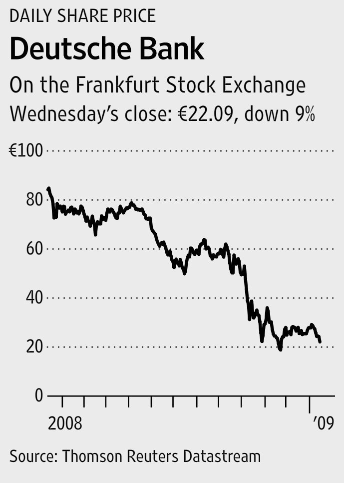
By Carrick Mollenkamp And Serena Ng

LONDON—German banking giant **Deutsche Bank** AG warned Wednesday that heavy trading losses would force it to take a €4.8 billion ($6.3 billion) loss in the fourth quarter, in a stark sign of how badly the world's biggest banks fared in the weeks following the demise of investment bank Lehman Brothers Holdings Inc.

The profit warning from Deutsche Bank, which led the bank to cut its dividend in half and helped trigger a sharp drop in bank stocks throughout Europe, suggests that the market turmoil of the fourth quarter took a bigger toll on banks than previously thought. Sharp and unexpected moves in stocks, bonds and derivatives—many related to the fact that banks ceased lending to one another—caused risky investments to sour and even shattered trading strategies that many banks and hedge funds had considered to be safe, common-sense bets.

The dismal fourth quarter represents a comeuppance for Deutsche, which throughout 2007 and much of 2008 navigated the turmoil related to subprime-mortgage securities largely unscathed, even as rivals at **UBS** AG, Merrill Lynch & Co., and **Citigroup** Inc. suffered massive write-downs. In a conference call Wednesday, Chief Executive Josef Ackermann said the fourth quarter simply proved too much for Deutsche's traders. The bank has said that one star trader—Boaz Weinstein, who lost more than $1 billion during the financial crisis—will be departing to launch his own hedge fund later this year.

DAILY SHARE PRICE
Deutsche Bank
On the Frankfurt Stock Exchange
Wednesday's close: €22.09, down 9%



Source: Thomson Reuters Datastream

"Until the fourth quarter, we weathered the crisis relatively well," Mr. Ackermann told analysts and reporters. "The collapse of Lehman triggered a much more extreme new face of the crisis."

Deutsche's in-house debt and equity units, which make bets using the bank's own money, accounted for a sizable chunk of the bank's losses. These so-called proprietary traders lost some $2 billion in 2008, a good portion of which was incurred in the final quarter, according to people familiar with the situation. The bank said it expected to report a total loss of €3.9 billion for the year. The bank reports final results Feb. 5.

Deutsche shared fell 9% to €22.09 euros a share in Frankfurt. Its results dragged down European bank stocks and signal "a grim earnings season for European banks," research firm CreditSights said in a report. Other banks, including those in the U.S. and Europe that will report fourth-quarter results over the next month, encountered many of the same problems as Deutsche in the quarter.

"There were so many different things that could have gone wrong that happened at once," said Brian Yelvington, an analyst at CreditSights.

Deutsche's losses largely were spread across three main areas: Debt trading, equity derivatives and losses tied to residential mortgage securities, as well as insurance used to protect against losses on those securities. The losses came from both the bank's proprietary desks and trading units that serve clients.

At the root of the credit trading losses was the way banks quit lending to one another amid concerns about failures following the Lehman bankruptcy filing on Sept. 15 and the near collapse of U.S. insurer **American International Group** Inc. That upended a popular trade, in which banks bought corporate bonds, then hedged the investments by using derivatives called credit-default swaps to buy insurance against defaults on the bonds. Because the default insurance costs less than the corresponding income from the bonds, the trade allowed banks to reap a seemingly safe profit.

When the lending markets froze, though, traders could no longer borrow the money they typically used to buy the corporate bonds. That helped trigger a sharp drop in bond prices.

Russian billionaire is in talks to buy U.K. paper

By Aaron O. Patrick, Greg White and Andrew Osborn

Russian businessman Alexander Lebedev has held talks with British media companies about buying a newspaper and an announcement could be made soon, according to people familiar with the matter.

Mr. Lebedev has offered to buy 75% of the Evening Standard, London's main afternoon newspaper, according to a person familiar with the matter. He has also recently held exploratory talks to participate in a buyout of London's Independent, a national daily newspaper, according to two people familiar with the situation. But those talks stalled.

A spokesman for the Evening Standard's owner, **Daily Mail & General Trust** PLC, and a spokesman in Moscow for Mr. Lebedev declined to comment Wednesday.

Britain has a long history of foreign control of its newspapers, with owners from the U.S., Ireland, Canada and elsewhere. Mr. Lebedev would likely be the first Russian to own a prominent paper in the U.K., which has had tense relations with Moscow in recent years. Mr. Lebedev's interest in the Evening Standard was reported Wednesday by the (London) Times and the Daily Telegraph.

In a telephone interview Tuesday, Mr. Lebedev declined to comment on any discussions on specific British newspapers, but said some kind of deal might be announced in the near future. He said his interest wasn't in newspapers as a business but in "preserving independent media," which are under unprecedented financial pressure.

He vowed not to interfere in the editorial policy of any newspaper he might buy. "The English underestimate their newspapers," said the billionaire, who served in the late 1980s as a KGB agent in London. "I tell them to live in a country without a free press for a while."

Mr. Lebedev is one of the few prominent businessmen in Russia to openly criticize the Kremlin over such issues as pressure on democratic freedoms and the media. He is part owner of Moscow's Novaya Gazeta, an opposition paper.

The 49-year-old is one of Russia's wealthiest businessmen. Last May, before the financial crisis hit, Forbes estimated his wealth at $3.1 billion. He owns a nearly one-third stake in Russia's national carrier **Aeroflot** and controls a vast business empire.

Last October, Mr. Lebedev held exploratory talks with Simon Kelner, the Independent's managing director, about backing a management buy-out led by Mr. Kelner, according to a person familiar with the discussions. Mr. Kelner didn't return a call Wednesday.

The idea stalled for lack of money to cover the relaunch of the paper and future losses, according to the person. The Independent, which is owned by Dublin-based **Independent News & Media** PLC, loses about £10 million ($14.5 million) a year, analysts estimate.

CORRECTIONS & AMPLIFICATIONS

The Korea Securities Dealers Association, an industry trade group, is investigating stock ratings issued by foreign brokerage firms on Korean companies last year. An International Investor article Tuesday about the arrest of a critic of the South Korean government said that government regulators were conducting the investigation.

H. Ross Perot made his fortune in technology services. A Focus on Energy article Wednesday about T. Boone Pickens's plan for renewable energy incorrectly referred to Mr. Perot as a Texas oilman.

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LEADING THE NEWS

Goldman Sachs workers get a little extra

After thin bonuses, new stock rules give some workers a boost

By Susanne Craig

Cash-strapped employees at **Goldman Sachs Group** Inc. don't have to feel so glum about their puny bonuses anymore. Only weeks after they were told their 2008 compensation had been slashed, they got a nice surprise in their brokerage accounts.

This week, many of Goldman's 30,000 employees received letters saying the firm had changed the way it doles out certain stock grants, easing the conditions on when certain stock can be sold. Translation: You can now use your Goldman stock as an automated teller machine.

That is exactly what many employees of the Wall Street firm did Tuesday. The rush to sell Goldman stock is one reason trading volume in the bank's shares spiked Tuesday, the day most employees took delivery of the stock.

Also, the firm recently offered to buy out employees who invested in the firm's money-losing Whitehall 2007 fund, another cash injection for employees who opted to cut their losses. The $4.8 billion fund was raised in 2007 and is part of Goldman's Whitehall family of real-estate funds. It is only buying out employees.

The mortgage meltdown has taken its toll on Wall Street; firms have racked up billions of dollars in losses. Along the way, they have been forced to slash thousands of jobs and reduce the pay of those who remain. While Wall Street executives are still extremely well paid—base salaries range anywhere from $100,000 at the low end to $750,000 for top executives—most gear their lifestyles, from expensive homes and holiday getaways to nannies and lavish dinners, around the big bonuses they get.

Employees now will get one-third of their restricted stock after one year.

In 2007, Goldman Chairman and Chief Executive Lloyd Blankfein made $67.9 million, including stock and cash. In 2008, with Goldman facing losses from the mortgage meltdown and a broad backlash about how Wall Street has handled the credit crisis, he got his base salary of $600,000, but opted for no bonus.

The bank doled out $10.93 billion in compensation and benefits, or $363,654 per employee, in 2008. That compares with a 2007 payout of $20.19 billion, or $661,490 per person.

Compensation comes in various forms, be it cash, stock options or restricted stock, which comes with strings that limit when an employee can sell it.

At Goldman, 40% of the restricted stock an employee gets typically vests immediately, but it isn't delivered for three years. This is meant to encourage long-term ownership in the company and keep employees in their seats. People who leave tend to lose their restricted stock that hasn't vested.

A Goldman spokesman said the firm changed the vesting and delivery schedule of restricted stock so employees receive it as its vests, which the bank says is common practice on Wall Street.

Employees have to work a year before they get the stock. Previously, 40% vested immediately, although staff didn't take delivery of it for three years.

