THE WALL STREET JOURNAL.

WSJ.com

DOW JONES Newswires

EUROPE

DOW JONES A News Corporation Company

VOL. XXVI NO. 248 WEDNESDAY, JANUARY 21, 2009

Obama rallies U.S. against war, crises

In inaugural address, new president says 'time has come to reaffirm our enduring spirit,' while decrying divisions

Reuters

U.S. President Barack Obama, with his family looking on, took the oath of office shortly after noon Tuesday in Washington before a crowd that was expected to reach as high as two million people.

By Jonathan Weisman And Laura Meckler

WASHINGTON—Barack Obama was sworn in Tuesday as the 44th U.S. president and called on the nation to put aside greed, irresponsibility and "our collective failure to make hard choices" and turn back the "raging storms" of war and recession.

In an ambitious address of 18 minutes that echoed with allusions to the Bible and the sacred texts of American democracy, Mr. Obama sought to obliterate the traditional divisions of conservatism and liberalism and remake American politics. Without mentioning them by name, he issued subtle rebukes to outgoing President George W. Bush and the Republicans who controlled the federal government for much of the past decade and not so long ago dismissed Mr. Obama as unready for the Oval Office.

"On this day, we gather because we have chosen hope over fear, unity of purpose over conflict and discord. On this day, we come to proclaim an end to the petty grievances and false promises, the recriminations and worn out dogmas that for far too long have strangled our politics," Mr. Obama said. "The time has come to reaffirm our enduring spirit, to choose our better history; to carry forward that precious gift, that noble idea passed on from generation to generation: the God-given promise that all are equal, all are free, and all deserve a chance to pursue their full measure of happiness."

America, Mr. Obama said, is a young nation, "but in the words of Scripture, the time has come to set aside childish things."

Mr. Obama stood opposite the Lincoln Memorial where 45 years

Please turn to page 35

What's News—

Business & Finance

The pound tumbled and U.K. bank shares fell, with one dropping 31%, on fears the government's bailout effort isn't working and London could be forced to take the further step of nationalizing the sector. Page 2

■ **U.S. bank stocks tumbled** again, with investors increasingly acting as if the government will nationalize the weakest lenders and hurt shareholders. Page 21

■ **Stocks fell** on both sides of the Atlantic as fear in the financial sector outweighed Obama's call for confidence. Page 22

■ **State Street shares plunged** nearly 50% after the bank said net profit fell 71% and warned that off-balance-sheet assets pose a risk of big losses. Page 23

■ **Russian gas reached** the EU for the first time in two weeks, ending the dispute that left much of Europe in the cold. Page 2

■ **Germany forecast** its GDP will shrink 2% or more this year, and Hungary's currency fell to a record low. Page 3

■ **The French government** said it is prepared to inject up to $7.9 billion to jump-start the French auto industry. Page 3

■ **Burberry will cut 9%** of its work force. Page 5

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	7949.09	-332.13	-4.01
Nasdaq	1440.86	-88.47	-5.78
DJ Stoxx 600	185.70	-4.02	-2.12
FTSE 100	4091.40	-17.07	-0.42
DAX	4239.85	-76.29	-1.77
CAC 40	2925.28	-64.41	-2.15
Euro	$1.2926	-0.0211	-1.61
Nymex crude	$38.74	+2.23	+6.11

Money & Investing > Page 21

World-Wide

Barack Obama was sworn in as the 44th president of the U.S., becoming the first African-American to hold the office. In his address, he called on the country to put aside greed and irresponsibility, and sought to obliterate the traditional divisions of conservatism and liberalism and remake American politics. Page 1

■ **Sen. Edward Kennedy**, battling a brain tumor, became ill at a post-inauguration lunch and was taken away by ambulance.

■ **The U.N.'s Ban inspected** damage in Gaza and told Israel to end its blockade. Israeli forces were expected to finish pulling out of the territory. Page 36

■ **The U.S. said it struck** deals with Russia and neighboring nations allowing it to transport supplies to troops in Afghanistan through their territory.

■ **Afghanistan sent** NATO a draft agreement that would give the nation more control over future troop deployments.

■ **Poland's prime minister** fired the justice minister after an outcry over the apparent suicide of a man imprisoned for murder.

■ **Over 1,500 Rwandan troops** crossed into eastern Congo to join Congolese forces in an effort to oust Hutu rebels.

■ **Hundreds protested** in Chechnya over the slaying of a lawyer who opposed the early release of a Russian officer convicted of killing a Chechen woman.

■ **Kidnappers released** an elderly Greek shipping magnate.

Editorial&Opinion

What Obama deserves

Honest critics who don't treat the first black president as if he is a fragile flower. Page 17

Obama tries to keep hope in check

By Gerald F. Seib

If Americans expected their new president—the candidate of hope, the man who said, "Yes, we can"—to give them a feel-good moment as he entered office, they discovered just past noon on Tuesday that Barack Obama had different, more sobering thoughts on his mind.

He instead delivered in his Inaugural Address a message befitting a leader braced for tough economic times and hard choices—and one who wants his fellow citizens to adopt the same attitude. He spoke of "gathering clouds" and "raging storms," of many and serious challenges, and a "sapping of confidence across our land."

CAPITAL JOURNAL

The new president still promised hope, of course, invoking the spirit of America's Revolutionary War patriots to promise victory in the battle against manifold economic problems and what he called a "war against a far-reaching network of violence and hatred."

But Mr. Obama spoke as if he believed that his very election as the nation's first African-American president, and the outpouring of the

Please turn to page 35

Reuters

Inauguration coverage inside:

LEADING THE NEWS

Russian gas reaches EU, ending two-week dispute

By Jacob Gronholt-Pedersen

Russian gas reached the European Union on Tuesday for the first time in almost two weeks, marking the end to a dispute that left most of Eastern Europe without supplies during a bitterly cold spell.

Russia's state-controlled gas firm OAO **Gazprom** said Tuesday morning it had fully resumed exports to European consumers via Ukraine's pipeline system. Five hours later, gas had reached Slovakia.

"Today we can finally welcome the resumption of gas supplies to Europe," European Commission President José Manuel Barroso said. "Our monitors on the ground report that gas is flowing normally," he said.

Russia stopped gas supplies to Ukraine on New Year's Day following a dispute over price and payments for natural gas. A week later, Moscow halted supplies to Europe accusing Ukraine of stealing the transit gas destined for Europe.

Ukraine, Russia and the EU had on Jan. 12 signed an agreement to deploy international monitors to oversee gas flows and resume gas transit. But that deal fell apart, leaving the EU wary that Monday's agreement might similarly unwind.

"That was the first time ever in my life when I saw agreements that were systematically not implemented, it's really incredible," said Mr. Barroso. The commission had been preparing legal action in case this deal fell through as well, he said.

Gazprom's deputy chairman, Alexander Medvedev, reassured Europe there is no risk of Russian gas supplies being frozen to Europe in the future. Russian Prime Minister Vladimir Putin and his Ukrainian counterpart, Yulia Tymoshenko, oversaw the signing Monday of a 10-year supply and transit contract between Gazprom and **Naftogaz Ukrainy** in Moscow.

"A similar shutoff of Russian gas to Europe will never happen again, if Ukraine will be in compliance with the contract signed," said Mr. Medvedev.

The EU depends on Russia for almost a quarter of its gas needs. Around 80% of that gas flows via Ukraine's pipeline system.

Under the deal signed Monday between Gazprom and Naftogaz, all intermediaries including RosUkrEnergo—a trading company owned on a joint basis by Gazprom and two Ukrainian businessmen—will be eliminated. Gazprom will supply Ukraine with 40 billion cubic meters of gas this year at a 20% discount to European prices, which, according to Gazprom's Medvedev, will average $280 per 1,000 cubic meters this year. Starting in 2010, Ukraine will pay full price. Gazprom will pay $1.70 for the transportation of 1,000 cubic meters per 100 kilometers—the same as last year's level. The transportation fee will also go to market price starting next year.

—Alessandro Torello contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Deutsche Bank's alternative investment arm is called Rreef Alternative Investments. A Global Business Brief Tuesday about bidding for London's Gatwick Airport incorrectly called the unit Alternative Investments.

U.K. rescue boosts fears

Pound, bank shares plunge amid fears of nationalization

By Alistair MacDonald And Neil Shah

The U.K.'s latest bank rescue effort initially backfired Tuesday when it spooked investors and sent the pound tumbling, aggravating fears about the stability of the country's banks and the government's finances.

Rather than reassure markets, the multibillion-pound bailout effort announced Monday by Prime Minister Gordon Brown underscored the depth of the economic crisis the country faces. The pound fell to its lowest point against the dollar since 2002, and U.K. bank shares fell—one stock fell as much as 31%—on fears that the government—which has already injected some £37 billion ($53.48 billion) into its three largest banks—will be forced to take the further step of nationalization.

Prices of government bonds fell throughout Europe, reflecting growing concerns that governments will be dragged further into the increasingly costly effort to prop up their banking systems. European Union finance ministers warned that worries over growing public indebtedness in Europe may limit further stimulus measures. The German government said its economy would shrink 2% this year, and the Hungarian currency fell to a record low.

Investors are increasingly on guard against the prospect of rating downgrades against governments after ratings company Standard & Poor's downgraded Spain and Greece in the past week, though S&P has affirmed the current rating of the U.K., along with Germany and Italy.

Mr. Brown on Monday announced new measures to rescue banks and revive lending, including an insurance plan to limit banks' losses on bad investments and government guarantees on bonds backed by mortgage and other consumer loans. Mr. Brown believes these measures, and others announced last year potentially costing more than £500 billion, will help stimulate an economy that government data to be released Friday is likely to confirm has entered a deep recession after 15 years of booming.

Investors are fretting about the cost of the package to the U.K. Treasury. An accelerating worry is that Britain could end up fully nationalizing more of its banks, adding more pressure on its balance sheet.

Shares of **Royal Bank of Scotland Group** sank a further 11% on Tuesday, after falling 67% Monday on a warning that its 2008 losses could reach £28 billion; investors now fear that RBS, already state-controlled, could be fully taken over by the government. Shares of **Lloyds Banking Group** dropped 31% on fears that it, too, could be headed for nationalization. **Barclays** PLC fell 17%.

"People are beginning to understand what's actually happening to the [U.K.] government's finances, and the amount of debt we're taking on," said Russell Silberston, head of global interest rates at investment firm Investec Asset Management in London.

Investor reaction to the new bailout efforts has been much harsher than it was when the U.K. government announced its original rescue plan on Oct. 8. Back then, bank shares were mixed and the pound fell a bit more than 2% against the dollar in the two days following the announcement. The pound has fallen more than 5% against the dollar since Monday morning, and fell almost 5% against the yen Tuesday.

Some foreign investors, many of whom already have aggressively sold off U.K. assets, believe that Britain's economy is set to be one of the biggest casualties of the credit crunch.

"The U.K. economy is in a worse shape than the U.S. and most other European economies," said Robert Levitt, a principal of Levitt Capital Management LLP in Boca Raton, Fla., who last year dumped all of his U.K. holdings, including both equities and government debt. "The U.K. has had all the vices of the U.S.—high debt, property prices, an overvalued currency—but they have been even greater in Britain."

For more than a decade, the U.K. has reaped the benefits of its role as a hub for the world's capital, building London into a major financial center and allowing foreign companies to take over its own firms with no political obstructions. As the country boomed in 2006, some $2.4 trillion flowed in and out of the U.K., only $400 billion less than the U.S.

According to data from the clients of Bank of New York Mellon Corp., net outflows of foreign investment from U.K. fixed-income instruments in October and November 2008 wiped out about three-quarters of the net purchases in the nearly four years between November 2004 and September 2008. Continued outflows since November have contributed to a sharp fall in the pound, according to the bank's analyst Simon Derrick.

