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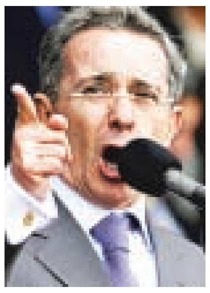


Uribe's political narrative takes twists in Colombia

NEWS IN DEPTH | PAGES 16-17

How regulators repeatedly failed to catch Madoff

MONEY & INVESTING | PAGE 19

Israel digs in as EU talks

Sarkozy and envoys meet local officials; shortages worsen

By Joshua Mitnick

KIBBUTZ KFAR AZZA, Israel—French President Nicolas Sarkozy and other European officials arrived in the Middle East on Monday as part of a stepped-up effort to end Israel's attack on the Gaza Strip, but the shuttle diplomacy bore little immediate fruit.

Israeli officials vowed to press ahead with the assault. On Monday, Israeli soldiers and armored units held positions deep inside Gaza that they captured in a weekend blitz. Israeli planes and ships bombarded the enclave for a tenth day, and sporadic gun battles raged on the outskirts of Gaza City, its biggest town.

Israel launched a ground offensive into Gaza on Saturday evening, following a week of blistering aerial attacks.

Mr. Sarkozy met with Israeli and Palestinian officials on Monday evening. European Union ministers held separate talks with Israeli officials, following meetings with Egyptian officials on Sunday.

Hamas, the militant group that controls the Gaza Strip, has also been active on the diplomatic front. Late last week, its exiled leadership in Damascus met with a top Iranian envoy. On Monday, the group was preparing to dispatch envoys to Cairo. Al Jazeera reported that the trip was to meet Egyptian mediators who had previously brokered a

Please turn to page 31

Reuters

A Palestinian boy collects belongings from his destroyed house after an Israeli air strike in Gaza Monday. Israeli forces held positions deep inside Gaza.

What's News—

Business & Finance

Apple's Steve Jobs disclosed he is being treated for a hormone imbalance that caused his noticeable weight loss and expects to regain the weight by spring. The news sent Apple shares higher. Page 1

■ **Waterford Wedgwood filed** for administration after its owners were unable to close a deal to sell the company in time to satisfy the banks. Page 1

■ **A slowdown in Spanish** and Italian inflation in December is heightening expectations that the ECB will cut its key rate again next week. Page 2

■ **The U.K. shifted** its outlook for an economic recovery in the second half, reinforcing expectations that the BOE will cut interest rates again. Page 21

■ **Germany's moves** to fight recession could add up to as much as $69 billion in 2009-10, a conservative parliamentary leader said. Page 2

■ **Russia said it would cut** supplies of natural gas bound for the EU via Ukraine, which it accused of stealing EU gas, as a price dispute worsened. Page 3

■ **Telecom and utility** shares led gains in Europe, while worries about corporate earnings drove U.S. stocks lower. Page 20

■ **Oil rose to nearly $49** a barrel, and some analysts say there is more than just unrest in the Mideast behind the rally. Page 24

■ **U.S. auto sales tumbled** again in December, capping one of the worst years for the industry in decades. Page 4

■ **New-car registrations fell** 24% in France. The drop would have been greater without government stimulus. Page 4

■ **The U.K. plans** to end its ban on short sales of financial stocks but said it would continue to ask hedge funds to disclose such positions. Page 19

■ **The Madoff firm's** court-appointed trustee mailed claim forms to more than 8,000 potential victims of the alleged Ponzi scheme. Page 19

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8952.89	-81.80	-0.91
Nasdaq	1628.03	-4.18	-0.26
DJ Stoxx 600	208.69	+4.23	+2.07
FTSE 100	4579.64	+17.85	+0.39
DAX	4983.99	+10.92	+0.22
CAC 40	3359.92	+10.23	+0.31
Euro	$1.3635	-0.0295	-2.12
Nymex crude	$48.81	+2.47	+5.33

Money & Investing > Page 19

World-Wide

France's Sarkozy and other European officials arrived in the Mideast as part of a stepped-up effort to end Israel's attack on Gaza, but the shuttle diplomacy bore little immediate fruit. Israeli soldiers and armored units held their positions deep inside Gaza, while planes and ships bombarded the enclave and sporadic gun battles raged on the outskirts of Gaza City. Pages 1, 31

■ **Three men charged** with involvement in a bombing in Tunisia went on trial in Paris in a case expected to highlight the reach of al Qaeda-linked networks in North Africa.

■ **India said it gave** Pakistan detailed evidence tying Pakistan-based terrorists to the Mumbai attacks, in a bid to boost pressure on Islamabad to clamp down harder on militants. Page 11

■ **The U.S. opened** its new embassy building in Baghdad, a step to symbolize its transition from occupying power to an ally of a sovereign government.

■ **The WTO's Pascal Lamy is** the only candidate to be director-general for the next four years, with no one emerging to challenge him for the job.

■ **Obama has picked** Leon Panetta, an ex-chief of staff under President Clinton, to be the next director of the CIA, an Obama transition official said. Page 10

■ **Authorities were** investigating whether an attack on police in Athens was linked to a left-wing group that fired a grenade at the U.S. Embassy in 2007.

■ **A Moroccan immigrant was** installed as mayor of Rotterdam, a move hailed as a significant step for the integration of minorities in the Netherlands.

■ **A French maritime company** said pirates attacked one of its boats off the coast of Nigeria and were holding all nine crew.

■ **The contractor that raised** a crane that toppled in New York last year, killing seven, was charged with manslaughter and criminally negligent homicide.

■ **Rescuers pulled** 33 bodies from a landslide in Guatemala.

■ **A Zimbabwean judge** ordered that a peace activist accused of plotting to overthrow Mugabe receive medical attention.

EDITORIAL & OPINION

Slow learner

Europe watches another Russia-Ukraine gas spat without heeding the lessons of 2006. Page 13

Apple's Jobs cites hormones for poor health

By Yukari Iwatani Kane And Jacob Goldstein

Seeking to quell speculation about his health, **Apple** Inc. Chief Executive Steve Jobs disclosed that he has been diagnosed with a "hormone imbalance" that has caused him to lose weight.

In a letter released Monday, Mr. Jobs, 53 years old, said he has begun treatment that is "relatively simple and straightforward" for the condition and will continue as Apple's CEO during his recovery. He said it would take him until late spring to regain weight.

Mr. Jobs in the letter describes his illness as a "nutritional problem," but offered no details about whether it could be linked to his previous bout with pancreatic cancer, how the condition developed, or details of the treatment. An Apple spokesman declined to provide further information.

Some medical and corporate-governance experts said the letter didn't provide enough details to fully understand his condition. "To an endocrinologist, the most vague statement you can ever make is the term 'hormone imbalance,'" said Clay Semenkovich, an endocrinologist at Washington University in St. Louis. He isn't involved in Mr. Jobs's treatment.