Now, employees will get their restricted stock in three slugs: one-third a year after it is granted, and the remaining two-thirds in each of the following two years. This week, those sitting on restricted stock grants from 2006 and 2007 got the part that had vested, earlier than originally promised.

This applies to all employees eligible for restricted stock grants, except the firm's top seven officers, including Mr. Blankfein. None of the seven participated in the Whitehall buyback.

Employees at Goldman Sachs have fared better than many on Wall Street. In 2008, Bear Stearns Cos. was sold to J.P. Morgan Chase & Co. for a rock-bottom price, and rival Lehman Brothers Holdings Inc. filed for bankruptcy in September. Employees receive as much as 70% of their compensation in stock and were encouraged to hold onto it over the years. As these firms stumbled, many people didn't, or couldn't, sell.

While Mr. Blankfein has likely managed to save some of his money, others at Goldman are feeling the pinch. One Goldman employee who received his stock this week called it pennies from heaven. "The shares may not be worth what they were, but cash is cash and I am selling immediately," he said.

In recent weeks, rumors of financially plagued Goldman partners have taken on a life of their own. Goldman co-President and Chief Operating Officer Jon Winkelried put his $55 million Nantucket vacation home on the market in 2008, prompting speculation he may be low on cash. Mr. Winkelried didn't respond to a request for comment.

The bank also has been fending off rumors that it set up an internal pawn shop where partners can take a distressed asset, be it a house or even a boat, and get cash from Goldman. The Goldman spokesman said this isn't true.

CORPORATE NEWS

Glaxo emails on Avandia reveal concern

Scientists worried about risks of heart attacks, even as drug maker challenged similar findings in study

By Alicia Mundy
And Jared Favole

When a study linking **GlaxoSmithKline** PLC's diabetes treatment Avandia to increased heart-attack risk was published in 2007, the pharmaceutical giant publicly responded by denouncing the researchers' conclusions. But internal emails indicate some of the company's own scientists were concerned that Glaxo's data were showing the same thing.

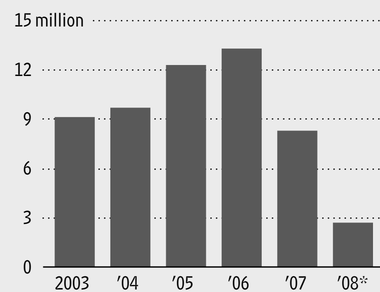
"The numbers are the numbers, the analysis is very similar to our own," wrote the company's senior consultant in an email days before the study was published in the New England Journal of Medicine. He added that Glaxo couldn't "undermine" the figures but might find a way to explain them.

The journal's study, which found a 43% higher risk of cardiovascular events for patients taking Avandia, caused the drug's sales to plunge. It also triggered congressional investigations into Glaxo's marketing of the drug and the Food and Drug Administration's response to the safety concerns.

Glaxo added a "black-box" warning to Avandia in November 2007 that says the drug can cause or exacerbate congestive heart failure. The company and the FDA continue to say Avandia is a valuable option for patients when used properly. In a recent interview, Janet Woodcock, director of the FDA's drug-review division, said Avandia has been "convicted without a trial."

Glaxo also says it didn't conceal the fact that it conducted its own meta-analysis and found a trend that was similar to that in the New England Journal study by Cleveland Clinic cardiologist Steven Nissen. It points to a letter published in the Lancet on May 30, 2007, in which Chief Medical Officer Ronald Krall said: "GlaxoSmithKline did similar meta-analyses in 2005 and 2006 and found hazard ratios in the same direction" as Dr. Nissen. The company adds that it gave full information on its data analyses to the FDA.

Getty Images



A leading Republican senator, Sen. Chuck Grassley of Iowa, has been pushing the FDA to ask Glaxo to withdraw the drug. He is preparing a report that may be released soon containing excerpts from Glaxo documents about the company's efforts to defend its drug from the New England Journal study, according to people familiar with the situation.

Sen. Grassley's report is likely to draw the attention of plaintiffs' lawyers, who have filed suits on behalf of about a thousand patients who are allegedly suffering heart-related problems after taking Avandia.

The study by Dr. Nissen for the New England Journal was supposed to be kept under wraps until its release on May 21, but Glaxo obtained a copy on May 3 from a doctor, Steven Haffner of the University of Texas, who was reviewing it for the medical journal. Dr. Haffner had been a Glaxo consultant on Avandia since 2000 and received $433,000 from Glaxo between 2000 and August 2007. He confirms giving Glaxo the study, though he says doing so was "a terrible mistake."

Dr. Nissen says that when he was visited by top Glaxo scientists, including the chief medical officer, just days before publication, they tried to get him to rethink his concerns. "They never revealed that they had obtained a copy of our manuscript and had concluded that our findings were irrefutable," he says. "Instead, they attacked the validity of the study and the motives of both the authors and the NEJM."

As soon as Glaxo got Dr. Nissen's draft, its researchers began a detailed analysis, according to the email excerpts. On May 4, one wrote, "There is no statistical reason for disregarding the [Nissen] findings as presented." Glaxo declined to make employees involved in the emails available for comment. The Wall Street Journal hasn't viewed the full emails from which the extracts were drawn.

In a May 8, 2007, email, Moncef Slaoui, the director of Glaxo research, told several executives: "FDA, Nissen and GSK all come to comparable conclusions regarding increased risk for ischemic events, ranging from 30% to 43%!"

Glaxo spokeswoman Nancy Pekarek says Dr. Slaoui used imprecise language in his internal email.

Glaxo responded to Dr. Nissen's study by putting out interim results of a study called Record. But there were questions at Glaxo about whether putting out the Record results might backfire. "What's to stop [Nissen] adding the events from Record to his meta-analysis and reenforcing his view?" one scientist wrote. Nonetheless, Glaxo sent interim Record results to the New England Journal for publication in late May.

The medical journal questioned the initial draft from Glaxo. "The editors feel strongly that your data do not support the statement that the Record results for MI [myocardial infarction or heart attack] contradict the Nissen meta-analysis," said one reviewer in an email to Glaxo. "This statement must be removed or modified."

The revised draft of the article was published in the New England Journal on June 5. It said Avandia might be linked to increased heart risks but didn't increase the likelihood of heart attack or death.

But the medical journal also included an editorial by Massachusetts General Hospital endocrinologist David Nathan, who said the study "fails to provide exculpatory evidence" about Avandia, in part because too many patients had dropped out of the Record trial.

Glaxo says it didn't disagree with Dr. Nissen's data but with his decision to draw conclusions from the data.

The FDA is also facing questions about its handling of Avandia. On June 6, 2007, at a hearing before Congress on Avandia, the FDA's commissioner, Andrew von Eschenbach, defended the agency's refusal to remove the drug from the market or radically strengthen its warning label.

But the agency received the company's analysis the year before the New England Journal study's release, according to Glaxo emails and a Glaxo statement Tuesday. The FDA declined to comment.

Some doctors were worried early on about cardiac events in their patients taking Avandia. Doctors at a Maryland hospital told Glaxo's predecessor company in 2000 that they saw dozens of cases of cardiac issues in patients taking Avandia, including some cases of congestive heart failure. In a letter to the hospital, the company dismissed the analysis as inconclusive, and asked a hospital executive to stop the doctors from talking with others about Avandia.

France considers new measures to aid auto companies

By Leila Abboud

PARIS—France is considering additional measures to help its ailing automobile industry, such as capital infusions or loan guarantees to companies including **Renault** SA and **PSA Peugeot Citroën**.

In a TV interview Tuesday night, French Prime Minister François Fillon said the government is considering an increase in aid because auto makers are "having trouble accessing the credit they need at reasonable rates on the normal financial markets."

"We're thinking of measures that would consist of the state almost directly financing big car manufacturers," said Mr. Fillon. He said France would consult with the European Union to find ways to avoid running afoul of EU rules against subsidizing national industries.

Mr. Fillon's comments came as the government prepares to hold a conference Jan. 20 on ways to preserve the long-term health of France's auto industry. Car companies and their suppliers employ about 10% of France's labor force, but the industry is in a slump as consumers put off spending on big-ticket items like cars.

Governments all over Europe are casting around for the most effective ways to pull their economies out of a steep downturn using public money. Germany on Tuesday passed its second stimulus package in two months, a €50 billion ($66 billion) package that includes tax cuts and infrastructure spending to be spread over two years. France has introduced a smaller stimulus package and is pondering further moves.

In December, France made €1 billion in low-interest loans available to the finance arms of Renault and Peugeot Citroën, which lend money to consumers to buy cars. The government also announced that it would give €1,000 to car owners who replaced vehicles more than 10 years old with new models.

Renault said the replacement bonus led to a 40% jump in its car sales in France last month, compared with November, and estimated that it would boost 2009 sales in France 5% to 10% from what they otherwise would have been. Peugeot Citroën and Renault financed an extension of the government's subsidy to people replacing cars as few as eight years old.

Any new government aid could come with strings attached. When President Nicolas Sarkozy announced the December measures, he told car makers they shouldn't close any factories in France and should refrain from further outsourcing of production to low-cost countries. Since the French state owns 15% of Renault, it can influence management at the company.