Foreigners also are buying up fewer British companies. Over the past two years nearly half of U.K. acquisitions have been from outside its borders, compared with 20% in the U.S. But in 2008, foreign companies spent $44 billion less, or 22%, than the year before buying U.K. companies, according to figures from data provider Dealogic.

Concerns over the cost of bailing out banks also has prompted investors to dump U.K. government bonds. Jittery investors also pushed up the cost of insuring such debt in the derivatives market Monday, though the cost fell later in the day.

The U.K.'s debt as a percentage of gross domestic product is likely to leap from 44.2% in November to around 70% in 2012, according to Neville Hill, an economist at Credit Suisse Group in London. The U.K.'s budget deficit, already the highest among the major economies, by the U.K. Treasury's calculations will rise to 8% next year, almost twice the average deficit predicted for the rest of the European Union.

INDEX TO BUSINESSES

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

THE WALL STREET JOURNAL EUROPE (ISSN 0921-99)
Boulevard Brand Whitlock 87, 1200 Brussels, Belgium
Telephone: 32 2 741 1211 Fax: 32 2 741 1600

SUBSCRIPTIONS, inquiries and address changes to:
Telephone: +44 (0) 207 309 7799
Calling time from 8am to 5.30pm GMT
E-mail: WSJUK@dowjones.com Website: www.services.wsje.com

Advertising Sales worldwide through Dow Jones International. Frankfurt: 49 69 971428 0; London: 44 207 842 9600; Paris: 33 1 40 17 17 01

Printed in Belgium by Concentra Media N.V. Printed in Germany by Dogan Media Group / Hürriyet A.S. Branch Germany. Printed in Switzerland by Zehnder Print AG Wil. Printed in the United Kingdom by Newsfax International Ltd., London. Printed in Italy by Telestampa Centro Italia s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland by Midland Web Printing Ltd. Printed in Israel by The Jerusalem Post Group. Printed in Turkey by GLOBUS Dünya Basınevi.

Registered as a newspaper at the Post Office.

Editeur responsable: Daniel Hertzberg M-17936-2003

INDEX TO PEOPLE

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

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

LEADING THE NEWS

German forecast is bleak

GDP is set to drop; EU warns that room to spend is limited

European Union finance ministers said the bloc was running out of room to spend on economic stimulus, as Germany predicted its GDP would shrink between 2% and 2.5%

By ***Roman Kessler*** *in Frankfurt and* ***Adam Cohen*** *in Brussels*

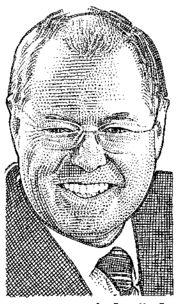
this year and Hungary's currency fell to a record intraday low, despite recent efforts to prop it up.

The finance ministers, meeting in Brussels, warned that room for further fiscal-stimulus measures is limited because of capital markets' concerns about rising public indebtedness in Europe.

German Chancellor Angela Merkel's government is set on Wednesday to discuss a draft report that drastically cuts its economic forecast for the current year, amid plunging orders and output at German companies, particularly manufacturers that rely on exports.

Finance Minister Peer Steinbrück confirmed that the government now expects gross domestic product in Europe's largest economy to contract around 2.25% this year. The previous forecast, in October, was for growth of 0.2%.

In a glimmer of hope, the ZEW survey of financial analysts showed that expectations for the German economy have improved in the past month—but they still remain at a depressed level. Analysts believe that spending and tax measures aimed at supporting German growth, coupled with lower interest rates in the euro-currency area, could have an impact by summer, according to the monthly report from the economics institute.



Peer Steinbrück

The ZEW's economic expectations index for the next six months was minus 31 in January, an improvement from December's reading of minus 45.2 but still deep in downturn territory. Analysts' assessment of current economic conditions worsened to minus 77.1 from minus 64.5.

"The improvement in expectations is based upon one major principle of human life: hope," said Andreas Rees, economist at UniCredit in Munich. Because of Germany's stepped-up fiscal-stimulus plan and new U.S. President Barack Obama's promise to cut taxes and boost government spending, economists and asset managers are becoming less pessimistic, Mr. Rees said.

But many Eastern European countries are facing an even worse outlook than Germany and some other euro-zone economies. Hungary's currency, the forint, weakened Tuesday to a record intraday low of 288.45 to the euro, though it later gained slightly, as the government struggled to persuade investors that it could control its budget in an economy forecast to shrink as much as 4% this year.

International investors' increasing aversion to emerging-market currencies, coupled with Hungary's particularly poor growth prospects, has hit the forint hard. The currency weakened to 285.27 to the euro late Tuesday, down 9.3% from 261 forints at the start of the year.

Investors are shying away from bonds issued by financially weaker countries in the EU, and credit-rating agency Standard & Poor's has cut its rating for Spanish and Greek government debt in recent days. S&P has also said it is reviewing its rating for Irish and Portuguese debt, amid growing market concerns about their ballooning budget deficits.

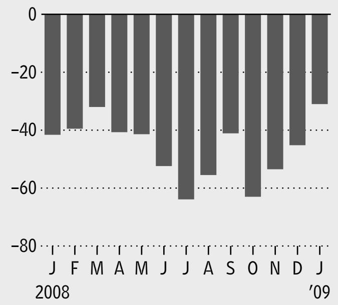
"Fiscal-stimulus plans have limits," Czech Finance Minister Miroslav Kalousek, who headed the Brussels meeting, told a news conference. Larger stimulus packages could cause debt-financing problems for some countries, he said. "Markets are already registering a certain risk," Mr. Kalousek said. "There are limits to how much [government] borrowing can take place."

EU countries last month agreed to spend about 1.5% of gross domestic product, roughly €200 billion ($262 billion) in total, to help spur economic recovery. Thus far, they have committed to spend about 1% of the bloc's GDP, European Commissioner for Economic and Monetary Affairs Joaquín Almunia told the finance ministers. He said fiscal measures, coupled with the European Central Bank's interest-rate cuts, are supporting the EU's economy. Limited credit for businesses and consumers remains a primary concern, he said, because banks are proving reluctant to resume lending.

—Margit Feher in Budapest and Andrea Thomas in Brussels contributed to this article.

Mixed signals

The ZEW indicator of economic sentiment for Germany increased in January



Source: ZEW

France prepares to jump-start its auto industry

By David Pearson

PARIS—The French government said Tuesday it is prepared to inject as much as €6 billion ($7.86 billion) to jump-start the stalled French automotive industry but warned that companies that close even one plant in France won't get any aid.

Addressing a conference of industry executives, government officials and labor-union representatives, Prime Minister François Fillon said the government stands ready to provide funds to the cash-starved sector. But Mr. Fillon said that recipients of the aid will have to guarantee they will maintain their industrial operations in France. They will also have to provide "exemplary" guarantees on production volumes and their relations with suppliers.

"There is no question of the state helping a car manufacturer that decides purely and simply to close one or more production sites in France," Mr. Fillon said.

The government has already injected liquidity into French car makers **Renault** SA and **PSA Peugeot Citroën** SA and has created a special fund to ease the impact of the credit squeeze. It wasn't immediately clear if the €6 billion mentioned by Mr. Fillon included previously announced aid. French President Nicolas Sarkozy is to announce a new package of measures to prop up car makers and their suppliers later this month.

"We can't wait for another three months to see if the banks start lending again," Mr. Fillon said, noting that the time taken to prepare a bailout plan for banks was already too long.

Peugeot-Citroën alone needs €6 billion in financing at the present time, Chairman Christian Streiff told the conference. Analysts estimate that Renault needs some €9 billion in working capital a year.

Renault Chairman Carlos Ghosn told the conference that the worst is yet to come for the industry. Mr. Ghosn, who is also head of Japan's **Nissan Motor** Co., said auto markets are facing the worst crisis since the Depression.

Mr. Ghosn said the acute problems now being encountered have highlighted severe structural issues that have plagued the auto industry for many years. He estimates the industry has "burned" €150 billion in market capitalization over the last 10 years, and a third of the world's automotive suppliers are reporting extreme difficulties.

The French government also Tuesday announced the creation of a €300 million fund to support the country's car-equipment and spare-parts industry. The fund is designed to invest in car-equipment companies over the long term and to help them increase investment, as well as further expand their relationships with Peugeot Citroën and Renault, the industry ministry said in a statement.

Despite government attempts to keep production in France, industry executives present at the event argued that high taxes—specifically a payroll tax that discourages hiring—and social charges are major handicaps for France's auto industry compared to other countries.

—Geraldine Amiel, Ruth Bender and Andreas Kissler contributed to this article.

Fiat's plan for Chrysler faces big obstacles

Fiat SpA, planning to take a 35% stake in **Chrysler** LLC, faces a race against time to get their joint operation working well enough to satisfy the U.S. government, investors and customers.

Tuesday, the two companies said they entered a nonbinding agreement that could lead to technology

By ***Stacy Meichtry*** *in Rome and* ***John D. Stoll*** *in Detroit*

sharing and the manufacture of Fiat's small cars in the U.S. Such an arrangement would allow Chrysler to add low-emission, fuel-efficient models to its fleet using Fiat know-how. It also would give Fiat access to Chrysler's U.S. dealer network, giving the Italian auto maker better access to American customers.

Under the terms of the deal, Fiat also is likely to gain three of the seats on Chrysler's seven-seat board, two people familiar with the matter said. In addition, if Fiat meets certain goals for improving Chrysler's operations within 12 months of the agreement, it would have the option to buy an additional 20% of Chrysler for about $25 million, people familiar with the matter said. Details of the conditions aren't clear.

The price is a small sum for a 20% stake in a company the size of Chrysler. In 2007, private-equity group **Cerberus Capital Management** LP put $5 billion in cash into Chrysler's auto operations as part of its acquisition of the company from **Daimler** AG, of Germany. Chrysler had about $40 billion in revenue in 2008, according to external estimates.

If Tuesday's agreement leads to a legally binding deal, both Fiat and Chrysler will quickly find themselves under pressure to show their alliance can make the ailing U.S. auto maker viable.

Chrysler has received $4 billion in emergency loans from the U.S. Treasury. But to meet the Treasury's loan terms, and to qualify for an additional $3 billion in government aid, Chrysler is supposed to have a plan by Feb. 17 that shows how it intends to return to profitability.

The alliance should allow Fiat to sell its small vehicles and fuel-efficient engines in the North American market at minimal cost, said J.P. Morgan auto analyst Himanshu Patel. Fiat's "willingness to dance with Chrysler may provide Washington just enough cover to lend Chrysler additional funds," he wrote in a research note.

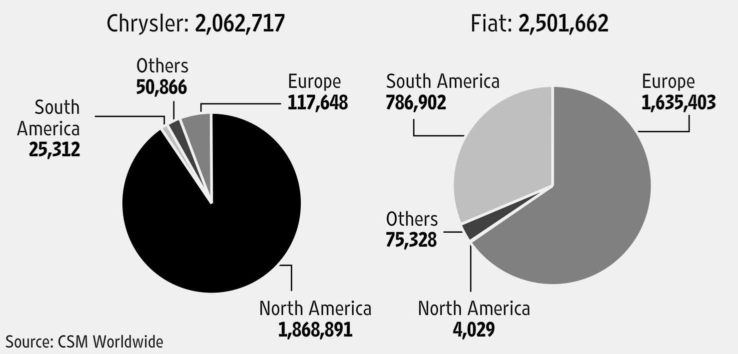
Whatever their business objectives, the two companies will struggle amid the global financial and economic crisis. This has already dragged down car sales because potential car buyers are having a hard time getting loans to finance new purchases. In Europe, car sales last year were the lowest since 1993, according to the European Automobile Manufacturers' Association.

Even in more hospitable economic climates, alliances on this scale can take years to get off the ground, and sometimes don't work. In 2000, Fiat and General Motors Corp. took stakes in each other as part of a broad strategic alliance. The partnership quickly soured, and GM eventually had to pay Fiat $2 billion to end it.