The Cupertino, Calif., company's board released a statement expressing support for Mr. Jobs. "As we have said before, if there ever comes a day when Steve wants to retire or

Please turn to back page

Waterford Wedgwood cracks in credit crunch

By Jeanne Whalen

LONDON—One of the world's best-known makers of fine crystal and ceramics, **Waterford Wedgwood** PLC, has succumbed to the credit crunch.

Having struggled for years to revive its brands amid growing competition from more modern, less-expensive tableware, the heavily indebted company filed for insolvency administration Monday after failing to win a reprieve from lenders. The company's owners, led by prominent Irish investor Sir Anthony O'Reilly, had been racing to find a private-equity buyer but weren't able to close a deal in time to satisfy the banks.

Chief Executive David Sculley said he still hoped the administrators would find a new owner who would keep making the company's iconic products, which include Waterford crystal and the Wedgwood and Royal Doulton china patterns. But the company's 7,700 employees in the U.K., Ireland, Indonesia and elsewhere face an uncertain future.

"We are consoled only by the fact that everything that could have been done...was done," Sir Anthony said.

Please turn to page 31

LEADING THE NEWS

Case builds for ECB cut

Slowing inflation adds to pressure for additional trim

By Nicholas Winning

LONDON—A sharp slowdown in Spanish and Italian inflation in December is heightening expectations that the European Central Bank will cut its key rate again next week, despite reluctance by some policy makers—including the ECB's chief economist, Jürgen Stark—to deliver more big cuts quickly.

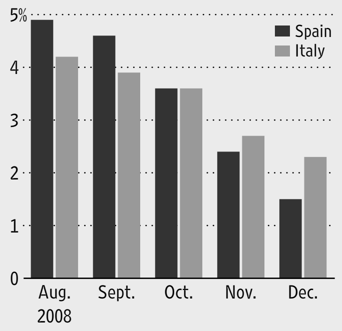
Data out on Monday from the two Southern European economies, added to weaker-than-expected price figures from Germany last week, suggest that the euro zone's annual inflation rate for December, to be released Tuesday, could drop under the ECB's target of just below 2% for the first time since August 2007.

"The trend in inflation is so clearly pronounced that there is no inflation argument against cutting rates," said Holger Schmieding, head of European economics at Bank of America. "We need data like this, and we are getting them, to convince the ECB that they have to go again."

The ECB, which makes monetary policy for the 16-nation euro-zone economy, has cut its key rate by 1.75 percentage points since October to the current 2.5%. Investors expect another half-percentage-point cut at the bank's meeting on Jan. 15, but some policy makers have indicated they are wary of cutting rates too quickly. They worry that persistent tension in the markets where banks lend to one another makes central-bank interest-rate cuts less effective in stimulating economic growth.

Inflation easing

Inflation slowed sharply in Spain and Italy in December, echoing deceleration in the euro zone



Sources: INE; Istat; Eurostat

The Bank of England, meanwhile, is expected to cut its key rate for the fourth straight month on Thursday, though there is no clear consensus among economists on the size of the reduction from the current 2%. The U.K. government acknowledged on Monday that the Treasury's forecast that the economy will start to recover in the second half of this year looks increasingly uncertain. The pound's depreciation over recent weeks will also weigh on the rate-cut decision.

Economists agree that the recent run of economic data has been weaker than in previous months. And while credit conditions remain tight and consumers continue to rein in their spending, economists believe the Bank of England has no option but to keep pushing rates down toward zero. Several economists have forecast that the key rate will fall to 0.5% by March.

Adding to the bleak data, U.K. consumer confidence sagged in December as Britons became gloomier about the economic outlook and more fearful of losing their jobs, according to a survey commissioned by Nationwide Building Society. However, with stores discounting in an attempt to move stock, consumers also believed that it was a better time to make major purchases than previously.

Nationwide's headline measure of consumer confidence fell to 47 last month from 51 in November despite the government's announcement of a £20 billion ($29 billion) fiscal-stimulus package and unprecedented rate cuts by the Bank of England.

In both Spain and Italy, annual inflation slipped more than expected in December, prompting economists to predict that Tuesday's euro-zone figure could also come in low. Adding to the case for lower ECB rates: While the euro-zone inflation slowdown so far has been driven by weaker food and oil prices, economists said the big drop in Spain's inflation rate could be the first sign that recession in the region is beginning to weigh on prices.

Spain's National Statistics Institute said Monday that the country's annual European Union-harmonized inflation rate fell to a 10-year low of 1.5% in December from 2.4% in November. Italy's rate fell to 2.2% in December from 2.7% in November. Last week, official data from Germany showed the annual inflation rate in the euro zone's biggest economy slowed more than expected to a two-year low of 1.1% in December.

Jacques Cailloux, chief euro-zone economist at Royal Bank of Scotland, said he had lowered his forecast for euro-zone inflation to 1.6% following the Spanish data.

Second German stimulus is set to inject $69 billion

By Marcus Walker And Andrea Thomas

BERLIN—Germany's ruling coalition agreed to the broad outlines of a fiscal-stimulus program valued at as much as €50 billion ($69 billion) this year and next to fight the country's worsening recession, senior officials said.

The move comes after Chancellor Angela Merkel's government accepted that a previous stimulus package, valued at €12 billion over two years, won't be enough to drag Europe's biggest economy out of a recession that many economists believe could be its worst since World War II.

Angela Merkel

Ms. Merkel's conservatives reached agreement on major points of the program to boost the economy with their coalition partners, the left-leaning Social Democrats. The parties aim to reach full agreement Jan. 12, with the question of income-tax cuts foremost among issues to be resolved.

The Social Democrats' parliamentary leader, Peter Struck, said his party remains opposed to tax cuts for those with high incomes. "We don't believe tax cuts for high wage earners are the right way to go," he said. The Social Democrats had been pushing their own proposed fiscal-stimulus plan valued at around €40 billion over two years.

With parliamentary elections due in September, the two parties are jockeying to ensure their own core voters benefit from tax relief. Peter Ramsauer, the Bavarian conservative leader in Germany's parliament, said the coalition leaders agreed the stimulus program should total about €25 billion in each of 2009 and 2010.

Volker Kauder, the conservatives' parliamentary leader, said Germany could still comply with European Union budget rules, which require member countries to keep budget deficits below 3% of gross domestic product. A fiscal stimulus of €25 billion a year represents about 1% of Germany's €2.5 trillion-a-year economy.

The stimulus program looks set to consist roughly equally of public investments and reductions in taxes and social-security levies, with the parties still to agree on how to cut income taxes and how to spread the benefits.

Ms. Merkel's spokesman, Ulrich Wilhelm, told reporters Monday the core of the measures would be a program of public-sector investments. All parties want to spend more on public works such as roads and schools.

The decision followed agreement Sunday between Ms. Merkel's center-right Christian Democrats and their Bavarian conservative allies on common tax proposals that included raising the tax-free personal allowance to €8,000 a year, from €7,664.