Agence France-Presse

French Prime Minister François Fillon, seen here leaving Élysée Palace Wednesday, said the government would consult with the EU about aiding the auto industry.

Renault and Peugeot Citroën build nearly two-thirds of their cars outside France, in places such as Romania and Russia, as a way to hold down the costs of their mass-market models. Both companies have temporarily shut down or slowed production at many of their factories, including those in France, so as not to increase their inventories of unsold cars.

On Wednesday, Renault said it could lay off as many as 4,000 workers at its Dacia unit in Romania, which makes low-cost models including the big-selling Logane. In October, Renault announced it wanted to trim its French work force by 4,300 by offering workers buyouts. So far, only about 980 workers have accepted. Some analysts welcomed the prospect of further French government action. Credit Suisse analysts wrote in a note that the government "will not allow the French auto industry to disappear due to an inability to finance itself." But credit-rating company Moody's Investors Service put the ratings of both Renault and Peugeot Citroën "under review for possible downgrade," citing the companies' deteriorating outlook for profits and cash generation.

Renault had urged the government to help with access to credit. Patrick Blain, Renault's director of sales, said Friday his company needs about €9 billion in short- and medium-term financing annually to keep operating. Peugeot Citroën didn't say how much it needs, and a representative declined to comment.

Renault's global sales dropped 4.2% in 2008, while Peugeot Citroën fell 4.9%. Even so, France's car market has held up a bit better than many, shrinking 0.6%, compared with declines of 28% in Spain, 18% in the U.S and 1.8% in Germany.

Coca-Cola's ad campaign aims to comfort

New marketing push geared to the times; bears CEO's stamp

By Betsy McKay And Suzanne Vranica

Coca-Cola is launching a new global ad campaign for its iconic cola, hoping to appeal to consumers' longing for comfort and optimism at a time when the weakening economy is sapping soft-drink sales.

ADVERTISING

The new campaign—expected to feature the slogan "Open Happiness," according to people familiar with the matter—is the first for the Coca-Cola brand in three years. The latest slogan replaces "The Coke Side of Life."

Print ads in the campaign are expected to make their debut next week, and new TV commercials are expected to air in coming weeks, including during the Super Bowl, the U.S. pro-football championship game, these people say, though the commercials are still being finalized. One spot, called "Heist," scheduled to run during the big game, will feature cute critters in a park absconding with people's Cokes, they say.

The campaign grew out of a six-month initiative dubbed "Project Next," which was spearheaded by Coke's new chief executive, Muhtar Kent, and Joe Tripodi, the company's global chief marketing officer. Both executives are seeking to make their mark on the 123-year-old brand.

Coke, which is known for coining some of the most memorable slogans in the ad business, is depending heavily on the new campaign to jump-start sales of its flagship product.

Though Coke's cola volume is growing in many parts of the world, it slipped 3.5% in U.S. supermarkets, convenience stores, drug chains and similar venues during the first nine months of 2008, according to Beverage Digest. That continued a years-long decline amid competition from newer drinks like bottled teas and enhanced waters. Coke Classic's U.S. volume fell about 16% from 1998 through 2007.

Even so, the new campaign is likely to raise some eyebrows, because it is replacing the first successful ad push for Coca-Cola in several years. "The Coke Side of Life" was the company's first hit since the "Always" campaign, which ran from 1993 through 1999.

Coke seemed to hit a sweet spot in 2006, when it introduced "The Coke Side of Life." Several of the push's ads, including "Happiness Factory," a spot that used animation to depict a fantasy world inside a Coke vending machine, won a Cannes Lion, one of the highest honors in the ad business.

"Coke finally cracked the code and got its voice, look and tone right," says Allen Adamson, managing director of **WPP**'s branding consultancy Landor Associates. "Once you get it right, you don't want to muck with it too much."

Moreover, in a tough economy, the stakes are even higher for Coke to maintain its image as a beacon of comfort and optimism, he says. "They need to stay on the brighter side."

Coke seems to be taking that sentiment to heart. A planned Super Bowl ad known as "Avatar," which will feature a remix of an Elvis song, is expected to illustrate how people don't really talk anymore, thanks to gadgets like BlackBerrys, a person familiar with the matter says. In the spot, a boy enters a diner and sits next to an ogre. The two reach for a Coke and, suddenly, the ogre turns into a pretty girl.

The ads are being created by Wieden + Kennedy, Portland, Ore.

Coke's new ad messages are likely to face some tough competition, since archrival **PepsiCo** is rolling out a new ad push for its flagship Pepsi brand, after a massive brand overhaul involving a new ad firm, new packaging and a slew of new ads.

The "Open Happiness" campaign is tied to Mr. Kent's recent efforts to improve the efficiency of Coke's marketing. The company is eager to put the campaign to use on a global basis, according to people familiar with the matter. While the "Coke Side of Life" slogan was global, the campaign needed a lot of tweaking and reinterpreting in different parts of the world.

It isn't known how much Coke will spend on the new push. It spent about $406 million on U.S. ads in 2007, according to TNS Media Intelligence.

Mr. Kent is untangling a web of ad agencies working on multiple accounts for Coke in its global markets, part of a larger cost-cutting program the company says will save it as much as $500 million by the end of 2011.

Coke is currently conducting an ad review for its Sprite business and its Vitaminwater brand, according to people familiar with the matter.

Coca-cola

Coke's 'Happiness Factory' ad, part of a campaign to be replaced, offered a fantastical peek inside a Coke vending machine.

A history of Coke slogans

- **1886** - Drink Coca-Cola
- **1904** - Delicious and Refreshing
- **1929** - The Pause That Refreshes
- **1963** - Things Go Better With Coke
- **1969** - It's the Real Thing
- **1976** - Coke Adds Life
- **1979** - Have a Coke and a Smile
- **1982** - Coke Is It!
- **1993** - Always Coca-Cola
- **2006** - The Coke Side of Life

China moves to boost car demand

By Patricia Jiayi Ho And Norihiko Shirouzu

BEIJING—China said it is halving the sales-tax rate on smaller cars and cutting retail prices for gasoline and diesel, moves that could help rev up demand for cars after several months of weakening sales.

The measures, announced Wednesday, are part of a series of stimulus measures. Beijing also has announced interest-rate cuts and massive new spending plans to counteract growing signs of the spreading economic slowdown.

In 2008, growth in auto sales slowed to 6.7%, ending a decadelong run of double-digit sales growth in the world's second-largest vehicle market after the U.S. Vehicle sales in December alone fell 11.6% from a year earlier, the fourth monthly decline in five months.

Wednesday's change will reduce the tax rate on certain new-vehicle sales to 5% from the current 10%. The new rate, which takes effect Tuesday and will be good through year end, applies to only vehicles with engine capacity of 1.6 liters or smaller.

It wasn't clear why the Chinese government decided to cut the sales tax on small cars. Experts speculated the move might have been aimed at helping China's homegrown independent auto makers, which have been hit particularly hard by the auto market slump since last summer. Product lineups of those companies tend to be focused on smaller cars.

Sales by companies like **Chery Automobile** Co., the country's most successful independent producer and marketer of cars without a foreign partner, slipped significantly last year. According to the China Association of Automobile Manufacturers, a semiofficial industry group, Chery's sales in 2008 fell 6.6% to 356,000 vehicles. In 2007, Chery sales had grown nearly 30%.

Daiwa Securities investment analyst Ricon Xia said the tax cut could help sales volume to grow by 3% to 6% this year, whereas it would have been flat in the absence of the tax break.

To accompany the tax cut, the government said it will offer five billion yuan ($732 million) in subsidies from March to encourage rural residents to replace old vehicles. It also said the government will improve financing for consumer purchases of vehicles.

Meanwhile, China's National Development and Reform Commission said the country will reduce retail prices of gasoline and diesel by 2% to 3%, effective Thursday—the second reduction in less than a month—as international crude prices have continued to fall.

China's government has long set domestic prices for fuel, a system that led to frequent surpluses and other problems. Under a fuel-pricing mechanism introduced Jan. 1, gasoline and diesel retail prices are allowed to float as long as they are below the government's ceiling price.

However, as the retail fuel market is dominated by two state-owned companies, actual retail prices have been hovering in the upper ranges of permissible prices.

"The retail price cut will likely help boost China's fuel demand, particularly that of gasoline, but not to a large extent, as the cut level is small," said Gong Jinshuang, a senior engineer at China National Petroleum Corp.'s Research Institute of Economics and Technology.

Associated Press

China is trying to boost sales of smaller cars by cutting the sales tax. A woman walks past Chery cars outside a dealership in Changchun city, Jilin province.

Chrysler expects to reopen factories on schedule

By Alex P. Kellogg

DETROIT—**Chrysler** LLC said it is on track to reopen its plants by mid- to late January or early February, as originally planned.

Chrysler said in December that it would close all of its 30 plants for at least a month because of a deep drop in sales and rising inventories on dealer lots. The move was intended to cut costs and pull back on production at a time when demand for the company's vehicles is near a record low.

Halting production lowers an auto maker's revenue because car companies book sales when vehicles are shipped from their plants to dealer lots. Lower revenue is a serious problem for Chrysler because the company nearly ran out of money this month before the government granted the company $4 billion in emergency loans.