In 1998, the then Daimler-Benz paid $36 billion to take over Chrysler but sold 81% of the auto maker for virtually nothing in 2007 to Cerberus because of the failure of the former DaimlerChrysler AG to operate as a unified company.

Tuesday's pact calls for Fiat to let Chrysler use its engine, fuel-efficiency and powertrain technologies to make Chrysler-brand cars. It also calls for the sale of Fiat models in Chrysler's U.S. dealerships.

Opposites attract Forecasted global vehicles sales by region for 2008



Source: CSM Worldwide

However, it could take a few years for Fiat to adapt its small-car designs to meet crash-test safety standards in the U.S., some analysts say.

Kevin Rich, sales manager of a Chrysler dealership in Winona, Minn., said his sales staff could faces challenges in persuading customers that Chrysler models made with foreign technology were up to American standards. Still, he said, Chrysler doesn't have time to develop new technology on its own. "Chrysler desperately needs attractive fuel-efficient cars that have some curb appeal to a large market," Mr. Rich said.

In addition, Chrysler's dealerships currently focus on selling large vehicles, such as trucks and sport-utility vehicles, and they might find it difficult to market Fiat's tiny models, such as the Fiat 500 mini. "It's always a long process before you can properly work together," says Gaetan Toulemonde, an auto analyst with Deutsche Bank.

Intent on saving manufacturing jobs amid the global recession, labor unions and government officials in both Italy and the U.S. so far have greeted the potential alliance warmly.

In a statement issued Tuesday morning from Detroit, United Auto Workers President Ron Gettelfinger said the alliance "offers Chrysler new opportunities to compete in the U.S. market and the global marketplace." Mr. Gettelfinger, who bargains on behalf of tens of thousands of Chrysler assembly workers, said he expects the alliance to preserve "good-paying manufacturing jobs for our communities." He said the UAW expected to have a "voice" in shaping the alliance.

Sen. Bob Corker of Tennessee, a key player in the U.S. government's move to bail out GM and Chrysler last month with emergency loans, said the alliance with Fiat could help salvage thousands of auto dealers that rely on Chrysler for revenue.

"Chrysler is at a disadvantage because it only sells here in the United States," the Republican lawmaker said in a telephone interview. "It needs to be combined into an entity that has abilities world-wide."

Italian Industry Minister Claudio Scajola called the potential deal a "great opportunity" for both companies but noted that the car industry's "problems obviously are not over."

CORPORATE NEWS

Toyota gives reins to founder's grandson

Akio Toyoda's ascendancy heralds auto maker's return to core values as it confronts slump; a youthful perspective

By John Murphy
and Norihiko Shirouzu

TOKYO—Facing its biggest crisis in decades as its sales drop across the globe, **Toyota Motor** Corp. turned to the founding family and its core values of efficiency, thrift and quality to find a way out of its slump.

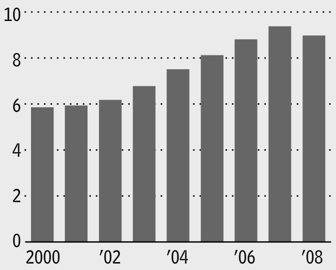
Toyota officially appointed Akio Toyoda, grandson of the company's founder, as president Tuesday, saying it needed someone with youthful perspective who could carry out bold changes needed to reverse the company's decline. The Wall Street Journal earlier this month reported Toyota's senior board decided to hand the job to 52-year-old Mr. Toyoda, replacing Katsuaki Watanabe, who will become a Toyota vice chairman.

The management changes are effective in June, following approval at a shareholders' meeting.

Just a few years ago, Mr. Toyoda's appointment for the top job was a long shot because he was considered too young and inexperienced by company elders. Critics have said a major publicly-held company like Toyota must move beyond family control, especially when the

Downturn

Toyota's consolidated global vehicle sales, in millions of units



Source: the company

Toyoda family collectively own only 2% share of the company.

Mr. Toyoda is expected to make swift changes at the company, including a possible shakeup of Toyota's management ranks, which he believes have become too conservative and bureaucratic, according to people familiar with the situation.

On Tuesday, Mr. Toyoda offered few details of what he will do. But he said the auto industry faced a once-in-a-century crisis, and promised to lead Toyota's comeback by putting customers first. "I will go back to the basics of the foundation of the company," said Mr. Toyoda. "I intend to exercise as much boldness as possible in pushing ahead with the reforms," he added.

In trading Tuesday in Tokyo, Toyota shares rose 2.3%, or 70 yen, to 3,100 yen. The stock is off 41% in the last 52-weeks.

Mr. Toyoda, son of Toyota honorary chairman Shoichiro Toyoda and grandson of Kiichiro Toyoda, will be the first founding family member to become president in 14 years. He will also be the youngest president at Toyota after his grandfather.

The U.S.-educated executive is known for an aggressive management style and for his criticism of Toyota's current management, saying it had allowed the car maker to overextend itself in a relentless pursuit of unseating **General Motors** Corp. as the world's biggest auto maker.

While Toyota is likely to be recognized as the world's largest auto maker by unit sales when GM announces its 2008 sales figures this month, it's a victory that has come at an enormous price. Rolling out plants and models across new markets from India and China to the U.S.

Associated Press

Akio Toyoda

Key postings with Toyota: Served as a vice president at Toyota's joint production venture with General Motors in California, New United Motor Manufacturing Inc.

Headed the project team that created Toyota's gazoo.com, an Asian Web site hosting virtual shops, services, new- and used-vehicle postings

June 2000: Joined Toyota's board of directors

2002: Appointed as managing director.

2003: Became senior managing director

2005: Became executive vice president

Jan. 20, 2009: Appointed as president of Toyota Motor Corp.

and Brazil this decade has strained Toyota's resources. The pace has led to a series of serious missteps from misreading the market, producing faulty products and building underutilized plants.

Toyota faces its first operating loss in 70 years in the fiscal year ending March amid slumping sales in the U.S., Japan and Europe and a sudden slowdown in demand in the once red-hot emerging markets.

To be sure, Toyota's problems pale before the debilitating condition of Detroit's auto makers. And if it succeeds in weathering this crisis, it could emerge as an even more powerful force when the economy turns around.

But with sales and profits shrinking in recent months, Toyota has been operating in crisis mode, reduced to penny-pinching measures like turning down the thermostat to save on utility bills, curbing production at its plants world-wide to reduce an oversupply of vehicles, slashing management bonuses and laying off thousands of temporary workers.

In November, Toyota formed an emergency committee tasked with finding ways to make deeper cost cuts and to boost sales. Still, the auto maker said it would continue to focus its resources on expanding the development of its popular hybrid vehicles, like the best-selling Prius.

In one recent example of the company's new culture of thrift, Takayuki Katsuda, a chief engineer in Toyota's luxury Lexus cars, said he decided to carpool to Tokyo from the company's headquarters near Nagoya instead of taking the much quicker bullet train. The five-hour drive saved the company about $30 a person, he estimated.

On Tuesday, Toyota said it sold 8.972 million vehicles world-wide in 2008, down 4% from a year earlier. The car maker hasn't released its projection for global sales for 2009, saying it is difficult to predict the outlook for demand.

Still, last year's sales could see the Japanese car maker top General Motors to become the world's largest auto company in terms of sales volume. The Japanese giant was the world's biggest automobile seller in the first nine months of 2008 after it narrowly lost out to GM as the world's largest car seller in 2007.

GM hasn't yet released its 2008 global sales, which totaled 6.656 million vehicles in the first nine months of the year.

IBM hit with antitrust complaint

By Charles Forelle

A small Florida maker of mainframe computers says it has filed an antitrust complaint against **International Business Machines** Corp. in Europe, alleging that the high-tech giant boxed it out of the market by refusing to sell its customers the operating software to run its machines.

The complaint, which asks European Union regulators to bring an investigation, would extend a legal battle continuing in the U.S. and put further focus on Europe's scrutiny of big business. EU regulators used similar legal principles in charges made against **Microsoft** Corp. last week. Microsoft has said it is studying the charges and committed to "full compliance" with European law.

T3 Technologies Inc., of Tampa, Fla., had $10 million to $20 million in annual sales until 2006, said its president, Steven Friedman. Then, he says, late that year IBM stopped licensing technology to a key T3 supplier and stopped selling operating-software licenses to T3 customers. His sales collapsed.

IBM declined to comment.

Mainframes are the workhorses of the computer world—made for managing complex jobs such as credit-card transactions. They were once made by dozens of companies. Now IBM sells the vast majority of them.

T3 is one of the last survivors. It builds machines using off-the-shelf components fitted with "emulators" to make software believe it is running on an IBM mainframe. Mr. Friedman says T3's machines can do the job cheaper than IBM's.

A key element of T3's complaint is the concept of "tying"—T3 says IBM won't sell mainframe software separately from its own hardware. For a potential mainframe purchaser "there is only one company you can go to, and that is IBM," Mr. Friedman says.

T3 may face an uphill battle convincing regulators that they should require IBM to license its software to T3's customers. Such a compulsory license faces a high burden in EU case law. What's more, potential customers have plenty of choices for computing beyond the mainframe.

T3 has also tangled with IBM in U.S. federal court. In a continuing case, IBM has alleged patent infringement against T3, which has accused IBM of antitrust abuses.

That case stems from a legal scuffle between IBM and an emulator maker, Platform Solutions Inc. T3 joined that case on Platform Solutions' side because it used the company's technology. Platform Solutions had also complained to the EU about IBM, along similar lines as T3. But IBM bought Platform Solutions last year, putting an end to its EU complaint.

EU regulators examine complaints from private parties, but they aren't obligated to bring cases.

An EU spokesman, Jonathan Todd, declined to comment on T3's filing. Mr. Todd said that though Platform Solutions withdrew its complaint against IBM, the EU has "continued to look at the sector on our own initiative."

Schaeffler urges chairman of Continental to resign

By Christoph Rauwald

FRANKFURT—**Schaeffler Group** on Tuesday urged **Continental** AG's supervisory-board chairman to resign, in the latest clash between the two companies amid a takeover.

Closely held German engineering company Schaeffler took control of Continental this month after making an unsolicited bid for the German auto-parts and tire maker in August.

By "sabotaging a joint solution and going after his own interests," supervisory-board Chairman Hubertus von Grünberg "destroyed trust," a spokesman for Schaeffler said.

Schaeffler said if Mr. von Grünberg doesn't resign it will call an extraordinary shareholders meeting and replace all shareholder representatives on the supervisory board. It said it expects Mr. von Grünberg to resign shortly.

A spokesman for Continental declined to comment. Mr. von Grünberg couldn't be reached.

Schaeffler said an overhaul of Continental's board wouldn't conflict with the investor agreement between the two companies. It said as many as four Schaeffler representatives can take seats on the board.

"Schaeffler can replace all 10 supervisory-board seats, as long as no more than four members are appointed by Schaeffler," the Schaeffler spokesman said.

Mr. von Grünberg played a controversial role when Schaeffler launched its surprise bid, as he had previously worked as an adviser for Schaeffler.

Disputes between Schaeffler and Continental have added to concerns among investors about the prospects of the deal at a time when the auto industry is facing a sharp downturn and credit markets have dried up.

—Katharina Becker contributed to this article.

Norilsk Nickel sees sharp drop in revenue

By Alexander Kolyandr

Russian mining and metals giant OAO **Norilsk Nickel** said it expects revenue to fall to $8 billion this year, about half the 2007 level, as demand and prices decline because of the global financial crisis.

Prices for nickel, which is used in making stainless steel, have dropped fast as industrial production has declined, particularly in key markets like China, India and North America. The price of a metric ton of nickel has fallen to about $10,000 from a peak of about $50,000.

Prices for copper, palladium and platinum, which Norilsk also produces, have fallen about two-thirds from their peaks.