The Social Democrats have opposed income-tax cuts and argued for a temporary rise of 2.5 percentage points in the top earners' tax rate to 47.5% as well as a cut in health-care insurance premiums and extra family benefits of €200 a child.

Goldman Sachs economist Dirk Schumacher said the stimulus plan will have a speedier effect on economic growth if it also includes tax cuts to consumers since infrastructure projects take time to arrange.

CORRECTIONS & AMPLIFICATIONS

Stephen Lansdown, chairman of Hargreaves Lansdown, said the Financial Services Authority now asks his brokerage firm the sorts of questions they would ask a large lending bank. A page-one article Monday on the U.K. regulator incorrectly attributed this part of his quote to Mr. Hargreaves.

INDEX TO BUSINESSES

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

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INDEX TO PEOPLE

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

Gas clash weighs on EU

Putin tells Gazprom to reduce shipments transiting Ukraine

Russian Prime Minister Vladimir Putin ordered reductions in natural gas bound for the European Union via Ukraine, accusing the country of stealing EU deliveries in transit, as a dispute between the two nations worsened.

The EU sent a delegation to meet natural-gas officials from both sides. Though the stand-off hasn't yet had a major impact on EU supplies, EU officials are growing increasingly concerned it could get out of control.

*By **Andrew Osborn** in Moscow and **Marc Champion** in Brussels*

"The problem is that the winter is getting colder and they don't seem able to reach a quick agreement," said Ferran Tarradellas Espuny, spokesman for the European commissioner on energy.

Russian gas monopoly OAO **Gazprom** cut off gas exports to Ukraine on Jan. 1 after talks with Ukraine's **Naftogaz Ukrainy** failed to set a new gas price for 2009. However, Gazprom continued delivery of gas for downstream users in the EU.

A similar dispute three years ago led to shortages in the EU, which gets about 80% of its Russian gas imports via Ukraine and depends on Russia for a quarter of its gas needs.

Slovakia, Croatia and Greece became the latest European countries to report slight supply disruptions because of the dispute, bringing the total number of countries affected so far to nine. Gazprom said it would pump more gas via Belarus and to Turkey to make up for the reduction via Ukraine.

On Monday, Gazprom accused Ukraine of siphoning off gas from the roughly 300 million cubic meters a day that Gazprom sends through Ukraine for transit to EU consumers. At a meeting with Gazprom Chief Executive Alexei Miller, Mr. Putin told him to cut total supplies via Ukraine immediately, by 65.3 million cubic meters, to account for losses so far, Russian state TV reported. Mr. Putin said further deliveries should be cut in amounts comparable to how much gas Gazprom thinks Naftogaz is stealing.

Naftogaz said in a statement late Monday that Gazprom had notified it by fax of the decision to cut transit volumes. It said the move threatened gas deliveries to Germany, Moldova, Bulgaria, Romania, Greece, Turkey, Poland, Hungary, and Slovakia. If any of those countries suffered shortfalls, it said, "all reproaches" should be addressed to Gazprom.

Gazprom Deputy Chief Executive Alexander Medvedev, in remarks to reporters in Paris, accused Ukraine of "blackmail" in diverting EU supplies. He said the crisis demonstrated the need for gas pipelines across the Baltic and Black Seas, avoiding Ukraine, which Russia is trying to persuade the EU to help build.

Meanwhile, Naftogaz accused Gazprom subsidiary Moldovagaz SA of siphoning about 10 million cubic meters of gas from a southern branch pipeline as it passed through Moldova on its way from Ukraine to the Balkans. Gazprom was using the ploy to make "groundless accusations" of theft against Ukraine, Naftogaz said. Gazprom said the shortfalls in the Balkans were caused by Ukraine.

Also on Monday, Ukraine's energy ministry said it had filed a lawsuit in Kiev, the Ukrainian capital, seeking to annul a contract between Gazprom and Naftogaz that set transit prices until the end of 2010. Ukraine wants to negotiate a higher price.

Two letters viewed by The Wall Street Journal dated Monday suggest a deal isn't imminent. In the first letter, Gazprom calls on Naftogaz to come to Moscow to resume talks. In its reply, Naftogaz urges Gazprom to come to Kiev to resume talks.

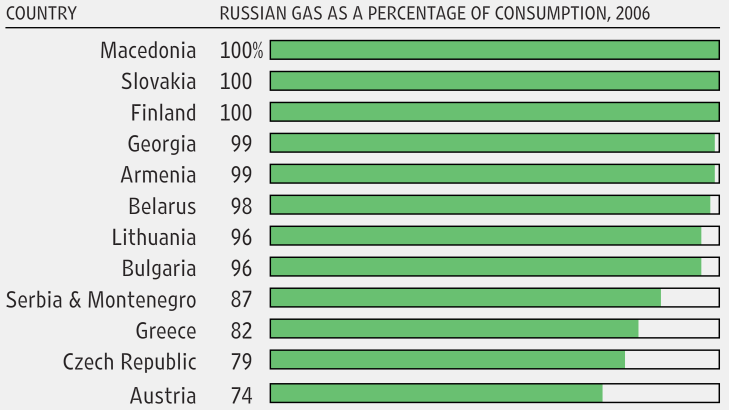
EU diplomats met Monday in Brussels to compare notes on how supplies are being affected. They confirmed that consumers haven't been hit, with reserves and supplies via alternate routes adequate to deal with any shortfalls, said a spokesman for the Czech Republic, which holds the EU's rotating presidency.

When talks broke down on Dec. 31, Gazprom had offered a price of $250 per thousand cubic meters; Ukraine proposed $201. Since then, Ukraine raised its offer to $235, but Gazprom is now demanding $450.

—David Gauthier-Villars in Paris contributed to this article.

Gas addicts

Many countries are heavily dependent on natural gas from Russia



Source: U.S. Energy Information Administration

CORPORATE NEWS

U.S. auto sales sputtered in December

Economic downturn, tight credit continued to cramp consumer; Chrysler paced monthly slide with 53% decline

By Sharon Terlep
And Matthew Dolan

U.S. auto sales tumbled again in December, capping one of the worst years for the industry in decades and solidifying the view that more turmoil lies ahead in 2009.

Auto makers estimated December sales of cars and light trucks fell nearly a third to roughly 960,000 vehicles. An exact total wasn't available late on Monday because some auto makers had yet to report sales. For the full year, U.S. auto sales declined an estimated 18% to about 13.3 million vehicles.

Worries about jobs and sinking home values trumped year-end auto deals.

Continuing the pattern of recent months, December's sales of cars and trucks slid as cash-strapped Americans simply stayed away from dealerships or had difficulty securing auto loans. For many consumers, worries about losing their jobs and sinking home values trumped the year-end rebates and financing deals auto makers rolled out in the last few weeks.