In a hastily organized conference call Wednesday, Chrysler President Tom LaSorda denied reports that Chrysler is looking to sell some of its brands, plants or other assets. "This company is going to be around. We are not going under," he said.

Most of the auto maker's U.S., Canadian and Mexican auto plants are scheduled to open Monday or Tuesday. Its minivan plant in Windsor, Ont., and a small facility in Detroit that assembles a small number of sports cars are scheduled to open Feb. 2.

A spokesman acknowledged Chrysler's production plans are under "continuous review" and could change if auto sales remain weak.

The Big Three auto makers and their foreign rivals typically shut some or most of their plants around the year-end holidays, normally for two weeks. In the past few years Chrysler, **General Motors** Corp. and **Ford Motor** Co. have extended their idle periods into January. This year, Chrysler closed all its plants.

Ken Elias, an automotive analyst, said it is unlikely Chrysler will reopen its plants as scheduled. "The fact is, there are enough cars on the ground," said Mr. Elias, a partner at the auto consulting firm Maryann Keller & Associates. "The dealers really aren't ordering them."

General Growth debt woes

Mall giant requests extensions to avoid bankruptcy filing

By Kris Hudson

The likelihood of a bankruptcy filing is looming larger for mall giant **General Growth Properties** Inc., threatening to overlay the worst retail market in decades with one of the biggest real-estate bankruptcies ever.

Most immediately, the company must extend the payment deadlines of two debts that lenders could call due a few weeks from now: a $2.6 billion credit line and a $900 million mortgage on two Las Vegas malls. At a meeting with lenders in New York on Monday, General Growth senior management and advisers outlined separate scenarios of the company operating under bankruptcy-law protection or instead grappling with its debt burden outside of bankruptcy court, according to people familiar with the matter.

A bankruptcy filing isn't imminent, these people say. Indeed, the Chicago company last month won an extension of both loans, giving it six to eight weeks of breathing room. On Monday, General Growth representatives asked the lenders to extend the deadlines on the credit line and Las Vegas loans from Jan. 30 and Feb. 12, respectively, to March 15, these people say.

Even if General Growth succeeds in extending those debts further, the company is facing so many other loan maturities this year that some analysts speculate the company eventually will seek bankruptcy protection. In all, General Growth has roughly two dozen separate loans totaling more than $2 billion coming due in 2009.

"A bankruptcy filing for [General Growth] appears the most likely outcome at this point," Green Street Advisors Inc. analyst Jim Sullivan wrote in a research report late last week.

A General Growth representative declined to comment. At midday Wednesday, the shares were down 11% at $1.30. The stock is down more than 96% in the past year.

After the two debts coming due in coming weeks, the next big due dates are in March and April, when General Growth must pay off $600 million in bonds owed by a subsidiary that holds the malls that General Growth added in its 2004 acquisition of rival **Rouse** Co. General

Kevin Weber

Mizner Park mall in Boca Raton, Fla., is one of more than 200 shopping centers in the U.S. that are owned by General Growth Properties.

Growth executives told lenders Monday that, if the company fails to persuade those bondholders to extend the bonds' payment date, the company won't have enough cash flow to both pay off those bonds and meet its interest payments on other debt in the second quarter, people familiar with the talks say.

At the meeting, Chief Executive Adam Metz, President Thomas Nolan and advisers explained that, in bankruptcy court, General Growth would save money by forgoing interest payments on its unsecured debt but would also incur costs from the bankruptcy process and big tax bills if it liquidates its holdings.

At the Monday meeting were representatives of 10 banks put on an advisory committee to represent the 180 lenders in General Growth's $2.6 billion credit facility. Among them are **Eurohypo** AG, **Bank of America** Corp., **Wachovia** Corp., **Emigrant Savings Bank**, **Crédit Agricole** SA's Caylon investment-banking unit and **Citigroup** Inc.

General Growth's prospects also are clouded by maneuvering by its scores of lenders trying to improve or protect their positions in case of a bankruptcy filing. Several Rouse bondholders became the latest group to hire lawyers to protect their interests, hiring **Paul, Weiss, Rifkind, Wharton & Garrison** LLP.

The biggest intra-creditor fight has pitted Citigroup against the six other lenders holding the mortgages on the two Las Vegas malls that originally were due Nov. 28. New details have recently emerged on that battle.

Citigroup was fighting the others because it also is a lender on the $2.6 billion unsecured credit facility, according to people familiar with the matter. The bank was worried that in a bankruptcy, there wouldn't be enough money to repay that facility. To keep that from happening, Citigroup wanted to ensure that General Growth didn't pay off separate creditors, namely the Rouse bondholders, by selling or refinancing malls to which the credit-line lenders would eventually have a claim, the people say. In the negotiations over extending the deadline on the $900 million Las Vegas mortgage, Citigroup withheld its approval until General Growth agreed to several restrictions on what it could do with its assets, the people say.

In mid-December, General Growth acquiesced to Citigroup, agreeing in principle to far-reaching restrictions during the term of the extension, these people say. This caused friction with the other lenders. They ended up cutting a similar deal with General Growth but excluding Citigroup.

Rio Tinto selects next chairman

By Jeffrey Sparshott

LONDON—**Rio Tinto** said Jim Leng, deputy chairman of **Tata Steel** Ltd. of India, will succeed Paul Skinner as chairman of the Anglo-Australian mining company in April.

Mr. Skinner's current term expires at the end of 2009, but Rio Tinto said he would formally step down April 20, at the company's annual general meeting. Mr. Skinner, who became chairman in 2003, led the mining company through its defense against BHP Billiton's hostile bid, which ended late last year when BHP walked away from the offer.

"After the termination of the BHP Billiton preconditional offers for the group, and the identification of a well-qualified successor, now is a good time for me to announce my decision to stand down," Mr. Skinner said.

Mr. Skinner, 64 years old, has been mentioned as a potential successor to **BP** PLC Chairman Peter Sutherland. BP declined to comment.

Mr. Leng, 63, is deputy chairman of Tata Steel Ltd. and chairman of Tata Steel Europe. He joined the Indian company in 2006 when it acquired Anglo-Dutch steelmaker Corus, where he had been chairman.

"I look forward to working closely with Chief Executive Tom Albanese and his team as we steer the company through the challenges of the current economic climate and beyond," Mr. Leng said.

Mr. Leng is set to take over as chairman the day Mr. Skinner steps down. He joined Rio Tinto's board Wednesday as chairman designate and a nonexecutive director.

The board change is the second this week at Rio Tinto. Monday, the company said Dick Evans, chief executive of aluminum division Rio Tinto Alcan, planned to retire and leave the board on April 20.

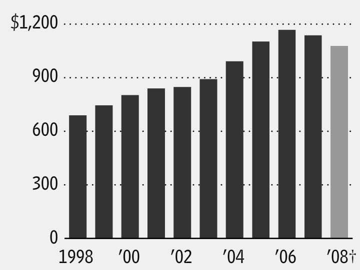
Jacynthe Côté, currently president and chief executive of Rio Tinto Alcan's primary metal unit, will take over as chief executive and will join Rio Tinto's executive committee.

Rio Tinto has been troubled by the heavy debt load it took on when it bought Canada's Alcan Inc. for $38.1 billion in October 2007. BHP Billiton cited Rio's debt as one reason for dropping its bid.

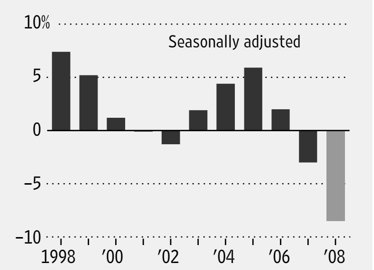
Deconstruction?

Contractors hope a stimulus package in the U.S. will reverse falling construction spending and employment

Total construction spending, in billions



Year-to-year change in number of construction employees*



†Through November, seasonally adjusted annual rate

*As of December

Source: U.S. Labor Department

Construction companies count on Obama outlays

By Jonathan Karp

As the economy slowed last year, the commercial-building unit of **Kokosing Construction** Co. had $130 million in projects—a year's worth of revenue for the division—halted in a three-week stretch. But now, with the prospect of a massive public-spending package by the Obama administration, the Ohio-based contractor is out recruiting workers.

"I told my managers that based on the expectation of a stimulus plan, we should continue interviewing people at colleges, hoping to have work for them by the time they graduate in the spring," says Brian Burgett, president and chief executive of Kokosing, a family-owned firm in Fredericktown, Ohio, that has built highways and industrial facilities for half a century.

After a rough year on the ground and in the stock market, engineering and construction companies are eager for the financial tap to be reopened. As the incoming administration assembles its stimulus plan, many contractors are lobbying hard for projects that will spend money fast rather than focusing on longer-term environmental and smart-growth policy goals.

That is largely because the industry has had steep job losses and foresees more bloodletting this year unless the government applies shock treatment to the economy. In December, construction accounted for 101,000 lost jobs, or nearly one-fifth of all U.S. jobs, capping a year in which the sector shed 632,000 jobs, according to the Bureau of Labor Statistics. Employment in nonresidential and heavy-engineering construction shrank by 7% and 9%, respectively.

The Associated General Contractors of America, the country's largest trade association of nonresidential builders, recently polled its members and found that, barring a change in the business climate, expected layoffs could cut construction employment by 30% this year.