Norilsk expects revenue to be considerably lower in 2009 from last year, a company spokeswoman Tuesday quoted Norilsk Chief Executive Vladimir Strzhalkovsky as saying.

Norilsk has yet to report its earnings and production figures for 2008. It reported revenue of $17.1 billion for 2007 and $8.3 billion for the first half of 2008.

Speaking in the Siberian city of Krasnoyarsk, Mr. Strzhalkovsky reiterated that the company plans to stop some of its operations in Australia and South Africa and reduce its investment projects. "We must reduce expenses accordingly," Mr. Strzhalkovsky said, according to the spokeswoman. In December, Norilsk said that it will cut expenses and reconsider its investment plans, but will avoid layoffs in Russia.

The company marginally lowered its nickel-production forecast for 2008 last month to 298,000 metric tons and said that its production in 2009 will be in the range of 290,000 tons to 305,000 tons.

Times are flush for liquidators

Glut of unsold goods from U.S. finds way to distant markets

By Jennifer Saranow And Ray A. Smith

Deborah Hazel/The Wall Street Journal

Close-out stores, such as this Dirt Cheap outlet in the U.S., are being offered unprecedented selections of branded goods.

Shoppers in Siberia and remote parts of Pakistan and Africa have a chance to get a good deal on clothes that went begging for buyers in the U.S. during the holiday season.

Far-flung locales are among the markets being tapped as liquidators scurry to unload an unprecedented excess of apparel and other goods they are getting from retailers and manufacturers. The retail world's inventory cleaners, which include liquidators, off-price retailers and mom-and-pop close-out shops, say precise figures for the extra inventory aren't available. But all say the business is booming.

"There is a historic glut of goods," especially in clothing, says Irwin Jacobs, the former corporate raider who has been a wholesale liquidator for half a century. His **Jacobs Trading** Co., in Plymouth, Minn., has long sold outcasts to other resellers around the world. But only recently have his goods wound up in certain distant enclaves such as Siberia.

Crowds seeking bargains mobbed some **Circuit City Stores** Inc. over the weekend as the 567-store chain began close-out sales, with discounts of 10% to 30%. "People love grand openings and they love the grand closing," said Jim Schaye, chief executive of **Hudson Capital Partners** LLC, one of four liquidators handling the chain's wind down.

Off-price chains such as Loehmann's, T.J. Maxx and web sites such as Overstock.com that traditionally were the prime beneficiaries of retail misfires have been unable to absorb the huge surplus this year. They also have become pickier about what they will buy as their sales slowed.

"There is a ton of product out there across the board," says Sherry Lang, spokeswoman for **TJX** Cos., which runs the T.J. Maxx and Marshalls chains.

The scramble to unload unsold goods caps months of deep discounting by retailers that have tried desperately to get their inventories in line with the plunge in consumer demand.

Their troubles have put liquidators at center stage in the industry's search for a home for an unusually rich collection of unsold goods.

Bill Angrick, chief executive of **Liquidity Services** Inc., which runs Liquidation.com, says the Web site is carrying more high-end apparel and accessories—by Michael Kors, Oscar de la Renta, and **Coach** Inc. Buyers now include a higher percentage of mom-and-pop eBay and Amazon.com power sellers, he said.

Mr. Angrick said he is finding a new market in resellers that cater to Hispanic shoppers in smaller U.S. cities, such as Fullerton, Calif., and in regions such as central New Jersey.

All of this is good news for consumers who are in the financial position and mood to buy. By the time they reach the end of the line, goods typically sell for only a fraction of the price originally contemplated by retailers.

At **Hudson Salvage** LLC's Dirt Cheap and Treasure Hunt stores in Mississippi, Louisiana and Alabama, for instance, women's blouses, dresses and pants initially intended to sell at other stores for as much as $140 each are now priced at $6.99, a bigger discount than in the past.

"For the first time in my memory, we are facing more competitive discounting (by full-price retailers) and so we are having to go further down the discount curve," says Robert Aaron Roberts, Hudson's chief executive.

At the same time, the 45-store discount retailer is being bombarded with more offers from retailers and suppliers all looking to unload more apparel than usual, Mr. Roberts said. The increase in available merchandise "really started in October and is hitting a crescendo now," he said.

Hudson Capital Partners, meanwhile, is turning down some requests from manufacturers to add inventory to its store-liquidations, says Mr. Schaye. He recently refused to give many suppliers to department-store chain Mervyn's LLC the chance to include their excess apparel in the chain's going-out-of-business sale.

No one really knows when consumers will start routine spending again although industry experts expect retailers to have their inventories in line with demand by late summer or early fall.

But with sales still running way below last year's levels and retailers canceling orders for spring and early summer goods, the pipeline is expected to remain full, at least for the short term. "Spring will be bad, but not quite as bad" as the holiday season, says Antony Karabus, chief executive of consultant Karabus Management.

In the meantime, even off-price retailers may add to the pile. Inventories at some off-price chains appear heavier than a year ago, analysts say.

Burberry to cut staff as luxury goods slump

By Cecilie Rohwedder

LONDON—British fashion house **Burberry** PLC on Tuesday became one of the first global luxury brands to slash its work force, in the latest sign of how the economic downturn is reaching even those companies that cater to the wealthy.

Burberry will lay off as many as 540 employees, or about 9% of its work force, and close one of its two remaining factories in the U.K., in an effort to weather "the current difficult environment," Burberry's Chief Executive Officer, Angela Ahrendts, said in a statement Tuesday. The company hopes to save as much as £35 million ($50.6 million) a year from the job cuts, which will affect workers in Britain and Spain.

Burberry's decision to cut staff reflects broader troubles among makers of luxury goods, which had hoped to be safe from the hardship elsewhere because of their affluent clientele. But while some, such as **Compagnie Financière Richemont** SA, owner of glamorous brands such as Cartier and Chloé, have reported sales declines or laid off temporary staff, Burberry is the first to announce cuts to its permanent workers.

Analysts say they expect more cuts to come at other luxury-goods companies. "In the same way that we see a trickle-down effect, in retail, we also see a trickle-up effect," said Bryan Roberts, global research director at consultancy Planet Retail in London. "High-end players are less vulnerable to the downturn, but that doesn't mean they are not affected."

Like other retailers, luxury firms have to reduce their costs when sales are slowing down. Purveyors of designer clothes, jewelry and upscale beauty products bear the additional handicap of greater exposure to travel spending: When fewer Japanese tourists take shopping trips to Paris, for instance, sales of Louis Vuitton handbags by **LVMH Moët Hennessy Louis Vuitton** SA, the world's biggest luxury company, are likely to suffer.

The job cuts at Burberry come even as the London-based company has seen stronger than expected sales growth, driven by discounts and favorable moves in the value of the British pound. Burberry reported Tuesday that sales rose 30% to £329 million in the three months through Dec. 31, from £254 million in the year-ago period. The company didn't break out sales for December only.

Excluding the exchange-rate effect, sales rose 9%. The company declined to say how much discounting had hurt profit margins.

In the Asia-Pacific region, where Burberry has stores in 15 countries and territories, the company said same-store retail sales grew more than 10%, with strong performances especially in Hong Kong and Korea. One reason for the strong performance is that Burberry didn't have to discount merchandise as much in Asia as it had to in the U.S.

The sales figures helped push Burberry's stock up 12% to 231.25 pence in London trading Tuesday.

Earlier this month, French couture company **Chanel** SA said it was laying off 200 workers, but the move affected only temporary contracts. Italian eyewear maker **Luxottica** SpA, which makes glasses for brands including Chanel and Prada, laid off about 6,000 temporary workers. And New York-based **Tiffany** & Co. has offered voluntary retirement incentives to about 800 U.S. employees, or 13% of its U.S. staff, as the upscale jeweler suffers from slowing demand for its diamonds, jewelry and gift items.

Burberry, which generates almost two-thirds of its sales in its own retail stores, joins the growing ranks of other types of retailers thinning their work forces to weather the current downturn. Germany's biggest retailer, **Metro** AG, said Tuesday it would eliminate some 15,000 jobs, or about 5% of its global staff, as part of a cost-cutting program aimed at adding €1.5 billion ($2 billion) in profit by 2012. Retailers resorting to job cuts also include U.S. drugstore chain **Walgreen** Co. and Britain's biggest apparel vendor, **Marks & Spencer** PLC.

London-based Burberry said it will keep using discounts to prop up sales. The company had already announced as much as £20 million of planned savings in November. Combined with the latest measures, Burberry will achieve cost savings of about £50 million in the coming fiscal year, the company said.

J&J net rises 14% as cuts help offset a decline in sales

By Peter Loftus

Johnson & Johnson reported a 14% increase in fourth-quarter profit, as cost cuts and one-time gains helped offset declines in sales of its pharmaceuticals and medical devices as well as a marked slowdown for its consumer products.

The New Brunswick, N.J., health-care giant, whose products include the pain reliever Tylenol, also issued a forecast for 2009 earnings that fell short of Wall Street expectations.

The economic recession, unfavorable currency-exchange rates and generic-drug competition hurt fourth-quarter revenue and factored into the 2009 outlook, which left open the possibility of a decline from 2008 earnings.

J&J's diversified business model has served it well in comparison to rivals more concentrated in the pharmaceutical industry, such as **Pfizer** Inc. and **Merck** & Co. But challenges including the weak economy are clearly denting sales and profit growth.

"We are seeing some signs that consumers and patients are becoming more frugal," Chief Executive William Weldon said in a presentation to analysts Tuesday.

Mr. Weldon also said the economy was hurting the U.S. pharmaceuticals market partly because layoffs are leaving more people without drug-benefit plans.

Mr. Weldon added, however, that he is optimistic J&J can adjust to the slowdown. In addition, the cash-rich company may exploit the market weakness—which has hurt valuations and finances of smaller health-care companies—by making acquisitions that wouldn't have been as attractive when times were better. "This economic environment creates opportunities we may never see again, so we need to be in a position to go after them," he said.

In an interview, Mr. Weldon said two of the most "fertile areas" J&J is sizing up for deals are health information-technology companies and companies that specialize in wellness and disease prevention.

J&J said fourth-quarter net income rose to $2.71 billion, or 97 cents a share, from $2.37 billion, or 82 cents a share, a year earlier. The latest quarter included gains from a divestiture and litigation settlements and acquisition-related charges; excluding these, earnings would have been 94 cents a share, or two cents ahead of the mean estimate of analysts surveyed by Thomson Reuters.

Sales declined 4.9% to $15.18 billion from $15.96 billion a year earlier, and fell short of the Thomson estimate of $15.97 billion.

J&J's biggest unit, pharmaceuticals, posted fourth-quarter sales of $5.69 billion, down 11% from a year earlier.

For 2009, J&J expects earnings of $4.45 to $4.55 a share, excluding one-time items, compared with $4.55 a share in 2008 on the same basis. The forecast includes a reduction to earnings of three cents to five cents a share from J&J's planned acquisition of **Mentor** Corp., a maker of breast implants, for about $1 billion in cash.

But even excluding the Mentor dilution, J&J's forecast fell short of the mean estimate of $4.61 a share of analysts surveyed by Thomson Reuters.

CORPORATE NEWS

Air France-KLM forecasts a loss

Cargo volumes fall; benefit of oil prices aren't yet being felt

By Geraldine Amiel

PARIS—Franco-Dutch carrier **Air France-KLM** SA Tuesday said it is likely to post an operating loss for its fiscal third quarter because of lower cargo volumes amid the deteriorating economic environment.

Operating income for its full fiscal year ending March 31 should remain positive, "but its level will depend on how the economic situation evolves in the coming weeks," said the airline.

The global economic downturn has hit international trade, triggering cargo volumes at airlines to fall. Passenger numbers are declining as well, and many airlines have yet to see the full benefit from sharply lower oil prices because they had hedged their costs at higher levels.