The months ahead are likely to bring more of the same, auto makers said. "We expect the first half of 2009 to feel a lot like the last months of 2008," Emily Kolinski-Morris, chief economist at **Ford Motor** Co., said in a conference call. "The first quarter is going to be bad no matter how you look at it," she said, citing recent data showing consumer confidence and manufacturing activity are low. She said sales in the first few months of this year are likely to "run at or below" December's level.

In December, the Big Three auto makers and their foreign competitors suffered significant declines, although the hardest hit was **Chrysler** LLC. The company, which was overshadowed by concerns it could run out of money as it pleaded for a federal bailout, said sales fell 53% to 89,813 vehicles.

General Motors Corp., which like Chrysler sought and eventually received emergency loans from the U.S. government, reported its vehicle sales fell 31% to 220,030 cars and trucks. Ford's fell 32% to 138,325 vehicles, and U.S. sales for **Toyota Motor** Corp. declined 37% to 141,949.

In a sign of how auto makers of all stripes are hurting, **BMW** AG reported a sales drop of 36%. In downturns of the past, the luxury car maker fared better than mainstream manufacturers because its wealthy customers had the means to continue buying or leasing new cars. BMW said tight credit has been damping its U.S. sales.

Among other European car makers, **Daimler** AG, maker of Mercedes-Benz and Smart cars, said its sales fell 24% to 20,848. **Volkswagen** AG sales fell 14% to 17,577 vehicles.

The theme of the year seemed to be the return to passenger cars, as gasoline prices soared through summer. Last year marked the first time since 2001 that passenger cars outsold trucks, a trend marked by the rise and fall of the minivan in the 1980s and the SUV in the 1990s, according to Ford sales analyst George Pipas. "We believe the pendulum will continue to swing toward cars in the years to come," Mr. Pipas said.

The financial troubles at GM and Chrysler didn't prompt consumers to turn toward cars and trucks built by Ford, according to Jim Farley, Ford's global vice president for sales and marketing. The company's market share increased over the last three months but it was largely a result of heavy discounting to move its outgoing F-150 pickup model, he said.

Because of increasing inventory of vehicles, especially passenger cars, Mr. Farley said that across the industry he expects to see heavy incentives to continue into the first three months of 2009.

While Ford continued to reduce its sales of low-margin sales to rental-car companies and other fleet customers, GM used fleet sales to prop up its December total. In a conference call, GM officials said the company's retail sales to individual customers at dealerships fell about 41% in December, while its fleet sales were flat.

For the full year, GM's sales fell 23% to three million vehicles, Ford's declined nearly 21% to about two million and Toyota's were down 16% to 2.2 million vehicles.

Associated Press

Richard Moss works at Superior Pontiac-Buick-GMC-Nissan in Dearborn, Mich. GM vehicle sales fell 31% last month.

French new-car registrations tumble 24%

By David Pearson

PARIS—Registrations of new cars in France plunged 24% last month, but the drop would have been even greater without measures by the French government to prop up the market.

The 24% fall was calculated after adjusting sales figures for two more working days in December 2008 than a year earlier. On an unadjusted level, registrations dropped 16%, according to provisional data released by the car manufacturers' association Monday.

For the full year, registrations were down only 0.7% at 2,050,289 vehicles and still above the 2,000,549 recorded in 2006.

Car sales in France have fared much better than in many other European countries, mainly thanks to government incentives, such as a €1,000 ($1,385) scrapping bonus payable to owners of old cars when they buy new, less-polluting vehicles.

These measures to get consumers back into car showrooms, said François Roudier, a spokesman for the car makers' group, boosted car sales by between 12,000 and 14,000 vehicles in December compared to what the association had expected a month earlier.

December's year-on-year drop in registrations also reflected a base effect, said Mr. Roudier, as sales of larger vehicles had accelerated in December 2007, prior to the introduction of the system of bonuses and penalties aimed at encouraging buyers to opt for low-consumption models.

In the first six months of 2008, new registrations in France were up 4.5% from a year earlier.

However, sales began to fall in the second half of the year, as consumers postponed buying big-ticket items in the face of weakening economic activity and tight credit conditions. In recent weeks, French car makers virtually halted production in an attempt to absorb stocks, while reducing headcount to try to preserve margins.

The full impact of market support measures aimed at reducing bloated inventories that the government announced late last year is likely to be felt in January, industry analysts say.

December registrations of **Renault** SA vehicles tumbled 20% on an unadjusted basis, dragged down by a 22% fall in the core Renault brand. Local rival **PSA Peugeot-Citroën** SA managed to limit the year-on-year decline in registrations to 0.9%.

For the full year, Renault recorded 492,849 registrations, down 24% from 2007, while those of Peugeot-Citroen were up 1% at 633,302.

Automobile sales in Japan declined 6.5% last year

By Kenneth Maxwell

TOKYO—Japan's domestic auto sales fell last year to their lowest level since the mid-1970s as recession squashed already weak consumer demand during the last few months of the year.

According to data released by the Japan Automobile Dealers' Association on Monday, sales of new cars, trucks and buses slid 6.5% to 3.212 million vehicles last year from 3.434 million in 2007.

That marked the fifth straight year of declines, taking sales to their lowest level since 1974's 3.133 million, officials at the association said.

Previous years' drops were brought on by high gasoline prices and a declining population in the world's second-biggest economy. But auto makers and analysts attributed the slide in late 2008 to Japan's recession.

Sales fell 22.3% to 183,549 vehicles in December from 236,142 in the same month a year earlier, the association said. The sharp drop comes as little surprise to Japan watchers: In November, typically a bigger month for auto sales than December, the country's auto makers registered 27% fewer new vehicles.

Auto sales, as measured by vehicle registrations, are monitored closely by economists because they are the first measure of consumer spending to be released each month. The figures don't include sales of minicars or minitrucks.

Big auto makers such as **Toyota Motor** Corp., **Honda Motor** Co. and **Nissan Motor** Co. have all slashed earnings and production forecasts for the fiscal year through March in recent weeks.

Though long accustomed to weakness at home, Japanese car makers are now grappling with recession in key export markets such as the U.S. and Europe, where sales also have fallen. Those export sales, also undermined by the strength of the yen against the U.S. dollar and the euro, were previously strong enough to offset lower sales in Japan.

GM to introduce a new version of Cadillac SRX

A WSJ News Roundup

General Motors Corp., on a mission to expand its lineup to include more fuel-efficient offerings, will introduce a new Cadillac crossover at the Detroit auto show next week. It replaces the SRX model, first launched in 2004.

To help compete with better-selling rivals like **Toyota Motor** Corp.'s Lexus RX, **Honda Motor** Co.'s Acura MDX and **BMW** AG's X3 and X5, the SRX's designers incorporated elements from other Cadillac models. The new SRX looks faster than its boxy predecessor, with a curving roofline and a more rounded nose that still retains an aggressive look.