If a stimulus package included funding for infrastructure, however, about 85% of the survey's respondents said they wouldn't lay off workers and would hire more.

The contractors association has submitted a white paper to the presidential transition team and to Congress that outlines the economic benefits for all types of infrastructure and emphasizes road and bridge work.

Mr. Burgett of Kokosing, who hopes to add fresh college graduates to his payroll, notes that Ohio has identified $1 billion in highway projects that could be started by June. Repairs to a bridge in Cleveland and upgrading an Interstate highway junction, not to mention the state's crumbling sewer lines, mean that "there is just an immense amount of work," he says.

Highlighting the industry's holding pattern, though, Mr. Burgett has put all equipment orders on hold until the stimulus package clarifies the environment. Typically, he orders $35 million of equipment a year.

Stephen Sandherr, chief executive of the contractors association, says there are about $64 billion of approved "shovel ready" transportation projects. The imperative to spend big and spend fast creates a potential clash between some contractors and proponents of environmentally friendly policies that President-elect Barack Obama espouses. "If the objective is to get things out quickly...it would be counterproductive to add smart-growth requirements to any of these projects," Mr. Sandherr says.

The public-relations battle is on for portraying major infrastructure projects—whether or not they are part of the stimulus plan—in the greenest possible light. **Shaw Group** Inc., a Baton Rouge, La., engineering firm, has attracted investors' interest after firming up a $4 billion nuclear power-plant contract.

"With the importance that is being placed on developing new sources of clean energy, we are anticipating a nuclear renaissance that will assist in reinvigorating the U.S. economy," says Gentry Brann, director of corporate communications at Shaw.

Contractors point out that their work is often subject to increasingly stringent environmental regulations. "A lot of the stimulus [spending] will go to projects that are green at some level," says J. Doug Pruitt, chairman and chief executive of Sundt Cos. in Tempe, Ariz.

David Goldberg, communications director for Transportation for America, a nonprofit coalition of transit, housing and urban-planning groups, counters that "the real issue is whether we are creating more car dependence and oil dependence." He and other smart-growth advocates agree that road and bridge repair can be an effective use of quick stimulus money.

"We also want to make sure that for the longer term, we give ourselves a minute to think about the infrastructure we need for the post-oil-dependent economy," he says.

In addition to highway maintenance, Transportation for America supports funding mass-transit authorities to preserve jobs and investment in rail, bicycle and pedestrian facilities that expand transportation options.

Claiborne projects loss

Apparel suppliers feel pain as stores discount heavily

By Rachel Dodes

Apparel maker **Liz Claiborne** Inc. warned of a fourth-quarter loss, signaling that suppliers to many retail chains will be sharing the pain of deep discounts triggered by the worst consumer spending slump in decades.

Claiborne, which also operates its own stores, said Tuesday its fourth-quarter loss could be as much as 15 cents a share because of markdowns and sluggish sales. It had previously forecast earnings of 19 cents to 24 cents a share.

Claiborne's warning comes as retailers and their suppliers are engaged in tense negotiations over "markdown money," or the amount that suppliers provide to help retailers cover their shortfall in profits resulting from discounting. The talks are set to conclude by Jan. 31, the end of the fiscal year for most retailers.

"It was a very promotional season," Claiborne Chief Executive William McComb said, describing the discounting atmosphere as "Russian roulette." Once department stores marked things down, he said, Claiborne also cut prices at some of its own retail stores. Mr. McComb declined to comment on his negotiations with retailers.

Susan Kellogg, chief executive at designer **Elie Tahari**, contended that some retailers slashed prices too early. She said monthly sales at the brand's own retail stores remained positive early in the season even though they didn't discount as much as other stores that sell the label.

Bloomberg News/Landov

Claiborne CEO William McComb described the discounting atmosphere as 'Russian roulette.' Customers shopped at a Juicy Couture store in Denver last fall.

Jones Apparel Group Inc. Chief Executive Wes Card predicted that margins will be lower across the industry because markdowns were taken so early in the season. Mr. Card said that some of Jones's brands were affected more than others.

Investors on Tuesday initially were cheered by news that Claiborne had successfully renegotiated its credit facility, reducing its size to $600 million from $750 million and extending it to May 2011. But shares reversed course, finishing off about 8%, or 23 cents, at $2.74 in 4 p.m. composite trading on the New York Stock Exchange. The stock was trading at $2.45 late Wednesday afternoon.

Speaking on Tuesday at the National Retail Federation's annual convention, Peter J. Solomon, chairman of the boutique investment bank Peter J. Solomon Co., said he is advising clients to "worry about nothing else for the next year" than maintaining adequate liquidity.

Claiborne's new credit agreement came at a steep cost. It will pay lenders Libor plus 500 basis points, compared with the old rate of Libor plus 95 basis points.

The apparel maker and many of its competitors have tried in recent years to reduce their dependence on department stores by opening their own network of stores. Still, Claiborne's "direct brands" unit, which sells apparel and accessories at 600 retail stores fared much worse this year than in the past.

Another factor hurting apparel makers is that off-price retailers, such as **TJX** Cos., that typically buy excess inventory from apparel makers are offering much lower prices and even turning away goods amid a glut in supply. Jerry Politzer, chief executive officer of retailer **Loehmann's**, for instance, said it has negotiated better prices and has declined merchandise over the past three months.

—Jennifer Saranow contributed to this article.

Neiman Marcus plans 375 layoffs amid slump

By Vanessa O'Connell

Reeling from the sharp drop in sales of luxury goods, upscale retailer **Neiman Marcus Group** Inc. is laying off 375 people, representing 3% of its work force.

The Dallas-based retailer, which operates 40 Neiman Marcus stores and New York luxury emporium Bergdorf Goodman, also said in a regulatory filing Tuesday that it will make interest payments for some senior notes due in 2015 by issuing more debt instead of paying cash—exercising a "payment-in-kind" option to cover interest payments due from Jan. 15 through April 14.

Burt Tansky, chief executive of Neiman Marcus, said at an industry conference Monday that the market for luxury goods has changed dramatically in the past several months and the company doesn't know how it will shake out eventually.

"The affluent customer, unfortunately, doesn't need anything. They can—and are—shopping in their closets and bragging about it to me," Mr. Tansky said. "We are bracing ourselves for 2009 and 2010," adding that "none of us knows what the customer will want going forward. We are in a transition period."

His comments echo those of other luxury-goods retailers.

The layoffs—across all divisions of Neiman Marcus, including Bergdorf Goodman, catalog and Internet divisions—illustrate how the current recession is dealing blows to some of the strongest names in the luxury-goods industry. Last week, Neiman Marcus reported a 31.2% plunge in December sales at stores open at least a year, excluding its catalog and online division. Its catalog and Internet unit had a 9.2% drop in sales in the five weeks ended Jan. 3.Only a year ago, there was speculation that Neiman Marcus's private-equity owners were considering an IPO of the luxury department store chain. Neiman Marcus Group was bought by Texas Pacific Group and Warburg Pincus LLC for $5.1 billion in 2005, amid a prolonged spending spree by wealthy shoppers.

Najlah Feanny for The Wall Street Journal

The retailer will cut jobs in all divisions, including its 40 Neiman Marcus stores.

Other luxury retailers also are coming under new pressure. Barneys New York, a high-end chain of department stores and boutiques, saw its ratings get downgraded by Moody's in November, after the ratings firm cited an "increased probability of default" on its $280 million in debt. A Barneys spokeswoman declined to comment, as did David Jackson, chief executive of **Istithmar** of Dubai, which owns Barneys New York.

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CORPORATE NEWS

Swatch expands in China

Stores in Hong Kong, Macau, Shanghai show faith in market

BY JONATHAN CHENG

HONG KONG—Watchmaker **Swatch Group** AG plans to open as many as 15 retail stores in Hong Kong and Macau this year, a vote of confidence that the appetite for luxury goods among mainland Chinese consumers will continue to grow even as the country's economy slows.

"Our belief in the future of this market is quite strong, and there's no hesitation to continue to invest," said Kevin Rollenhagen, greater China president of Swatch's Omega brand, and the managing director for Swatch in Hong Kong. "The consumer mood has shifted. It's no longer as excessive as it was last year, but people in China still have money."

The new Hong Kong and Macau stores may include as many as five Omega shops, but are also expected to focus on other brands from Swatch's portfolio such as Longines, Rado, Blancpain and Breguet, as well as the mass-produced, lower-end Swatch brand. All the stores, which Mr. Rollenhagen said were planned after the global economic weakness became evident, will operate under Swatch's direct management.

Mr. Rollenhagen says that while watch purchases by Hong Kong residents are down as much as 60%, those declines are offset by tourists visiting from mainland China, who he says account for as much as 80% of the company's Hong Kong sales.

Swatch

Tourists visiting from mainland China account for as much as 80% of Swatch's Hong Kong sales, such as those at this Omega flagship store on Canton Road.

In another sign of Swatch's growing interest in the China market, the company is also committing 300 million yuan ($43.9 million) for a new flagship store on Shanghai's historic Bund, Mr. Rollenhagen said.