Operations started to deteriorate after the first quarter ended June 30. When Air France-KLM reported its first-half results on Nov. 20, it said that it was operating in a "more difficult environment."

Reuters

Air France-KLM attributed its third-quarter operating loss to lower cargo volumes as a result of the economic downturn.

At the time it assured investors that "assuming there is no further significant deterioration in the operating environment," its objective was to report operating income "clearly in profit" for the full year.

Air France-KLM's revenue risk is continuing and the upside potential from lower fuel prices is limited due to the high hedging position, Merrill Lynch analyst Samantha Gleave said in a note.

Analysts at Oddo Securities said there is a "total lack of visibility" on the airlines prospects and warned that the news flow is likely to remain negative.

Shares in Air France-KLM fell 9.5% in Paris trading Tuesday. They had already dropped 7.9% on Monday amid rumors that third-quarter results would be below expectations and news of a strike at Alitalia SpA only a week after it bought a 25% stake in the relaunched Italian carrier.

German rival **Lufthansa** AG meanwhile confirmed its 2008 outlook, saying it still expects operating profit of €1.1 billion ($1.4 billion).

—Steve McGrath in London contributed to this article.

Backup system helped pilot land jet in river

By Andy Pasztor And Susan Carey

As the captain of US Airways Flight 1549 prepared to ditch his disabled jet in New York's Hudson River, he had some help from some last-resort equipment that apparently kept the plane's electrical and hydraulic systems working even as both engines nearly shut down.

After striking what is believed to be a flock of large birds, which disabled both of the plane's engines, Capt. Chesley B. Sullenberger III maneuvered the plane to glide some 900 meters without power and splash down as slowly as possible in the river last Thursday. All 155 people on board the flight from New York's La Guardia airport en route to Charlotte, N.C., were able to escape safely, a feat air-safety experts consider one of the most difficult in aviation.

The generators that routinely provide electricity weren't available because they are driven by the aircraft's engines—which weren't putting out sufficient power after apparently having ingested several geese. But the plane's auxiliary power unit—made by **Honeywell International** Inc.—was operating during the descent and gave the pilot full use of the jet's flight-control system, according to a spokesman for the National Transportation Safety Board and other people familiar with the details.

Crash investigations determined that a so-called ram air turbine—which can be used to regain hydraulic pressure when both engines stop working—also was deployed before the touchdown, board spokesman Peter Knudson said Monday. It isn't clear whether the crew deployed the turbine, or whether it deployed automatically because of the emergency. The device consists of a small propeller that drops out of the bottom of the craft, and then drives a hydraulic pump and also supplies backup electricity at certain speeds to help operate the plane's flight controls.

Associated Press

National Transportation Safety Board inspectors examine the tail section of US Airways Flight 1549 as it sits on a barge in Jersey City, N.J., Monday.

A spokesman for the U.S. Airline Pilots Association, the independent union that represents **US Airways Group** Inc. pilots, declined to comment on the details of the accident.

According to one person familiar with the investigation, Capt. Sullenberger was able to keep the nose of the plane up while flying at a reduced speed partly because his aircraft's so-called fly-by-wire system used computers to prevent the jetliner from stalling, or becoming uncontrollable and falling out of the air. Preliminary data indicate that these computer-controlled safeguards remained fully operational until touchdown, this person said.

Gary Hummel, training committee chairman for the U.S. Airline Pilots Association, said Monday that the pilots do train for dual-engine failures in simulators, but at much higher altitudes.

Mr. Hummel, who has flown the A320 in the past but now flies Boeing 767s for US Airways, says the carrier's pilots "do not practice ditching" in simulators. "Those procedures are covered in ground-school instructions," he said. "Ditching is so rare, such an unusual occurrence" that pilots don't routinely practice it except in ground school, the "chalk and talk" method of instruction as opposed to simulators.

A spokesman said US Airways has its pilots practice dual-engine failure in the simulator. However, that training "includes successful ignition" of one engine. The company also said "ditching in not something easily replicated in a simulator."

Rio Tinto reveals some cutback details

By Jeffrey Sparshott

Anglo-Australian miner **Rio Tinto** said Tuesday that it would further cut aluminum output, eliminate 1,100 jobs at its aluminum unit and take other steps to control costs amid weak demand and falling prices for the metal.

In announcing restructuring measures in December, Rio Tinto said it would cut capital expenditures, lay off workers, sell assets and take broad cost-cutting steps as it works to pay off its debt. The company said at the time that it was cutting 14,000 jobs, or 13% of its total work force. The job cuts announced on Tuesday are included in the reductions flagged in December.

The measures are part of Rio's broader plan to conserve cash so it can cut its debt load by $10 billion this year. Rio took on $40 billion in debt to fund the purchase of Canadian aluminum company Alcan in October 2007.

The aluminum division, now called Rio Tinto Alcan, plans to reduce aluminum output by 230,000 metric tons, on top of production cuts announced in the fourth quarter. This brings the total production decrease to 450,000 tons, or about 11% of its total annual aluminum capacity, the company said.

The 1,100 job cuts at Rio Tinto Alcan include 800 permanent employees, 3% of the division's work force of 26,600, and 300 contractors.

The company said it would continue to review its aluminum operations. "Our goal is to align production with customer demand and reduce our operating costs as much as possible," outgoing Rio Tinto Alcan Chief Executive Dick Evans said in a statement.

Rio Tinto confirmed it plans to sell its 50% interest in an aluminum smelter in China.

Tata Consultancy sees clients delay, cancel projects

By Deepali Gupta

MUMBAI—**Tata Consultancy Services** Ltd., India's largest software exporter by revenue, is facing project cancellations and delays even from smaller clients as the impact of the global slowdown worsens, its chief operating officer said.

Billing rates for outsourcing contracts—which had been stable in the quarter ended Dec. 31—are certain to fall, N. Chandrasekaran said in a recent interview.

"At least 2009 is going to be bad," he said. "We don't know about 2010. I have no data points to take a call."

His comments come after **Infosys Technologies** Ltd. Chief Executive S. Gopalakrishnan last week said the current challenging demand situation was likely to continue over the next 12 to 18 months.

India's top software companies, such as TCS, Infosys and **Wipro** Ltd. get most of their revenue by outsourcing work from the U.S. and Europe, where their clients are cutting costs.

Software companies had expected a rebound in revenue momentum in the first half of 2009 on hopes global companies would outsource more work.

Nearly a year ago, TCS was the first Indian software firm to reveal cuts in contracts from large clients. But that was different from what the Mumbai-based company is now witnessing.

"I'd maintained till the last quarter that problems were client-specific. This is the first time I have said there have been problems with an entire industry," Mr. Chandrasekaran said.

"Now, there is no single client cutting. Multiple clients are cutting small projects," he said.

Apart from the banking and financial-services sector, manufacturing, telecommunications and the electronic-component segment are most visibly hurt by the economic woes, Mr. Chandrasekaran said.

Apart from a slowdown in revenue growth, billing rates are likely to fall in the coming months as clients seek to lower costs further and squeeze more work for the same amount, Mr. Chandrasekaran said. He didn't elaborate on the extent of the expected pricing decline.

Despite the cloudy environment, TCS expects to recruit all the 24,800 fresh graduates it had offered to take on board for the next fiscal year starting April 1, Mr. Chandrasekaran said, hoping to keep a batch trained and prepared to leverage any uptrend in demand.

"There will be an extra bench, but if an opportunity comes in two or three quarters, we will be ready for takeoff," Mr. Chandrasekaran said. TCS has the leeway to stagger their joining dates, he added.

TCS will, however, "definitely choke" the recruitment of people with experience next fiscal year, he added.

TCS is also prepared to allow its manpower utilization—the percentage of people working on active contracts—to fall two percentage points in the coming quarters, he added. In the October-December quarter, the company's employee utilization, excluding trainees, was 79.9%.

TCS expects the outlook on the demand and pricing scenarios to be clearer in February, Mr. Chandrasekaran said. Nearly 8% of the company's total wage bill is in the form of variable pay, which is given based on the company and staff meeting certain targets. TCS may use this tool to lower its wage bill if things tighten further after February, he said.

CORPORATE NEWS

New York Times raises cash

Mexican billionaire invests $250 million, boosting liquidity

BY MATTHEW KARNITSCHNIG AND RUSSELL ADAMS

Reuters

It isn't clear whether Carlos Slim, shown at a meeting in November of business and political leaders in Uruguay, would want to buy full control of New York Times Co.

New York Times Co. raised $250 million from Mexican billionaire Carlos Slim after agreeing to pay an interest rate of more than 14%, the latest in a series of moves by the newspaper publisher to shore up its finances.

The securities Mr. Slim will receive in return for the investment include warrants that can be converted into 15.9 million common shares at a strike price of $6.36, a slight discount to Times Co.'s closing price Friday. The notes, which carry a 14.1% coupon, are due in 2015.

It isn't clear whether Mr. Slim, who is among the world's richest men, with a fortune estimated at $60 billion, would be interested in acquiring full control of Times Co. The Ochs-Sulzberger family, which holds about 19% of the publisher's equity and controls Times Co. through super-voting shares, has said it isn't interested in selling the company.

If he exercises the warrants, which expire in January 2015, Mr. Slim would control about 18% of the company. That would make him the third-largest shareholder behind hedge fund **Harbinger Capital Partners** and the Sulzbergers.

That Times Co. is offering such generous terms for fresh capital underscores both the magnitude of the crisis it faces as well its dwindling options. Given the deterioration in newspaper advertising, it is far from certain that an injection of $250 million will be enough to enable the publisher to survive as an independent company.

The main reason for the Times' liquidity crisis is that it borrowed heavily when business conditions were better. Much of that debt is coming due over the next few years. The company had about $46 million in cash and $1.1 billion in debt as of the end of September. It has a $400 million credit facility that expires in May, $250 million in notes due in 2010 and a $400 million facility expiring in 2011.

For Mr. Slim, the new investment could be part of an effort to raise his profile in the U.S. by propping up one of its most influential news organizations. Mr. Slim is the owner of **Teléfonos de Mexico** SAB, or Telmex, Mexico's former telephone monopoly, and **America Movil** SA, Latin America's largest cellphone firm by subscribers.

In September, Mr. Slim made an initial investment in Times Co. that has fallen sharply in value since then, and is now worth about $60 million. At the time, a spokesman for the 68-year-old Mr. Slim said he simply seized the chance to buy a piece of a "great" company at an "attractive" price, and had no plans to play a role in management or on the board.

Times Co. Chief Executive Janet Robinson said in a statement that the proceeds of the latest deal with Mr. Slim will be used to help refinance existing debt.

San Miguel plans more sales

BY CRIS LARANO

MANILA—**San Miguel** Corp. said Tuesday it is looking to unload large stakes in some of its units to settle debt and fund expansion, a day after it entered exclusive talks to sell a stake in its beer unit to Japan's **Kirin Holdings** Co.

"As a policy, San Miguel will sell shares in all operating companies and just keep 51% consolidated control," said Ramon Ang, the president of the Philippines' largest food-and-beverage conglomerate by sales.

Mr. Ang, who is also San Miguel's vice chairman and chief operating officer, said proceeds from the planned divestments will be used to pay debt as well as finance the company's expansion into heavy industries.

San Miguel is planning to sell portions of its shareholdings in the food and packaging businesses within the year, he said.

The conglomerate still holds 65% of San Miguel Yamamura Packaging Corp. after selling a 35% stake to Japan's Nihon Yamamura Glass last year, and a 99% interest in listed food company San Miguel Pure Foods Co.

San Miguel's other listed operating units are 80%-owned liquor manufacturer Ginebra San Miguel Inc. and 99%-owned San Miguel Properties Inc.

Japan's Kirin announced Monday that it signed a memorandum of understanding with San Miguel to acquire 43.25% of San Miguel Brewery Inc. in a deal that would be valued at 58.65 billion pesos ($1.24 billion).