The crossover, which melds the characteristics of a car and a sport-utility vehicle, will be powered by a six-cylinder engine new to the brand. The redesigned vehicle was unveiled Sunday and is set to go on display at the 2009 North American International Auto Show in Detroit, which begins Jan. 11.

GM's survival strategy calls for protecting its Cadillac lineup, which has a strong following among luxury-car buyers, as it slashes costs, cuts spending on new products and works to unload less profitable brands and models. The auto maker has said it will shift away from large pickup trucks and SUVs to cars and crossovers.

CORPORATE NEWS

Borders Group boots CEO

Book retailer installs new team to cut debt, improve cash flow

By Jeffrey A. Trachtenberg

The grim holiday season claimed its first retail CEO on Monday as George Jones stepped down as chief executive and president of **Borders Group** Inc., the U.S.'s No. 2 bookstore by sales. Mr. Jones was ousted by the board, which cited a need to "more aggressively" improve cash flow and reduce debt.

Mr. Jones, 58 years old, is being succeeded immediately by Ron Marshall, who most recently served as principal of **Wildridge Capital Management**, a private-equity firm he founded about three years ago. Mr. Marshall, 54, is a former CEO at Nash Finch Co., a food wholesaler, and earlier served as chief financial officer at Pathmark Stores Inc.

The past few months have been turbulent for book publishers and retailers alike. Many of the largest publishers have already announced cutbacks amid expectations that this will be an onerous year. The turmoil may also create opportunities for some: On Friday, it was disclosed that **Yucaipa American Management** LLC, the investment arm of supermarket magnate Ron Burkle, had acquired an 8.3% stake in bookstore chain **Barnes & Noble** Inc., one of Borders's chief rivals.

In a statement, Mr. Marshall said, "I've led turnarounds at other retail organizations and look forward to leading a new management team at Borders to drive profitability and help ensure lasting success for this great name in retail." Borders said that by Feb. 1 it will issue Mr. Marshall options to purchase 1.8 million shares of common stock that vest over three years, plus another 200,000 options as part of its employee incentive plan. The strike price of the options wasn't disclosed. Mr. Marshall wasn't available for an interview.

Mr. Marshall faces major challenges. Borders also disclosed on Monday that it was notified Dec. 31 by the New York Stock Exchange that its shares had traded for less than $1 for 30 consecutive days. Since Borders no longer satisfies one of the standards for continued listing on the exchange, it must now submit a plan to rectify the situation, and it has six months to get its shares above $1.


George Jones

In addition, the exchange noted that Borders's market capitalization "is approaching the minimum standard of total market capitalization of $25 million over a 30 trading-day period, which is a minimum threshold standard that does not allow for any cure period." If Borders's total market cap falls below $25 million for 30 days, the shares will be delisted.

In late-afternoon composite trading, Borders shares were up 14 cents at 59 cents a share, for a market cap of $35.7 million.

Many publishers in recent weeks have expressed concern about the future of Borders, which has a heavy debt load and competes with such well-run rivals as Amazon.com Inc. and Barnes & Noble, the U.S.'s largest bookstore chain as measured by revenue. Earlier this year, Borders put itself up for sale after disclosing a potential liquidity crunch, but it couldn't find a buyer.

"They first need to restore confidence among their stakeholders, including their banks, their vendors and their employees," said Kenneth Dalto, who owns Kenneth J. Dalto & Associates, a turnaround firm based in Farmington Hills, Mich. "Then they need to articulate a new strategic direction and a specific plan. They also need [a] new capital injection."

In addition to Mr. Jones's departure, Borders said that Mark Bierley, a Borders veteran, has been named CFO, succeeding Ed Wilhelm, who will stay in place for a transition.

Also, Anne Kubek has been named executive vice president, merchandising and marketing. Ms. Kubek, a rising star inside Borders, succeeds Rob Gruen, who is departing after about two years. Finally, Dan Smith, an employee since 1995, has been named to the new post of chief administrative officer and will oversee the retailer's information technology group. Inventory management has been a longstanding problem at Borders.

As expected, Borders had a difficult Christmas selling period. Total sales for the nine-week period ended Jan. 3 fell 11.7% from a year earlier to $868.8 million. Sales at Borders superstores slid to $652.6 million, down 13.6%. Same-store sales at the superstores fell 14.4% from a year earlier.

Tyson names new CEO; veteran to replace Bond

By Doug Cameron

Tyson Foods Inc. announced the departure of President and Chief Executive Dick Bond on Monday, the second high-profile casualty of the difficulties facing the U.S. meat industry.

Mr. Bond, one of the sector's most outspoken executives, will be succeeded immediately on an interim basis by Leland Tollett, a Tyson veteran returning for a second stint at the company. Mr. Tollett was CEO from 1991 to 1998 and became a consultant following his retirement.

Mr. Bond joined Tyson when the company bought beef producer IBP Inc. in 2001 and had served as CEO since 2006.

U.S. meat processors have been grappling with depressed demand and pricing for chicken, and the lingering impact of high commodity prices on animal-feed costs. This has forced one market leader into bankruptcy court and generated talks with lenders across the industry to restructure debt accumulated through expansion and acquisitions.

Last month, the chief executive of **Pilgrim's Pride** Corp., the largest U.S. poultry producer, resigned under pressure from board members days after the company filed for bankruptcy protection.

Mr. Bond, 61 years old, was credited with diversifying Tyson's business with a balance among beef, pork and chicken sales, and expanding higher-margin packaged products. However, investors had become unnerved by Tyson's reluctance to cut production as sharply as rivals amid a glut of poultry.

"After seven years of helping lead or leading the world's largest meat company, I have decided it is in both my best interest personally, and the best interest of the company for me to move on and pursue other interests," Mr. Bond said in a statement Monday.

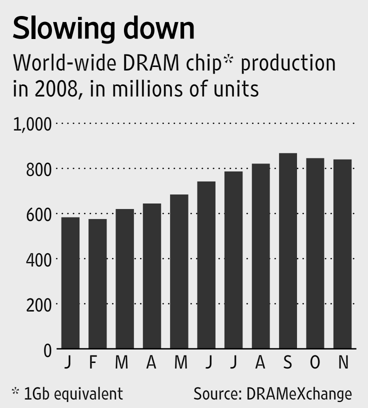
Last month, faced with an industry downturn that could leave the meat processor nursing a fiscal first-quarter loss, Tyson secured breathing room from lenders . Tyson agreed to pledge "substantially all" of its assets in return for more flexibility on the covenants attached to a $1 billion revolving loan.

The company said at the time that the amendments show "our lenders are willing to work with our company and have confidence in our ability to follow through on our key strategies."

Tyson declined to comment on whether Mr. Bond's departure was triggered by lenders, who last month agreed to relax some loan covenants.

Tyson, which raised fresh capital in July, has been partially sheltered by the strength of its beef and pork operations.

—Kerry E. Grace contributed to this article.