Omega was an official sponsor of Beijing's Olympic Games this past summer, and is a sponsor for Shanghai's World Expo in 2010. In a bid to promote its image among Chinese consumers, Omega signed mainland Chinese actress Zhang Ziyi as a global spokeswoman in mid-December, putting her alongside George Clooney, Nicole Kidman and Michael Phelps.

Luxury-goods retailers have been flocking to China in recent years, hoping to tap the appetites of an expanding class of wealthy consumers while offsetting slowing growth in more mature Western markets.

Mr. Rollenhagen acknowledged that salary growth is slowing in China, forcing consumers to readjust their spending. But he expects consumer confidence to rebound by the second half of 2009, arguing that even with tough times ahead, China is still predicted to maintain annual GDP growth of at least 6%.

"Among Chinese consumers, no one is talking of recession," he said. "The short-term risk is the uncertainty: Will I have a job next year? If so, life goes on."

Arcandor reports flat net sales

BY ALLISON CONNOLLY

FRANKFURT—German retail and travel company **Arcandor** AG said net sales for its fiscal first quarter were nearly flat in a "difficult market environment."

Arcandor said preliminary net retail sales from its Karstadt department-store unit and Primondo home-shopping segment totaled €2.57 billion ($3.39 billion) in the three months ended Dec. 31.

"The figures are better than feared," UniCredit analyst Volker Bosse said Wednesday. "It's only an increase of 0.1%. But nevertheless, it's a slight development compared with last year, which, considering the deteriorating macroeconomic environment, is not too bad."

The company, formerly called KarstadtQuelle, has shifted its focus to its Thomas Cook travel business to be less dependent on its Karstadt department stores. Thomas Cook generates 60% of Arcandor's annual sales and 90% of its operating profit. The company has discussed reducing its stake in Karstadt but has ruled out selling the chain.

Arcandor said the Karstadt segment, including food and restaurants, generated €1.35 billion in sales in the fiscal first quarter, results the company called "stable" with a year earlier. Sales for the department-store business alone came in at €1.27 billion, an increase of 0.1%. Adjusted sales for the Primondo home-shopping unit also rose 0.1%, to €1.22 billion.

Karstadt's rival Kaufhof, owned by **Metro** AG, Tuesday reported a 1.3% decline in fourth-quarter comparable sales, saying its Christmas performance was on par with the year earlier.

Arcandor's stock took a battering last year shedding nearly 85% of its value. So far this year, Arcandor shares are down about 30%. Arcandor shares fell 18 European cents to close at €2.20 Wednesday.

Separately, French supermarket chain **Casino Guichard-Perrachon** & Cie. posted a 9.3% increase in fourth-quarter revenue, boosted by performance in South America and Asia. Casino, France's second-largest retailer by market capitalization, after Carrefour SA, said net sales for the quarter stood at €7.67 billion, compared with €7.02 billion a year earlier.

Impala scraps bid for Northam

BY ROBB M. STEWART

JOHANNESBURG—**Impala Platinum Holdings** Ltd. said it was walking away from its 21.2 billion rand ($2.1 billion) bid for smaller **Northam Platinum** Ltd. and its majority owner, dealing a further blow to consolidation in the platinum industry.

"Due to the current global economic climate as well as the ongoing volatility in commodity and equity prices, the parties have not been able to agree on exchange ratios," the companies said.

The announcement came hours after Northam warned that net profit for its fiscal first half ended Dec. 31 is likely to have dropped as much as 50% because of higher operating costs.

Talks between Impala Platinum, Northam and investment concern **Mvelaphanda Resources** Ltd. were announced in September, following March's record-high platinum prices. Spot prices for platinum group metals have since fallen sharply.

In October, Anglo-Swiss miner Xstrata PLC walked away from a $10 billion offer for Lonmin PLC, the world's third-largest producer of the metal behind Anglo Platinum Ltd. and Implats.

"Although the near-term outlook for the platinum sector remains challenging, the parties continue to believe in the long-term fundamentals of the industry," Implats said.

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GLOBAL BUSINESS BRIEFS

Fiat SpA

Marketing executive picked to be CEO of Alfa Romeo

Fiat SpA named Sergio Cravero chief executive of Alfa Romeo Automobiles, in a move aimed at helping the auto maker better face market challenges. Mr. Cravero, who had been serving as head of marketing, also has experience in engineering, the company said Wednesday. He succeeds Luca De Meo who resigned Monday. Mr. De Meo was Fiat's chief marketing officer and head of the Alfa Romeo and Abarth brands. Fiat Chief Executive Sergio Marchionne said in a written statement that the move is part of a reorganization that will give Fiat Group Automobiles "a much leaner and more flexible structure, increasing its ability to take advantage of new business opportunities and further reducing response times."

Tata Motors Ltd.

British luxury-car maker Jaguar Land Rover said it will cut 450 jobs because of a severe drop in demand. The company, part of **Tata Motors** Ltd. of India, said it plans to shed about 15% of its managers—some 300 posts—and a further 150 salaried agency staff from its global work force of about 15,000 people. Managers won't receive bonuses this year and management pay increases have been deferred to Oct. 1 at the earliest. The car maker already reduced head count late last year by seeking some 500 voluntary departures and cutting agency support staff by about 850. Chief Executive David Smith said the cuts were a response to "the unavoidable impact of the credit crunch and a severe reduction in demand." The company wants the U.K. government to provide loans or loan guarantees.

Hypo Real Estate Holding AG

The German government is considering taking a stake in Germany's embattled **Hypo Real Estate Holding** AG, in a move similar to its purchase of about 25% of **Commerzbank** AG, a lawmaker from Germany's ruling grand coalition said Wednesday. "I can confirm that there are such considerations, to take a stake similar to Commerzbank," said Otto Bernhardt, a lawmaker from the Christian Democratic Union and the party's financial-policy spokesman. "A decision is imminent." The move comes as Germany, Europe's biggest economy, unveiled a second rescue package to support its economy. The government last week said it would take a 25%-plus-one-share stake in Commerzbank.

EADS

European commercial-aircraft builder Airbus Wednesday said that its planned A350 XWB wide-bodied aircraft program is on schedule but that hurdles remain. "The program is on track, though it is very challenging," said Chief Operating Officer Fabrice Bregier. The A350 is planned to make its maiden flight in early 2012 and enter into service with customer airlines by mid-2013. It will be available in three configurations to accommodate as many as 350 passengers and has a range of as many as 8,300 miles. So far, Airbus, a unit of **European Aeronautic Defence & Space** Co., has booked 478 orders for the aircraft from 29 airlines. It estimates that there's a potential market of 5,000 aircraft. Airbus is investing about €10 billion ($13 billion) in the A350 program, said Mr. Bregier. The financing will come from Airbus as well as industrial partners on the program.

SAS AB

Scandinavian airline operator **SAS** AB said it reached an agreement with trade unions that will result in cutting staff costs by about 1.5 billion Swedish kronor, or about $181 million, a year. SAS said about a third of the cost cuts will come from lower salaries, while two-thirds are linked to fewer working hours, daily expenses, pensions and insurance. The pilots, the chief executive and other members of group management will refrain from salary increases in 2009 and some salaries will be reduced by 6%, the company said. Meanwhile, SAS said board members have cut their fees by 6%. The agreement was the result of talks held between the company and trade unions since November. "The negotiations were intensive and constructive," Chief Executive Mats Jansson said.

Gold Fields Ltd.

Gold Fields Ltd., one of Africa's largest producers of the metal, named Paul Schmidt as chief financial officer, a position he has held on an acting basis since May. The move is part of a shake-up of the Johannesburg company's senior management over the past year. Former Chief Executive Ian Cockerill stepped down in April after six years in the post, to be succeeded by then-Chief Financial Officer Nick Holland. The appointment of Mr. Schmidt, with 18 years of industry experience, was effective Jan. 1. "Over the past eight months, Paul has acted with distinction in the role," said Mr. Holland. Mr. Schmidt was promoted to Gold Fields's corporate office as financial manager in 1999 and to financial controller in April 2003.

Fresnillo PLC

London-listed Mexican silver miner **Fresnillo** PLC said it is slashing its capital expenditure and exploration budget but that it remains on the hunt for acquisitions within the battered mining sector. The world's biggest primary silver producer trimmed its expenditure and exploration budget by about $25 million, to $245 million, for 2009 because of the tougher economic environment. However, with about $240 million in cash, the miner is still looking for deals similar to its recent $25 million acquisition of the Noche Buena gold deposit and its $178.8 million offer for the 80% of MAG Silver Corp. it doesn't already own. Fresnillo also reported a 2.4% drop in fourth-quarter silver production but record output for the full year.