San Miguel had total long-term debt of $923 million at the end of September, down from $1.2 billion at the end of 2007 after the company paid off $277 million in early 2008.

As part of its diversification into heavy industries, the conglomerate recently acquired a stake in **Manila Electric** Co., the country's largest power distributor by sales; and an option to buy control of **Petron** Corp., the country's largest oil refiner by sales, by December 2010.

San Miguel has quoted at 32.2 billion pesos, excluding the $10 million option fee, the cost of its prospective purchase of a 50.1% stake in Petron from a unit of U.K.-based investment manager **Ashmore Group** PLC.

Despite the recent investments, San Miguel has said it hasn't violated any of the loan covenants, including a prohibition on investing more than 10% of its assets outside its core business of food, beverage and packaging.

Lonza forms drug venture with Teva

BY JULIA MENGEWEIN

ZURICH—Swiss specialty-chemicals company **Lonza** AG and Jerusalem-based **Teva Pharmaceutical Industries** Ltd. Tuesday said they formed a joint venture to tap the growing potential of so-called biosimilar medicines.

The two companies said they aim to become global suppliers of biosimilars, generic versions of biologic drugs, but didn't disclose any financial details. They expect the joint venture, which still needs regulatory approval, to start in the first quarter of 2009.

Loza's and Teva's alliance comes at a time patent protection is running out for various biological drugs. "Over the next 10 years, biological products worth around $50 billion will lose patent protection," said Martin Schreiber, analyst at Zürcher Kantonalbank.

"With such a deal, Lonza can bind a large customer to itself and increase long-term visibility for capacity utilization," he added.

Last summer, Lonza entered into a similar partnership with **Novartis** AG.

"Lonza's strategy of taking over whole pipeline projects from big pharmaceutical companies is highly innovative and I expect more companies to follow Lonza's lead," said Mr. Schreiber.

Teva is the world's largest maker of generic drugs by sales, said Helvea analyst Martin Flückiger. "Lonza has chosen an excellent partner and has positioned itself ahead of competition in the biosimilars market," he added.

GLOBAL BUSINESS BRIEFS

Alstom SA

Quarterly sales increase 11% but new orders decline 13%

Power-station-equipment and train maker **Alstom** SA reported an 11% jump in fiscal third-quarter sales and a less-severe-than-expected drop in orders. Alstom, which makes turbines for nuclear power stations and France's iconic TGV high-speed trains, said sales for the October-to-December period rose to €4.56 billion ($5.97 billion) from €4.11 billion a year earlier. Orders booked during the quarter dropped 13% to €6.12 billion from a bumper year-earlier figure of €7.01 billion, beating analyst expectations. Alstom described the level of orders as "very satisfactory."But observers fear orders could fall as economic woes begin to bite harder, particularly on big power projects.

Tom Tom NV

Tom Tom NV, a maker of personal-navigation devices, on Tuesday said 2008 revenue will miss expectations after disappointing fourth-quarter sales and it will take an impairment charge for its acquisition of TeleAtlas, a maker of digital maps. The Dutch company said it now sees 2008 revenue coming in at between €1.66 billion ($2.18 billion) and €1.68 billion, with a margin for earnings before interest, tax, depreciation and amortization, or Ebitda, of 19% to 20%. TomTom had previously forecast revenue between €1.75 billion and €1.85 billion and an Ebitda margin of 20% to 24%. Tom Tom plans to take an impairment charge on TeleAtlas, which it bought last year for €2.9 billion, but said it was still calculating the amount of the charge.

Logitech International SA

Swiss computer-peripherals maker **Logitech International** SA said net profit for its fiscal third quarter fell 70% from a year earlier as demand for its products plummeted and the year-earlier figure was boosted by a gain. Net profit for the three months ended Dec. 31 fell to $40.5 million from $133.6 million a year earlier, when a gain of $27.8 million from the sales of short-term investments boosted the bottom line. Sales dropped 17% to $627.5 million, hit by weakness across almost all product categories, which range from computer mice to Web cams and universal remote controls. Logitech warned that sales are likely to fall as much or even further in the fourth quarter. It also said that it would cut between 550 and 600 non-production jobs, up from the 500 jobs it said it would cut last week.

Norsk Hydro ASA

Norwegian aluminum company **Norsk Hydro** ASA said it will shake up its business by adding two new units and enlarging its corporate management board as part of a renewed focus on operations and markets. The restructuring will be effective March 30, when Svein Richard Brandtzaeg takes over as Hydro's president and chief executive from Eivind Reiten. Hydro's aluminum metal division will be split into primary metal and metal markets. The company's aluminum products business will be split into rolled products and extruded products. The company's two additional divisions are energy and projects, and all units will be represented on the board. A flatter structure and more streamlined corporate center will bolster efficiency in Hydro's value chain, Mr. Brandtzaeg said.

Julius Baer Holding AG

Julius Baer Holding AG Tuesday named Frank Keller, a former executive at **Credit Suisse Group** AG, as head of finance at its banking arm, which caters to wealthy clients. The appointment of Mr. Keller, who will report to the private bank's chief operating officer, Boris Collardi, is effective immediately. It is the first notable hire since the unexpected death of bank Chief Executive Alex Widmer. Julius Baer's banking arm is now headed by Johannes de Gier, who stepped down as CEO of the entire holding shortly before Mr. Widmer died in December. Mr. Keller, most recently a senior finance officer for Zurich-based Credit Suisse in Singapore, will strengthen the bank's financial development and strategy, Mr. Collardi said in a statement.

Constellation Energy Group

Constellation Energy Group Inc., trying to raise cash amid the credit crunch, agreed to sell most of its European energy-trading units and coal and freight operations while it pursues a sale of its downstream natural-gas trading unit. An affiliate of Goldman Sachs Group Inc. is buying the operations; terms weren't disclosed. Chairman and Chief Executive Mayo A. Shattuck III said the sale of the London commodities business is just one of "several strategic initiatives" the electricity supplier will pursue in the months ahead. In mid-December, it agreed to sell half of its nuclear-power business to **Électricité de France** SA for $4.5 billion. "Market conditions continue to be difficult, but we're actively reducing capital consumption and cash flow risk, and right-sizing the business to address the realities of the new financial and economic environment," Mr. Shattuck said.

Iberdrola SA

ScottishPower, a unit of Spain's **Iberdrola** SA, and **Scottish and Southern Energy** PLC said they will form a joint venture to build nuclear-power stations in the U.K. The two utilities will compete with Germany's E.ON AG and RWE AG, which linked up last week, and France's Électricité de France SA in the race to replace the country's aging nuclear-power stations. "Iberdrola is committed to the U.K. market, and welcomes the U.K.'s plans to develop new nuclear-power plants for low-carbon energy supply," said Iberdrola's Director of Development Pedro Azagra. "We accept that one more tranche of nuclear power stations is necessary for the U.K.'s energy policy goals from around the end of the next decade," said SSE's Energy Supply Director Alistair Phillips-Davies.

—Compiled from staff and wire service reports.

'To reaffirm our enduring spirit'

Obama, in inauguration speech, calls for a new era of responsibility to help America rebound

My fellow citizens:

I stand here today humbled by the task before us, grateful for the trust you have bestowed, mindful of the sacrifices borne by our ancestors. I thank President Bush for his service to our nation as well as the generosity and cooperation he has shown throughout this transition.

Forty-four Americans have now taken the presidential oath. The words have been spoken during rising tides of prosperity and the still waters of peace.

Yet, every so often the oath is taken amidst gathering clouds and raging storms. At these moments, America has carried on not simply because of the skill or vision of those in high office, but because We the People have remained faithful to the ideals of our forbearers and true to our founding documents.

So it has been. So it must be with this generation of Americans.

That we are in the midst of crisis is now well understood. Our nation is at war against a far-reaching network of violence and hatred. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices and prepare the nation for a new age. Homes have been lost, jobs shed, businesses shuttered. Our health care is too costly. Our schools fail too many. And each day brings further evidence that the ways we use energy strengthen our adversaries and threaten our planet.

These are the indicators of crisis, subject to data and statistics. Less measurable but no less profound is a sapping of confidence across our land, a nagging fear that America's decline is inevitable, that the next generation must lower its sights.

Today I say to you that the challenges we face are real. They are serious and they are many. They will not be met easily or in a short span of time. But know this, America: They will be met.

On this day, we gather because we have chosen hope over fear, unity of purpose over conflict and discord.

On this day, we come to proclaim an end to the petty grievances and false promises, the recriminations and worn-out dogmas that for far too long have strangled our politics.

We remain a young nation, but in the words of Scripture, the time has come to set aside childish things.

The time has come to reaffirm our enduring spirit, to choose our better history; to carry forward that precious gift, that noble idea passed on from generation to generation: the God-given promise that all are equal, all are free, and all deserve a chance to pursue their full measure of happiness.

In reaffirming the greatness of our nation, we understand that greatness is never a given. It must be earned. Our journey has never been one of shortcuts or settling for less. It has not been the path for the faint-hearted—for those who prefer leisure over work, or seek only the pleasures of riches and fame. Rather, it has been the risk-takers, the doers, the makers of things—some celebrated, but more often men and women obscure in their labor—who have carried us up the long, rugged path towards prosperity and freedom.

For us, they packed up their few worldly possessions and traveled across oceans in search of a new life.

For us, they toiled in sweatshops and settled the West, endured the lash of the whip and plowed the hard earth.

For us, they fought and died in places like Concord and Gettysburg, Normandy and Khe Sanh.

Time and again, these men and women struggled and sacrificed and worked till their hands were raw so that we might live a better life. They saw America as bigger than the sum of our individual ambitions, greater than all the differences of birth or wealth or faction.

This is the journey we continue today. We remain the most prosperous, powerful nation on Earth. Our workers are no less productive than when this crisis began. Our minds are no less inventive, our goods and services no less needed than they were last week or last month or last year. Our capacity remains undiminished. But our time of standing pat, of protecting narrow interests and putting off unpleasant decisions—that time has surely passed. Starting today, we must pick ourselves up, dust ourselves off, and begin again the work of remaking America.

For everywhere we look, there is work to be done. The state of our economy calls for action, bold and swift, and we will act not only to create new jobs, but to lay a new foundation for growth. We will build the roads and bridges, the electric grids and digital lines that feed our commerce and bind us together. We will restore science to its rightful place and wield technology's wonders to raise health care's quality and lower its cost. We will harness the sun and the winds and the soil to fuel our cars and run our factories. And we will transform our schools and colleges and universities to meet the demands of a new age. All this we can do. All this we will do.

Now, there are some who question the scale of our ambitions, who suggest that our system cannot tolerate too many big plans. Their memories are short, for they have forgotten what this country has already done; what free men and women can achieve when imagination is joined to common purpose, and necessity to courage.

What the cynics fail to understand is that the ground has shifted beneath them, that the stale political arguments that have consumed us for so long no longer apply. The question we ask today is not whether our government is too big or too small, but whether it works—whether it helps families find jobs at a decent wage, care they can afford, a retirement that is dignified.

Where the answer is yes, we intend to move forward. Where the answer is no, programs will end. And those of us who manage the public's dollars will be held to account—to spend wisely, reform bad habits, and do our business in the light of day—because only then can we restore the vital trust between a people and their government.

Nor is the question before us whether the market is a force for good or ill. Its power to generate wealth and expand freedom is unmatched. But this crisis has reminded us that without a watchful eye, the market can spin out of control; that a nation cannot prosper long when it favors only the prosperous. The success of our economy has always depended not just on the size of our gross domestic product, but on the reach of our prosperity—on our ability to extend opportunity to every willing heart, not out of charity but because it is the surest route to our common good.

As for our common defense, we reject as false the choice between our safety and our ideals. Our Founding Fathers, faced with perils that we can scarcely imagine, drafted a charter to assure the rule of law and the rights of man, a charter expanded by the blood of generations.