Bloomberg News/Landov

Taiwan to bolster struggling firms

By Alex Pevzner

TAIPEI—The Taiwan government said Monday it plans to provide 200 billion New Taiwan dollars, or about US$6 billion, in financial aid for struggling large companies, with memory-chip maker **Nanya Technology** Corp. aiming to submit a proposal to the government for assistance as soon as this week.

The legislature has approved half of the budget and is still reviewing the proposal for the other half, said Shih Yeh-Shiang, a vice Minister of Economic Affairs.

Taiwan's export-dependent economy is feeling the sharp slowdown in global trade, and the island's producers of dynamic random access memory chips are facing the sector's worst downturn.

After DRAM makers lost money for at least four consecutive quarters because they overestimated demand in recent years, hopes for a recovery have been dashed by the global crisis.

Nanya, Taiwan's second-largest maker of DRAM chips by revenue after **Powerchip Semiconductor** Corp., has discussed its proposal for government assistance with U.S. strategic partner **Micron Technology** Inc., but hasn't decided on the amount they will seek from the government, a Nanya spokesman said. Micron officials weren't available for comment.

Nanya is the second Taiwanese memory-chip maker to seek state help following a similar move by Powerchip, which last month submitted a proposal for assistance along with its Japanese partner **Elpida Memory** Inc.

Powerchip, however, was told by the government to revise the proposal. Mr. Shih said the Powerchip submission "fell short of expectations," but didn't elaborate.

He said the government will provide aid in order to raise the DRAM industry's competitiveness, acquire key technologies and give the government a return on its investment.

Powerchip spokesman Eric Tang said the company is in talks with Elpida on a revised proposal, and hopes to submit it as soon as possible.

The government said in December it would support Taiwan's DRAM industry, which has suffered huge losses over the past year. Taiwan's DRAM industry is estimated to have lost NT$120 billion in 2008, according to analysts.

Mr. Shih said Monday that the Taiwan government will inject the funds to be used for industry aid into the National Development Fund. He also kept open the option of the government buying stakes in DRAM makers through the fund.

Taiwan Premier Liu Chao-shiuan said last week the government will draw up a rescue plan for the island's memory-chip industry soon.

— Perris Lee Choon Siong and Jessie Ho contributed to this article.

GE's Universal sells Rogue in shift for specialty films

By Lauren A.E. Schuker

General Electric Co.'s Universal Pictures has sold Rogue Pictures, a film label that produces and distributes lower-budget films, to **Relativity Media** LLC, signaling that the major Hollywood studios are continuing to shift away from the specialty movie business.

Relativity Media, a media and entertainment company that finances a slate of films at both Universal and **Sony** Corp., announced Sunday that it had completed its purchase of Rogue, but didn't disclose a price. People close to the situation estimate that Relativity paid about $150 million for Rogue, a deal that includes Rogue's entire library as well as producing deals and more than 30 projects the unit has in development. The first film set for release is "The Unborn," a supernatural horror film that opens Jan. 9.

Rogue's success with horror films in particular appealed to Ryan Kavanaugh, chief executive officer of Relativity. "Rogue is a recognized brand world-wide," said Mr. Kavanaugh in a statement. "They've had success in the horror space in particular, which is something we can expand upon." Rogue's latest horror hit, last summer's low-cost "The Strangers," grossed nearly $53 million at the domestic box office.

Universal's unloading of Rogue comes in the wake of similar changes made by major studios in the past year as they try to cut back on the production of smaller, independent films. Those movies tend to stumble at today's box office, which favors big franchise films over more serious adult fare. **Time Warner** Inc.'s Warner Bros. shuttered its Warner Independent and Picturehouse units last year, and **Viacom** Inc.'s Paramount Pictures absorbed most of the major operations of its specialty division, Paramount Vantage, into its main studio.

Former eBay chief quits boards

By Ellen Byron

Meg Whitman stepped down from the boards of **Procter & Gamble** Co., **eBay** Inc. and **DreamWorks Animation SKG** Inc. effective Dec. 31, her spokesman said.

The move is another signal that Ms. Whitman is seriously considering a run for governor of California, a person familiar with the matter said, adding that an announcement could come in the next four to six weeks.

Ms. Whitman's spokesman, Henry Gomez, declined to comment on her political ambitions, saying she stepped down "for personal reasons."

A spokesman for P&G said, "We deeply valued the contribution Meg made to our board over the last five years." EBay and DreamWorks couldn't be reached for comment.

CORPORATE NEWS

Pilot-fatigue rules fought

Airlines sue the FAA, contesting legality, benefits of guidelines

BY ANDY PASZTOR

Continental Airlines Inc. and **AMR** Corp.'s American Airlines filed a joint lawsuit opposing enhanced crew-rest and other safety requirements imposed by U.S. regulators on the longest international flights.

The litigation highlights the difficulties the Federal Aviation Administration faces in devising measures to combat pilot fatigue, particularly on nonstop runs lasting 16 hours or longer. As airlines seek greater productivity from flight crews across the board, tired and sleepy pilots are considered one of the major safety issues confronting U.S. commercial aviation.

That's particularly true on nonstop transoceanic runs or over desolate polar regions. With airlines relying increasingly on such extended global routes, they have been reluctant to keep pilots at certain foreign destinations for longer rest periods than currently mandated.

Long before the current tussle, regulations controlling pilot duty times were among the most controversial topics handled by the FAA. Since the 1990s, agency officials have discussed updating rules based on the latest scientific findings about the hazards of sleep deprivation or marathon workdays. Various foreign carriers and regulators have managed to reduce such risks but U.S. airlines and their unions have remained at loggerheads, and the FAA has made only marginal changes over the years.

Continental and American, along with five other U.S. carriers, are challenging the legality and the safety benefits of enhanced crew rest for so-called ultralong-range flights. The lawsuit seeks to overturn enhanced crew-rest restrictions and other safety measures the agency placed on the flights this past fall. These include American's route between Chicago and Delhi, and Continental's flights connecting Newark with Hong Kong and Mumbai.

Continental declined to comment beyond the arguments contained in the suit. In the past, Continental officials said they were gathering data and were optimistic a court battle could be avoided over ultralong-range rules. An American spokesman said the agency should have "followed the accepted and required process" of getting comments from industry officials and others, because that produces the safest and best rules. Three months ago, American said it planned to protest some of the FAA's measures.

Delta Air Lines Inc., which negotiated special operating restrictions on similar flights in late 2006, isn't among the plaintiffs. Delta's arrangement allows some of its pilots to be behind the controls for a total of more than the current eight-hour limit during a single workday. In return, Delta agreed to extra-long crew rest periods before takeoff, use of various fatigue-prevention techniques during trips and as many as two full days of rest for pilots after arriving overseas. Pilots also are guaranteed extra rest at home to recuperate before starting another trip.