Zavvi

The administrator of British DVD, CD and games retailer **Zavvi** said Wednesday it will close 18 more stores, resulting in 353 job losses. Joint Administrator Tom Jack said the store closures are a result of falling stock levels. Despite more than 70 expressions of interest in the company, an offer has yet to be made for the store portfolio as a whole, he said. Administrator **Ernst & Young** said it will continue to trade the remaining 74 U.K. Zavvi stores, with a view to selling all or part of the business as a going concern. It said it remains optimistic that current sale negotiations will prove successful and that a sale can be achieved. Last week 22 Zavvi stores were closed, resulting in 178 job losses and further discounts at remaining stores.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Obama has backing for stimulus plan

In poll, Americans voice concern that too much money will be spent and about the growing U.S. deficit

By Laura Meckler

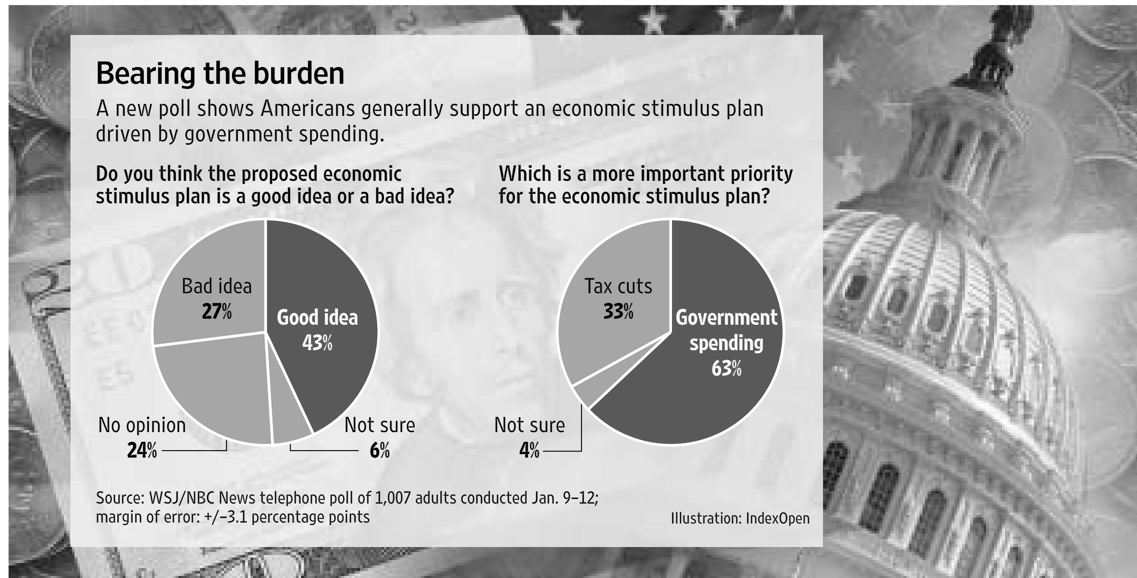
WASHINGTON—Americans support the economic-stimulus plan being pushed by President-elect Barack Obama but worry the government will spend too much money and drive up the budget deficit, a new Wall Street Journal/NBC News poll found.

Overall, the poll found there is strong public backing for the stimulus plan, now estimated to cost $850 billion, and for its major planks. Mr. Obama's proposal to spend more federal money to create jobs, in particular, received strong support, as concern about rising unemployment dwarfs other economic worries.

"The public is in favor of the stimulus package and thinks most elements are a good idea. But they have true concerns about the spending and where the money is going," said Democratic pollster Peter D. Hart, who conducted the poll with Republican Bill McInturff.

As Mr. Obama prepares to take office next week, he enjoys enormous good will and significantly higher approval ratings than his predecessors enjoyed upon entering the White House.

The poll found that the handful of problems Mr. Obama's transition has encountered have had little, if any, effect on his standing with the public. And it found that more Americans view race relations in the country more hopefully.



The survey of 1,007 adults was conducted Jan. 9-12 and has an overall margin of error of plus or minus 3.1 percentage points.

Asked about the economic-stimulus package that Mr. Obama has made the centerpiece of his agenda entering the White House, 43% of people surveyed called it a "good idea," while 27% said it was a "bad idea." The rest didn't have an opinion.

In a subsequent question that described the plan's potential advantages and disadvantages, 57% of those polled said the plan was a good idea, while 36% called it a bad one.

As to how the money should be spent, people, by a two-to-one margin, said they preferred government spending to create jobs over tax cuts that would give Americans more money to spend. Their top economic worry, among many economic concerns, was unemployment.

At the same time, the survey suggested that many people are concerned about the potential cost of the plan. A total of 60% of those surveyed said they worry more that the government will spend too much, while 33% worry the government will spend too little.

Six in 10 people said the budget deficit is a "real and important number" that affects average citizens; half that number said it was more of a "bookkeeping and governmental number." The budget deficit is projected to hit $1.2 trillion in fiscal 2009.

Some of the concerns stem from last year's deeply unpopular rescue plan for financial institutions, said Mr. McInturff, the Republican pollster. He said he would advise the Obama team to make clear to the public that its plans are different from those implemented in the final months of the Bush presidency.

"They need a sharp line in the sand," Mr. McInturff said. He said that if he were advising Mr. Obama, he would tell him to "get a million miles away from the October stuff," a reference to the measures taken by the Bush administration to try to ease the credit crunch and help distressed financial firms.

The poll also presented a list of areas where Mr. Obama could be perceived as going "too far." The only area where a majority of people registered concern was providing aid to corporations facing bankruptcy.

Republican Kevin Tully, a freight broker from Medford, Ore., said he didn't vote for Mr. Obama, but supports the stimulus "to a certain degree."

"As long as it gets to the average American's hands, it's great," said Mr. Tully, 36 years old, adding that he didn't approve of how money from last year's financial-rescue package has been used. "I totally don't think it's fair that the banks aren't disclosing what they're using the bailout money for.

"I'm in a wait-and-see holding pattern," he said. "I'm hopeful that [Mr. Obama] and his administration have some good ideas."

—T.W. Farnam contributed to this article.

Tax issues delay Geithner hearing

By Jonathan Weisman

WASHINGTON—The Senate Finance Committee for a second time postponed a hearing for U.S. Treasury Secretary-nominee Timothy Geithner following revelations about his failure to pay Social Security and Medicare taxes while working for the International Monetary Fund, among other tax infractions.

The delay was prompted by Sens. Jon Kyl (R., Ariz.) and Jim Bunning (R., Ky.) who both objected to waiving Finance Committee rules to allow a hearing without a week's notice.

Sen. Kyl said a Friday hearing, as was tentatively scheduled, may conflict with the grilling Republicans plan to give Attorney General-nominee Eric Holder. The delay serves another purpose: It will give Finance Committee staff and members more time to pore over Mr. Geithner's tax returns, which have showed a failure to pay more than $34,000 in taxes on time.

As a result, President-elect Barack Obama will take office without having a Treasury secretary installed amid the biggest financial crisis in decades. Mr. Geithner's hearing is now scheduled for Jan. 21.

Obama transition officials continue to say Mr. Geithner's failure to pay taxes on Social Security, a government pension program, and Medicare, a health-care insurance program, was a common mistake for employees at international organizations in Washington. The Internal Revenue Service issued a settlement initiative in 2006 granting amnesty to employees of international organizations who come forward and pay back taxes.

Finance Committee aides said that settlement applied to all employees of international organizations, from the cooks and cleaning ladies of Embassy Row to senior World Bank economists. Most of the accidental scofflaws were low-level contractors at embassies, they said.

Timothy Geithner

Senior congressional Democrats, including Majority Leader Harry Reid of Nevada, have said they are confident Mr. Geithner will ultimately be confirmed, though similar lapses have tripped up nominees in the past, most notably with President Bill Clinton's choices for attorney general.

The tax issue relates to Mr. Geithner's work for the IMF between 2001 and 2004. As an American citizen working for the IMF, Mr. Geithner was technically considered self-employed and was required to pay Social Security and Medicare taxes for himself as both an employer and an employee.

The IMF and World Bank reimburse employees, including U.S. citizens, for their U.S. taxes, which individuals are expected to pay on their own. That implies Mr. Geithner retained payments from the IMF that were supposed to be used for taxes.

In 2006, the IRS audited Mr. Geithner's 2003 and 2004 taxes and concluded he owed taxes and interest totaling $17,230, according to documents released by the Senate Finance Committee. The IRS waived the related penalties. At the time, Mr. Geithner was president of the Federal Reserve Bank of New York.

During the vetting of Mr. Geithner late last year, the Obama transition team discovered the nominee had failed to pay the same taxes for 2001 and 2002. "Upon learning of this error on Nov. 21, 2008, Mr. Geithner immediately submitted payment for tax that would have been due in those years, plus interest," a transition aide said. The sum totaled $25,970.

As to why Mr. Geithner didn't pay all his back taxes after the 2006 audit, an Obama aide said the nominee was advised by his accountant he had no further liability. Senate Finance aides said they were concerned either Mr. Geithner or his accountant used the IRS's statute of limitations to avoid further back-tax payments at the time of the audit.

Other tax issues also surfaced during the vetting, including the fact Mr. Geithner used his child's time at overnight camps in 2001, 2004 and 2005 to calculate dependent-care tax deductions. Sleep-away camps don't qualify.

Amended tax returns that Mr. Geithner filed recently include $4,334 in additional taxes, and $1,232 in interest for infractions, such as an early-withdrawal penalty from a retirement plan, an improper small-business deduction, a charitable-contribution deduction for ineligible items, and the expensing of utility costs that went for personal use.

U.S. energy nominee softens views on coal, nuclear power

By Stephen Power

WASHINGTON—Physicist Steven Chu, President-elect Barack Obama's choice to run the U.S. Department of Energy, softened previously critical comments about coal and nuclear power.