Those ideals still light the world, and we will not give them up for expedience's sake. And so, to all other peoples and governments who are watching today, from the grandest capitals to the small village where my father was born, know that America is a friend of each nation, and every man, woman and child who seeks a future of peace and dignity. And that we are ready to lead once more.

Recall that earlier generations faced down fascism and communism not just with missiles and tanks, but with the sturdy alliances and enduring convictions. They understood that our power alone cannot protect us, nor does it entitle us to do as we please. Instead, they knew that our power grows through its prudent use. Our security emanates from the justness of our cause, the force of our example, the tempering qualities of humility and restraint.

We are the keepers of this legacy. Guided by these principles once more, we can meet those new threats that demand even greater effort, even greater cooperation and understanding between nations. We will begin to responsibly leave Iraq to its people, and forge a hard-earned peace in Afghanistan. With old friends and former foes, we'll work tirelessly to lessen the nuclear threat, and roll back the specter of a warming planet.

We will not apologize for our way of life, nor will we waver in its defense. And for those who seek to advance their aims by inducing terror and slaughtering innocents, we say to you now that our spirit is stronger and cannot be broken; you cannot outlast us, and we will defeat you.

For we know that our patchwork heritage is a strength, not a weakness. We are a nation of Christians and Muslims, Jews and Hindus, and nonbelievers. We are shaped by every language and culture, drawn from every end of this Earth.

And because we have tasted the bitter swill of civil war and segregation and emerged from that dark chapter stronger and more united, we cannot help but believe that the old hatreds shall someday pass; that the lines of tribe shall soon dissolve; that as the world grows smaller, our common humanity shall reveal itself; and that America must play its role in ushering in a new era of peace.

To the Muslim world, we seek a new way forward, based on mutual interest and mutual respect. To those leaders around the globe who seek to sow conflict or blame their society's ills on the West, know that your people will judge you on what you can build, not what you destroy.

AFP

Obama addresses the nation: 'There is work to be done.'

To those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench your fist.

To the people of poor nations, we pledge to work alongside you to make your farms flourish and let clean waters flow, to nourish starved bodies and feed hungry minds. And to those nations like ours that enjoy relative plenty, we say we can no longer afford indifference to the suffering outside our borders, nor can we consume the world's resources without regard to effect.

For the world has changed, and we must change with it.

As we consider the road that unfolds before us, we remember with humble gratitude those brave Americans who, at this very hour, patrol far-off deserts and distant mountains. They have something to tell us, just as the fallen heroes who lie in Arlington whisper through the ages. We honor them not only because they are guardians of our liberty, but because they embody the spirit of service; a willingness to find meaning in something greater than themselves. And yet, at this moment—a moment that will define a generation—it is precisely this spirit that must inhabit us all.

For as much as government can do, and must do, it is ultimately the faith and determination of the American people upon which this nation relies. It is the kindness to take in a stranger when the levees break, the selflessness of workers who would rather cut their hours than see a friend lose their job which sees us through our darkest hours. It is the firefighter's courage to storm a stairway filled with smoke, but also a parent's willingness to nurture a child, that finally decides our fate.

Our challenges may be new. The instruments with which we meet them may be new. But those values upon which our success depends—honesty and hard work, courage and fair play, tolerance and curiosity, loyalty and patriotism—these things are old. These things are true. They have been the quiet force of progress throughout our history.

What is demanded, then, is a return to these truths. What is required of us now is a new era of responsibility—a recognition on the part of every American that we have duties to ourselves, our nation and the world, duties that we do not grudgingly accept but rather seize gladly, firm in the knowledge that there is nothing so satisfying to the spirit, so defining of our character, than giving our all to a difficult task.

This is the price and the promise of citizenship.

This is the source of our confidence, the knowledge that God calls on us to shape an uncertain destiny.

This is the meaning of our liberty and our creed, why men and women and children of every race and every faith can join in celebration across this magnificent mall, and why a man whose father less than 60 years ago might not have been served at a local restaurant can now stand before you to take a most sacred oath.

So let us mark this day with remembrance of who we are and how far we have traveled. In the year of America's birth, in the coldest of months, a small band of patriots huddled by dying campfires on the shores of an icy river. The capital was abandoned. The enemy was advancing. The snow was stained with blood. At a moment when the outcome of our revolution was most in doubt, the father of our nation ordered these words be read to the people:

"Let it be told to future world... that in the depth of winter, when nothing but hope and virtue could survive...that the city and the country, alarmed at one common danger, came forth to meet it."

America: In the face of our common dangers, in this winter of our hardship, let us remember these timeless words. With hope and virtue, let us brave once more the icy currents, and endure what storms may come. Let it be said by our children's children that when we were tested we refused to let this journey end, that we did not turn back nor did we falter; and with eyes fixed on the horizon and God's grace upon us, we carried forth that great gift of freedom and delivered it safely to future generations.

Thank you. God bless you. And God bless the United States of America.

The man behind the stage

Maestro orchestrating the event juggles logistics: clumsy eagles, pesky celebs and lots of toilet paper

By Monica Langley

WASHINGTON—Barack Obama was the least of Emmett Beliveau's worries on the eve of the biggest inaugural ever held. Five thousand portable toilets were on his mind.

"They're lined up everywhere. They form walls. Ugh," said Mr. Beliveau, surveying the National Mall that stretches from the Lincoln Memorial to the Capitol. "I've signed the contract for regular emptying of the port-a-potties. But that's different from saying I'm sure they will be [emptied]."

The maestro of Tuesday's inauguration in his role as executive director of the Presidential Inaugural Committee, Mr. Beliveau is overseeing the 5,000 portable toilets plus 20 Jumbotron television screens, hundreds of shuttle buses, thousands of VIPs, the distribution of event tickets by armored trucks, and what the Obama staff calls "chum"—trinkets being peddled to the masses.

K.C. Chew for the Wall Street Journal

Emmett Beliveau coordinates production and advance teams at Sunday's concert at the Lincoln Memorial.

"The campaign events that got Barack Obama here were dress rehearsals for this inauguration and celebration," says the 32-year-old Mr. Beliveau, who planned nearly all of Mr. Obama's appearances in his run for the presidency. "I worry about what I don't anticipate."

Indeed, the best-laid plans can fail at an event of this scale. When a gay Episcopal bishop began a prayer at Sunday's opening concert, a chant rang out from the back of the crowd. Not hearing the usual "Obama! Obama!" Mr. Beliveau radioed to aides: "Find out the chant." It turned out that the audio was on the fritz. The chant: "Sound! Sound!"

Later, a bald eagle named Challenger was presented to the concert crowd, but when it spread its wings, it fell forward almost to the ground. Mr. Beliveau winced. "I don't know what the eagle is supposed to do," he complained.

Ticket lines at the main distribution site were so long, and the traffic getting there was so bad, that the organizers had to keep ticket windows open Monday, though some were supposed to close Sunday. Meaghan Burdick, chief of grass-roots ticketing and "chum," says she stayed up for 41 hours over the weekend. Even worse, she's on the verge of running out of what's become the hit of the mementos—a toy wooden train with the inaugural seal.

So, Mr. Beliveau, though wearing a serene demeanor, has been sweating the details. For all outdoor events, he has given wool red hats and hand warmers to the 15,000 volunteers to keep them both warm and easy to spot. To persuade the Smithsonian to keep longer hours and add extra programming, he offered to pay $700,000—and provide extra toilet paper at the museums lining the parade route. When music star Rihanna wasn't able to clear her schedule to attend the Inaugural Youth Ball a few days ago, Mr. Beliveau's team lined up Kid Rock to accept at the last minute—even though he'd have to cover his and his band's own travel and hotel expenses, says director of entertainment Teal Baker.

In the days leading up to Tuesday, Mr. Beliveau walked through every location just as Mr. Obama would, making changes if it didn't "feel natural" for his boss, even sitting in the new presidential limousine on his behalf. At a dress rehearsal with military personnel standing in as the Obama family, Mr. Beliveau, perching on the swearing-in platform, ordered a position adjustment, to prevent "the girls from blocking their dad."

The son of parents from politically active families in Maine, Mr. Beliveau first showed a knack for the event business as a 10-year-old boy, relatives say. After a spaghetti supper during his father's unsuccessful campaign for Maine's governor, the young Mr. Beliveau piped in with his own suggestions for the next day's events, including signs to draw crowds and woo people from different neighborhoods.

"My husband and I rolled our eyes," recalls his mother, Cynthia Murray-Beliveau. "But Emmett's ideas were better than our own staff's plans."

In his days at Colby College in Maine, Mr. Beliveau "chalked sidewalks," writing and drawing on the pavement to get attention for political events. He spent his 20s as a field operator in political campaigns, including the presidential bids of Al Gore, where he met his future wife, and John Kerry. He also attended Georgetown University Law Center and practiced law in Washington.

Working on another Democrat's Senate campaign in the fall of 2006, he met Mr. Obama, and their collaboration began. Both men eschewed the standard campaign mantra begun with Ronald Reagan to go for the "perfect shot" at a big event. With Mr. Beliveau's roots as a field operative and Mr. Obama's as a community organizer, the pair focused more on the attendees. "Starting in Iowa, we wanted everyone to leave feeling good about Barack Obama," Mr. Beliveau. "It was never about playing to the camera but to the people," says his advance deputy, David Cusack.

Beginning with Mr. Obama's announcement speech in Springfield, Ill., which drew 15,000 people, Mr. Beliveau has orchestrated nearly every campaign event, including the rollout of the vice-presidential selection and Mr. Obama's Berlin speech to 250,000 Germans. Mr. Obama last week named Mr. Beliveau to be his director of advance, meaning that he will orchestrate every event outside the White House and all domestic and foreign trips.

But the grand events with huge crowds sparked criticism. Republican candidate John McCain accused Mr. Obama of being a "celebrity" like Paris Hilton and Britney Spears in a commercial showing footage of the Berlin crowds and adulation. Mr. Beliveau makes no apologies, saying the attendees and the candidate loved the events.

Still, Mr. Beliveau says he wants to make sure the inauguration isn't labeled an inappropriate extravaganza in hard times. The committee is offering cheap souvenirs such as $1 pencils and affordable events such as $25 parade tickets (which sold out online in two minutes).

Handling celebrities is another challenge. Over the weekend, a late request from Leonardo DiCaprio to attend the inauguration caused Mr. Beliveau's staff to scramble. Mr. DiCaprio, who was in London for the opening of his movie "Revolutionary Road," hadn't planned to attend and hadn't purchased tickets. But on Sunday, he said he would take an overnight plane Monday night to arrive in time for the swearing-in. "Leo doesn't care where he sits, he just doesn't want to miss it," said his spokesman, Ken Sunshine.

With so many celebrities and other VIPs hitting up Mr. Beliveau's operation for tickets, the staff sorts requests between "true supporters" and "Johnny-come- lately" types, says finance director Brian Screnar. When they push for special access, "I scare the hell out of them with security concerns," he says. On a conference call Friday night with top donors, he told them, "Bring walking shoes, heavy coats and patience."

Obama soap, Obama cookies ...

By Michael M. Phillips

WASHINGTON—Within weeks, President-elect Barack Obama hopes to sign a giant spending and tax-cut package intended to lift the country out of recession. But Mr. Obama himself is already providing a jolt of economic stimulus for businesses from Washington street vendors selling Obama Family neckties to Brooklyn entrepreneurs selling framed New York City ballots.

Corporate giants, too, are jumping on the Obama gravy train. Last week, IKEA, the Swedish home-furnishings company, built a replica of the Oval Office in Washington's Union Station. Visitors could pose presidentially in the black Markus swivel chair ($199) behind the birch Gustav desk ($229). Standing at the entrance: two fake Secret Service agents in dark suits and darker sunglasses, talking darkly into their wrists.