Pilot-union leaders and outside safety experts, who saw the pact with Delta as an important precedent, contend such measures are necessary to maintain the margin of safety so crews aren't too tired to cope with unusual situations or in-flight emergencies. The FAA sought to apply the same types of extra safeguards across the industry. In Delta's case, the agency said total time on duty for some pilots on twin-engine, extended-range Boeing 777 jets could stretch to more than 20 hours—well beyond today's normal limits. Ground delays, bad weather or other problems can lengthen workdays of pilots on both short-range and long-range trips. Delta's current longest flight is from Atlanta to Mumbai, which the company says can take about 18 hours.

An FAA spokeswoman said Monday that the agency "feels the Delta program is a model" that has "worked very well to give flight crews the rest they need."

But the latest court filing indicates the drive to get voluntary agreements on the longest routes has stalled. Filed before Christmas Eve in the U.S. Court of Appeals for the District of Columbia, the suit asks for a review of "new and different regulatory requirements" that entail "substantial burdens and costs" on carriers.

On flights lasting longer than eight hours, additional pilots typically are assigned to relieve crew members. But when nonstop flights are scheduled for 16 hours or more, even four-person cockpit crews work beyond that traditional eight-hour per day limit.

The agency's decision to bypass formal public comment and federal rulemaking procedures, according to the complaint, illegally deprived airlines and other stakeholders of the opportunity to make sure that the additional requirements "promote, and do not unintentionally degrade, safety standards." In addition, the suit contends the agency lacks authority to impose the extra requirements on carriers, partly because broader proposed regulation on pilot scheduling have been pending since 1995.

Continental and American are the lead plaintiffs because they are most affected by the FAA requirements at this point. United Airlines parent **UAL** Corp., **JetBlue Airways** Corp., **US Airways** Group. and two midsize cargo carriers also joined in the suit.

Music-industry group stops using MediaSentry

BY SARAH MCBRIDE

In another sign of the music industry's recently announced retreat from a five-year-old antipiracy strategy, the Recording Industry Association of America has dumped the company it used to help it gather evidence for mass lawsuits it filed against people it claimed were illegally uploading copyrighted music.

The RIAA long used a company called MediaSentry to troll the Internet in search of people who uploaded large amounts of music. The information that MediaSentry collected became an integral part of the RIAA's aggressive litigation campaign. Since 2003, the RIAA—a trade organization representing **Vivendi** SA's Universal Music Group, **Sony** Corp.'s Sony BMG Music Entertainment, **EMI Group** Ltd. and **Warner Music Group** Corp.—has sued about 35,000 people for what it says are illegal music uploads.

Now the RIAA will be rid of a company that became a frequent target of civil-rights advocates and others who complained that the RIAA's legal tactics were excessive. MediaSentry is a unit of closely held **SafeNet** Inc. of Belcamp, Md.

Ray Beckerman, a New York lawyer who maintains the Recording Industry vs. the People blog and who has represented more than a dozen clients fighting the RIAA, said he considered the decision to drop MediaSentry a "victory" for his clients. MediaSentry representatives "have been invading the privacy of people. They've been doing very sloppy work," he said.

MediaSentry says its work is high quality. The RIAA also stands by MediaSentry's techniques, citing University of Washington research released last year that concluded the company's methodology incorporates "best practices."

The RIAA decided quietly to drop MediaSentry several months ago. It didn't disclose why.

In place of MediaSentry, the RIAA says it will use Copenhagen-based **DtecNet Software** ApS. The music industry had worked with DtecNet previously both in the U.S. and overseas, and liked its technology, said RIAA spokesman Jonathan Lamy.

Daiichi to book a loss on Ranbaxy

A WSJ NEWS ROUNDUP

TOKYO—Japan's **Daiichi Sankyo** Co. said it will write down its holding in **Ranbaxy Laboratories** Ltd. by 354 billion yen ($3.84 billion) on a consolidated basis, just months after taking control of the Indian drug maker.

Last year, the Japanese pharmaceutical maker paid almost 500 billion yen for a 63.9% stake in Ranbaxy, India's largest drug company by sales, hoping to expand its presence overseas and gain a foothold in the fast-growing generics market. But since then, Ranbaxy's shares have fallen sharply.

On Monday, Ranbaxy's shares closed at 249.8 rupee, far below Daiichi Sankyo's purchase price of 737 rupees per share.

Daiichi Sankyo said the write-down, which will be booked for the October-December quarter, would have a "significant negative impact" on its earnings in the fiscal year ending March 2009.

Daiichi Sankyo hammered out the deal last June, ahead of the global stock market meltdown and the yen's surge against the rupee.

CORPORATE NEWS

U.S. air travelers still have reason to sniffle

Congestion lessens, but delays lengthen; kudos for Southwest

BY SCOTT MCCARTNEY

The year will most likely be remembered as the moment when airlines slapped fees on everything from baggage service to exit-row seats, but 2008 was also a year when major efforts to reduce travel delays didn't bear much fruit.

Even though airlines aggressively grounded flights and the U.S. government tried to ease congestion at overcrowded airports, air travelers saw little relief. Airline delays grew longer in 2008, averaging nearly one hour. And delays were almost as frequent as the dismal performance in 2007.

THE MIDDLE SEAT

The average delay for late airline flights was 57 minutes in 2008, and last year was the fourth straight year that delays have grown lengthier for travelers stuck on tardy flights, according to FlightStats.com, a flight-tracking service. The average delay in 2005 was 52 minutes.

The slim silver lining in the air-travel storm clouds: Flights arrived on-time at a slightly higher rate last year, a result of a 7% reduction in the number of U.S. airline flights jamming airports and runways and better performance from a few airlines, notably **US Airways Group** Inc.

Last year, 75.4% of U.S. passenger airline flights arrived on time, according to FlightStats, up from 73.5% in 2007. While improved over 2007, 2008 still was worse than airlines performed in 2006 or 2005.

The fact that delays are getting longer, even as congestion eased slightly last year, shows that the nation's air-travel system still is sagging under the pressure of high passenger volume and poor infrastructure. Airports are still clogged; the Federal Aviation Administration's air-traffic-control system isn't keeping up with demand and airline operations have suffered under years of cost-cutting. The length of time that late flights sit reflects airline inability to catch up when things go bad, and perhaps an airline trend to give priority to flights that can get to the gate on time while flights with no hope of arriving within 15 minutes of schedule are left sitting.

Baggage handling improved sharply last year, both because passengers refrained from checking as many bags to avoid paying newly imposed fees and because of the slightly improved airline on-time performance. Fewer late-arriving flights mean fewer suitcases miss connections. The rate of mishandled bags dropped 26% through the first 10 months of the year, according to the U.S. Department of Transportation. (Full-year data from DOT won't be available until February.)