Testifying before a Senate panel considering his nomination Tuesday, Mr. Chu warned of "dramatic, disruptive changes to our climate system in the lifetimes of our children and grandchildren" if the U.S. and other nations don't speed up efforts to reduce emissions of greenhouse gases. Making vehicles and buildings more efficient—rather than increasing access to oil on federal land—is the best step for reducing U.S. dependence on foreign oil, he said.

Mr. Obama has pledged to cut U.S. greenhouse-gas emissions 80% from 1990 levels by 2050 through new legislation. He also seeks to double over three years the amount of wind, solar and geothermal generating capacity—steps that have aroused skepticism and resistance from some industries.

In a speech Tuesday in Washington, the chief executive of ConocoPhillips, James Mulva, called for being "realistic about the cost of green energy," and suggested policy makers were in danger of "inadvertently creating unattainable public expectations."

Lawmakers who attended the hearing of the Senate Committee on Energy and Natural Resources praised Mr. Chu's credentials, which include a Nobel Prize. Lawmakers pressed Mr. Chu with competing demands, and he responded by toning down or qualifying statements made when he was running the Lawrence Berkeley National Laboratory.

Republicans demanded that Mr. Chu be a more forceful advocate for nuclear energy. Mr. Chu promised to accelerate the disbursal of loan guarantees that his agency is authorized to give to companies seeking to build nuclear reactors. In response to Democrats' unease about the expansion of nuclear plants, Mr. Chu said his agency needed to develop a better plan for waste disposal than the Yucca Mountain depository in Nevada, a multi-billion-dollar facility that has ballooned in price and is years behind schedule. He said more research needs to occur before he would back commercial development of reprocessing technology.

Lawmakers from states with big coal-mining interests challenged Mr. Chu on his stance toward coal, which generates half of U.S. electric power. Mr. Chu two years ago referred to the expansion of coal-fired power plants as "my worst nightmare." On Tuesday, he offered senators a more upbeat assessment of coal's future, calling it a "great national resource." He said he was optimistic his agency could help develop technology capable of capturing and safely storing the greenhouse-gas emissions from coal plants, and indicated he would oppose a "hard moratorium" on the construction of coal plants that lack such technology, as some Democrats advocate.

—Ian Talley contributed to this article.

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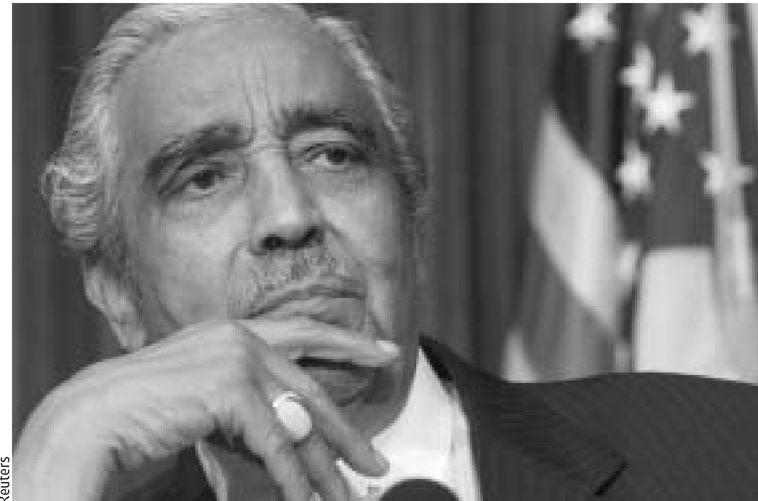
ECONOMY & POLITICS

U.S. stimulus gets bigger

Price tag approaches $850 billion as plan focuses on job growth

By Greg Hitt



Reuters

Rep. Charles Rangel and other congressional Democrats seem against a few Barack Obama-backed ideas, including a tax credit for businesses that create jobs.

The price tag of the U.S.'s two-year economic-stimulus bill has grown close to $850 billion after a series of negotiations that have that tilted the package toward investments designed to spur job creation and soften the blow of the recession on families and local governments.

Details could be released soon, as top Democrats in Congress and the incoming Obama administration make good on a pledge to air the package ahead of formal action, which begins next week after President-elect Barack Obama is sworn into office Tuesday.

Congressional aides and others familiar with negotiations cautioned that the House and Senate could have slightly different packages, with differences expected to be ironed out in talks next month, following initial action on the House and Senate floors.

The starting point will be in the tax-writing House Ways and Means Committee, headed by Rep. Charles Rangel (D., N.Y.). Rep. Rangel wants to drop an Obama-backed proposal to give businesses tax relief by allowing them to claim new refunds from the government by carrying losses back to prior tax years. The Senate has insisted the provision remain in the measure.

Instead, Rep. Rangel wants to add in a $70 billion provision that would shield middle-class families from the alternative minimum tax. The AMT was designed to ensure that wealthy individuals pay their fair share of taxes but now threatens to raise the tax bills of millions of middle-class Americans, too.

Rep. Rangel and other top congressional Democrats appear united in their concern over another Obama priority: a proposal to create a tax credit for businesses that create jobs. That proposal now appears likely to be killed or sharply curtailed.

Taken together, the horse-trading has pushed up the overall cost of the recovery package beyond the $775 billion initially envisioned when Obama aides approached Congress a few weeks ago.

The core of plan, in both the House and Senate versions, will be the "Make Work Pay" credit, which effectively provides working Americans with a payroll tax holiday. That proposal soaks up half of the $300 billion being set aside for tax cuts.

Seniors and individuals receiving Social Security disability payments would also receive a one-time tax benefit, and action would be taken to broaden eligibility of the child tax credit.

On the business side, the package would extend special write-offs in the tax code designed to encourage businesses to make capital investments. About $25 billion would be spent on energy tax incentives, including provisions promoting conservation and development of wind, solar and other renewable sources of power. Also under discussion is a proposal to provide incentives for low-income housing, with the goal of addressing concerns that the low-income housing credit has fallen out of favor with investors amid the recession, threatening to slow the pace of construction. The program under development by House tax writers as part of the stimulus package would send money directly to local housing authorities in hopes of ensuring there are no gaps in construction, individuals familiar with negotiations said.

House tax writers are also working on a proposal that would ease repayment requirements for taxpayers claiming the tax credit for first-time home purchases. Under current law, the $7,500 value of the credit for couples must be a repaid to the government over several years. But that would be waived under the proposal.

Under the broader recovery package, short-term spending would grow to more than $500 billion, reflecting a mix of direct appropriations, such as investments in highways and bridges, and increased commitments to social benefit programs, such as unemployment insurance and Medicaid, the federal-state program that provides health care to the poor. Additional funds would go toward food assistance for low-income families and expanded jobless benefits.

U.S. retail sales tumble by 2.7%

By Kelly Evans And Miguel Bustillo

The slump in U.S. consumer spending worsened last month, as sales fell at a wide range of retailers, restaurants and car dealers, raising fresh concerns about the U.S. economy in 2009.

Retail and food-services sales fell in December for the sixth month in a row, sliding a seasonally adjusted 2.7% from November to $343.2 billion, the U.S. Commerce Department said Wednesday. Sales were down nearly 10% from December 2007, the biggest yearly drop since records began in 1968.

Economists at Goldman Sachs said in a client note the declines were not only bad news for U.S. economic growth in the final three months of 2008, "but it also starts us into [2009] on very weak ground."

The weakness was echoed in a separate report Wednesday from the Federal Reserve on economic activity nationwide. The Fed's "beige book," a roundup of reports from its 12 regional banks released every six weeks, said: "Most districts noted reduced or low activity across a wide range of industries" through the first week of January, compared with the previous six-week period.

The beige book—named for its tan cover, and released two weeks before the Fed's Jan. 27-28 policy meeting—cited weakness especially in vehicle sales, commercial real estate, credit availability and labor-market conditions as the U.S. recession enters its second year. The marked declines in retail sales and spending in general during the final months of 2008 are already prompting fresh waves of layoffs and cost-cutting that could prolong the downturn.

The combination of deep discounts and bad sales has led numerous retailers, including **Wal-Mart Stores** Inc., **Macy's** Inc. and **Gap** Inc., to warn this month of looming weakness in quarterly or annual profits. ShopperTrak RCT Corp., which estimates retail sales and visits, said this week it now expects U.S. foot traffic to decline 16% and sales to drop 4% in the first quarter from a year earlier.

On Wednesday, jeweler **Tiffany** & Co. said it experienced a 35% drop in holiday sales at U.S. stores open at least a year, and was therefore cutting its profit forecast. It also said it was exploring ways to slash costs. "We believe these conditions will continue well into 2009," the company's chief executive, Michael J. Kowalski, said.

Another hard-hit company, upscale retailer **Neiman Marcus Group** Inc., disclosed in a regulatory filing Tuesday that it is planning to lay off 375 people, or 3% of its work force. One troubled firm, electronics retailer **Circuit City Stores** Inc., is trying to auction itself in bankruptcy court, after saying it may have to be liquidated if it can't find a buyer by Friday.

Meanwhile, a separate report on November inventory levels shows businesses can't lower inventories quickly enough to match falling sales, resulting in an unwanted accumulation of goods. The level of inventories rose to a 1.41 months' supply at November's sales rate, the highest since 2001, and the increase from October's 1.34 months' supply was the biggest jump on record.