Officials estimate that upwards of two million people could show up for Tuesday's inauguration and give an economic boost to the city. The city's hotel rooms are virtually filled. Restaurants are booking up.

The Washington Metropolitan Area Transit Authority is spending an additional $3.5 million to keep the trains running on a rush-hour schedule from 4 a.m. to 9 p.m. on inauguration day. But it's trying to make some back by cashing in on the Obama souvenir craze.

The other day, Carol Bryant, a 48-year-old executive secretary in the Department of Homeland Security, spent 50 minutes of her lunch hour waiting in line to buy four plastic SmarTrip fare cards carrying the president-elect's portrait. Ms. Bryant has cut back her spending on movies and lunches lately. But she paid $10 per card, twice the cost of a regular plastic card. "I want them for my grandkids," she said.

The Metro has also put Mr. Obama's picture on paper fare cards. It's like printing money, since many people buy the cheapest $1.35 card, but never take a ride.

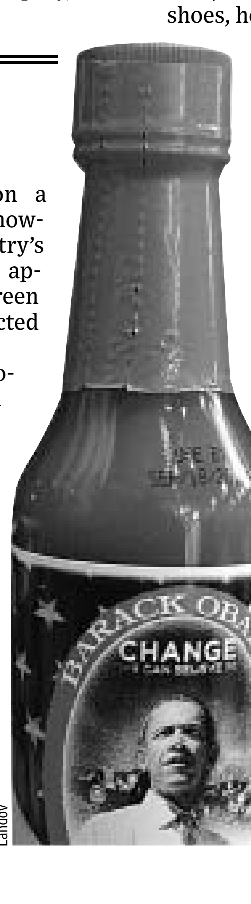
For the throngs who attended Sunday's musical celebration and are expected at Mr. Obama's inauguration on Tuesday, Don's Johns Inc. is supplying 5,000 portable toilets, a welcome boost when the Chantilly, Va., company's toilet rentals to home builders are off 25% or more.

"This is the largest portable-restroom event in the history of the United States," says Conrad Harrell, Don's Johns's vice president.

For Safeway stores on the East Coast and supermarkets in Mr. Obama's hometown of Chicago, Color-a-Cookie Corp., of Plainview, N.Y., has baked 120,000 cookies with Mr. Obama's portrait. They sell for $4.99 for a six-pack, says Color-a-Cookie owner David Wild.

The coloration on a handful went awry, however, making the country's first black president appear to be its first green president. "We corrected it," says Mr. Wild.

Craig Tiritilli, co-owner of Dallas-based startup Soap Hope, has found sales of MyObamaBar.com soap—slogan: "The Audacity of Soap"—outstripping his usual products.



Landov

Paste Media Group, Decatur, Ga.-based publisher of Paste magazine, has set up a Web site, Obamiconme, that allows visitors to convert their own photos into the red-cream-and-blue cartoon style of Mr. Obama's iconic campaign poster by Shepard Fairey. Ads on the site sell for between $10 and $20 per 1,000 visitors.

All over Washington, vendors are hawking unofficial Obama trinkets. The other day, Janie Stoll, a 73-year-old retired nurse from Rockville, Md., bought five Obama T-shirts and an Obama onesie at the Making History souvenir store in Union Station.

Anahi Lima, the saleswoman, pointed to a stack of untouched, folded T-shirts. "We also have 50% off Hillary and McCain," she said.

Kenyans' move to attend uninvited causes discord

By Sarah Childress

NAIROBI—The inauguration of President Barack Obama has triggered a minor political brouhaha here in his father's country.

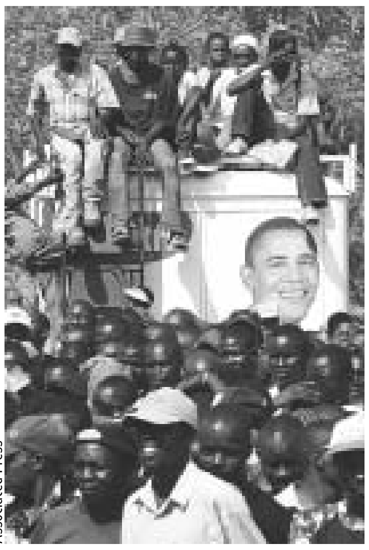
The Daily Nation newspaper here reported that government officials hoping to travel to the inaugural would be "barred" from attending—an exaggeration of the traditional protocol that envoys are the only foreign officials invited to the event. Some Kenyans had assumed the officials, from a nation that has embraced Mr. Obama as one of its own, would have been invited or received special treatment.

A troop of officials decided to make the trip anyway, on the Kenyan government's dime. The group included ministers of foreign affairs, tourism, youth and sports, and medical services, among other officials and luminaries. They planned to attend a gala ball hosted by the Kenyan Embassy and a reception at which Kenyan artists were expected to perform.

Without tickets to the actual event, however, the delegation was set to watch the swearing-in like just about everybody else: from a distance, or on television.

The decision to attend the event uninvited at a time when Kenya is suffering a crippling food shortage upset some Kenyans. An estimated 10 million Kenyans, about a quarter of the population, are in need of emergency food relief, according to the government. President Mwai Kibaki made a public appeal to international donors Friday for about $400 million to address the crisis.

Some Kenyans asked why the money spent on the inauguration trip wasn't used to help starving citizens, some of whom have been reduced to scavenging for wild fruits.



Associated Press

Kenyans gathered in Kisumu Tuesday to celebrate the Obama inauguration.

On Monday, a former assistant minister, Kalembe Ndile, lugged a TV set to the Ministry of Foreign Affairs, suggesting that perhaps the delegation was traveling to the U.S. to watch the inauguration because its members didn't have televisions of their own in Nairobi. He offered his set as a donation.

The ministry was so put out that it issued a news release slamming Mr. Ndile's protest as an "ambush" and defending the trip as a promotional venture.

"It is not that the government is wasting money," said Kiboi Waituru, a ministry spokesman. "We are using the occasion to raise the profile of the country in America, now that they are all interested in knowing where Obama's father came from, and I don't see any harm in that."

—Louise Radnofsky in Washington contributed to this article.

Tangled U.S. racial roots

Illinois city explores historic 1908 riots after years of silence

By Douglas A. Blackmon
Springfield, Ill.

Sangamon Valley Collection at Lincoln Library Springfield

A residential black neighborhood was burned to the ground in Springfield, Ill., during race riots in 1908 that required 4,000 state militiamen to quell. Some residents of the city object to commemorating past race riots.

In a modest home on a street a few miles from the spot where Barack Obama began his bid to become the first black U.S. president, 85-year-old Charles Werner keeps tucked away a cardboard box of relics from his grandfather's tenure as sheriff here a hundred years ago.

Among the old photographs and worn shackles is the brass casing of a rifle shell, fashioned into a lapel pin and engraved with the sheriff's name, the date of Aug. 14, 1908, and the words "Springfield Race War."

It was on that day that Springfield erupted in racial violence. For two days, thousands of white residents of a city that had been a key stop on the Underground Railroad and the hometown of Abraham Lincoln rampaged through the streets.

Enflamed after the arrest of two black men—one for the murder of a white man and another for the alleged rape of a white woman—they looted and destroyed the black business district, burned dozens of black-owned homes and attacked nearly every black man they encountered. Two African-American men with no connection to the alleged crimes were lynched. Stunned that such an event could have occurred in Springfield, a group of early civil-rights leaders organized the National Association for the Advancement of Colored People the following year.

The election of the nation's first African-American president has stirred some influential intellectuals—black and white—to argue that Mr. Obama's inauguration marks the moment when blacks in the U.S. should begin abandoning past grievances for slavery, discrimination and racial violence. On the campaign trail, even Mr. Obama and his aides often avoided extended discussion of race. They made it clear he didn't wish to be perceived simply as the first black major party candidate for the White House.

"It is simply no longer the case that the essence of black American life is racial victimization and disenfranchisement, a curse and a condemnation, a destiny based on color," wrote Charles Johnson, a National Book Award-winning English professor at the University of Washington in Seattle.

But Springfield has done precisely the opposite and revisited its past. After decades of mostly silence about 1908, thousands of city residents over the past year have banded together to mark the centennial of the most painful event in town history.

"We have to acknowledge when wrongs have been committed and do what we can to right those wrongs," said Kathryn Harris, a librarian at Springfield's Abraham Lincoln Presidential Library.

At the beginning of the 20th century, the allure of Lincoln's association and jobs in bustling coal mines and factories made Springfield a magnet for African-Americans fleeing deepening racial oppression across the Southern states. By 1900, Springfield had the highest percentage of black residents of any city in Illinois.

But the influx also stirred racial resentments among whites. On Aug. 14, 1908, after a white woman in Springfield claimed to have been raped by a black man, large crowds gathered outside the county jail, intent on lynching the man accused of the rape and another black prisoner charged with killing a local white man, according to historical accounts. The woman later admitted her allegation of rape was fabricated.

Without the crowd realizing what was happening, the sheriff—Mr. Werner's grandfather, also named Charles Werner—spirited the defendants to safety. After the mob learned the African-American prisoners were gone, thousands of whites swirled through the city for two days, looting and shooting within sight of the old state capitol building where Lincoln proclaimed 50 years earlier that "a house divided against itself cannot stand."

By the time 4,000 state militiamen re-established order, most of the black residential areas of the city were razed. More than 40 houses were burned. The African-American business district was gutted. A black barber was lynched when he tried to fight off attackers. Five white men had been killed in stampedes, unintentional shootings or militia gunfire.

The black community in Springfield struggled to recover. "Everyone was aware of it. But no one spoke of it," said Rudy Davenport, a longtime local NAACP leader. "It was sort of like...just silence."

According to many African-Americans, Springfield as late as the 1960s was still following racial practices similar to the South, including restrictions on where blacks could eat in restaurants, sit in theaters or use the city swimming pool. In the late 1980s, Mr. Davenport and others successfully sued to force greater representation of African-American voters in local elections. In recent years, black leaders pushed for more minority police officers and firemen. The city responded by adding special recruiters and changing its hiring process.

As the 100th anniversary of the riot approached in 2007, many black residents began pushing for an event to mark the centennial. The mayor, Timothy J. Davlin, who is white, appointed a commission to coordinate a commemoration. "We all know our rich history here," Mr. Davlin said this month. "And it's not all pretty. But it's part of our history whether you like it or not."

Not everyone in Springfield was certain that was a good idea. Even some prominent black pastors had reservations about stirring up difficult memories, according to Rev. Wesley McNeese, pastor of New Mission Church of God.

Stories about the events in the local State Journal-Register attracted hostile commentary. One posting on the paper's Web site called the plans a "pathetic exercise in digging up the past." Another wrote that the commemoration "is just stirring up trouble and tension between groups of citizens. This happened 100 years ago!"

The backbone of the remembrance became a series of multiracial religious gatherings held at various churches each month. Dubbed "solemn assemblies," the services ended with prayer sessions at one of the riot sites.

At the same time, other organizations began sponsoring additional events. Local Springfield College-Benedictine University hosted speeches and forums by historians and authors. The city renamed a stretch of streets through the riot area Reconciliation Way.

When the final church service convened, Mayor Davlin surprised the crowd by issuing a formal apology to the African-American residents of the city for the 1908 riot. In early February, a $300,000 state-funded statue showing scenes of the riot will be unveiled.

Now that the commemoration is largely over, Springfield residents are debating what it accomplished. The answers aren't clear. Mayor Davlin says an honest accounting of the riot has helped ease the way for efforts to increase the number of black police officers and improve educational opportunities.

Mr. Davenport hopes the remembrance process will make it more likely that efforts to tackle issues facing African-Americans, such as lower pay, crime and academic performance in schools, will be viewed as problems facing the city—not just African-Americans.

Charles Werner, the grandson of the sheriff, says he thinks the long discussion may finally put the riot to rest. "I think it's going to be dropped," he said. "Maybe it will come back up again in another 100 years."