Flight cancellations in 2008 almost equaled the 2007 rate—about 2% of all scheduled flights. That may seem low to the hundreds of thousands of travelers left stranded when **AMR** Corp.'s American Airlines and **Southwest Airlines** Co. had to cancel hundreds of flights in early 2008 because of maintenance issues, and to the roughly two million holiday travelers left scrambling for flights in storm-ravaged December. Last month, 22,946 flights were canceled because of bad weather and airline problems, many of them right before Christmas. On both Dec. 19 and Dec. 21, 10% of all U.S. flights were canceled, according to FlightStats, a unit of **Conducive Technology** Corp.

Associated Press

Stormy December weather meant more U.S. travelers didn't make it home on time for the holidays, if at all.

Among major airlines, the on-time champ for 2008 was Southwest, which got 81.2% of its flights to the gate no more than 14 minutes past scheduled arrival time last year. Southwest, a perennial on-time champion, also had the lowest rate of complaints per passenger sent to the federal government.

Southwest's punctuality was followed closely by US Airways at 79.5%. In 2007, US Airways ranked near the bottom among the 10 largest airlines in on-time performance, but the airline rallied its work force to focus on on-time flights, reworked schedules and spent some $50 million to upgrade equipment, fix computer problems, hire more operations management, fill open mechanics spots and fix lingering problems left from its merger with America West Airlines.

The changes helped US Airways also improve its baggage handling. The airline mishandled 185,116 fewer bags though the first 10 months of 2008 than it did in 2007, according to DOT. But six of the 10 major airlines still do better than US Airways when it comes to handling bags. And complaints about US Airways are still running strong among customers, at least compared with other airlines. Despite reducing the rate of complaints filed at DOT by 38% through the first 10 months of last year, the most recent data available, US Airways still gets the most consumer complaints among the major carriers.

A spokesman for US Airways said its complaint rate at DOT has remained higher than other airlines for two reasons: its baggage fee and a la carte pricing changes last year and troubles the airline had over slow recovery when operational problems did hit.

"The primary reason for complaints this past year has been our inability to gracefully recover from irregular operations when they do occur," he said. The airline plans a primary focus to address that in 2009, the spokesman added.

Worst among big carriers in 2008 in on-time performance: American at only 68.6% on-time arrivals, according to FlightStats. It was the second year in a row that American was worst in on-time performance among major airlines in FlightStats rankings. American also had the worst rate of mishandled bags through October, according to DOT.

One out of every eight American flights was delayed by 45 minutes or more, and the airline had the highest rate of canceled flights, at 2.6%, among major airlines. Maintenance issues twice grounded MD-80 jets for several days, disrupting travel across the country. But American had plenty of other problems, too, many of which resulted, the airline says, from too much cost cutting. Schedules were pinched too tight and spare parts weren't available to fix planes quickly, for example, because inventories had been whacked.

American says it is in midst of a turnaround now. In the last three months of the 2008, American improved to the middle of the pack, ranking No. 5 among the 10 major passenger carriers in on-time performance. The airline has restocked spare parts, added time to both flight schedules and ground time between flights to add cushion to the schedule and face the reality that with flights so full, it takes longer to unload and reload airplanes. American also allowed pilots to fly jets faster to catch up to schedules rather than restricting speed to save fuel and made changes to its baggage handling operation to improve reliability.

"It does cost some money but we think we have to invest in the customer experience to build greater loyalty," said Mark Mitchell, American's managing director-customer experience.

On-time statistics are important for travelers to follow because they are an important proxy for how well an airline is performing, and a strong indicator of whether your trip will encounter delays and disruption. Airlines that can run close to on-time typically operate well in other aspects of their business, from employee helpfulness to toilet cleanliness. Historically, airlines that fall in on-time standings are saddled with labor-management feuds, financial problems, aging fleets or weak operations management.

Among all airlines, large and small, Hawaiian Airlines posted the best on-time arrival rating for 2008 at 89.3%, according to FlightStats. Frontier Airlines, currently operating under bankruptcy protection, was a surprising No. 2 at 83.4%, a strong achievement considering the airline's financial woes and sometimes challenging weather in Denver, its home and major hub.

Midwest Airlines, a small Milwaukee-based carrier that prides itself on good service and often wins industry awards for seat comfort and cabin service, was worst among airlines, according to FlightStats. Only 65.1% of Midwest's flights arrived on time in 2008.

A spokesman for Midwest Airlines said its small fleet underwent a number of changes in 2008 and with its schedule heavily weighted toward cities in the Northeast, weather events significantly impacted performance.

"Certainly we're not pleased with the overall performance and are taking steps to improve it," the spokesman said.

New York airports improved about 7% in terms of on-time arrivals, a small gain despite a major government effort to reduce delays by imposing limits on airline schedules at Kennedy, La Guardia and Newark Liberty airports and the launch of a series of initiatives to better air travel into and out of the nation's largest city. In 2008, only 61.9% of La Guardia flights arrived on time; 62% of Newark flights and 64.0% of Kennedy flights. In 2007, La Guardia's on-time arrival rate was 57.6%; Newark's was 58.1% and Kennedy was 59.8%.

Late flights into Newark averaged 72 minutes of delay, the highest average in the country. Delays at Chicago O'Hare for arriving flights averaged 72 minutes as well, but O'Hare's overall on-time rate was a bit better than the New York-area airports at 67.1%.

Passengers had the highest odds of sitting for more than three hours or more before takeoff on **JetBlue Airways** Corp. flights, according to the Bureau of Transportation Statistics, a DOT agency. JetBlue, based at heavily congested Kennedy Airport in New York, had 117 flights with "taxi-out" times of 180 minutes or more during the first 10 months of 2008. In all, 1,084 flights on U.S. airlines sat for more than three hours before taking off in first 10 months of last year, down 29% from 1,523 in the same period of 2007.

India signs military-plane deal with Boeing

BY NITIN LUTHRA

NEW DELHI—India signed a $2.1 billion deal with **Boeing** Co. for eight P-8I maritime patrol aircraft as New Delhi moves to modernize its mainly Soviet-vintage armed forces.

The agreement Monday for the proposed Indian variant of the U.S. Navy's long-range maritime P-8A aircraft will boost India's ability to monitor its 7,600-kilometer coastline. The plane can also conduct surface and antisubmarine warfare.

Indian Navy spokesman Cmdr. Nirad Sinha said the deal is subject to final clearance from the U.S. and that the first plane is expected for delivery in 2013.

India's plan to modernize its defense forces over the next decade is spurring competition among global aerospace and military contractors.

The nation is considering equipment and systems contracts valued at billions of dollars, including a $12 billion deal for 126 fighter jets. India is among the world's top arms importers and is likely to issue contracts valued at as much as $60 billion by 2015 for items that also include artillery, submarines, warships and midair refueling tankers.

New Delhi compels foreign companies that clinch military orders to reinvest a proportion of a contract's value in India. These so-called offsets are part of India's plan to build its defense and aerospace industries—both public and private.

Chicago-based Boeing, which had planned to sell its Apache AH-64D Longbow attack helicopter to the Indian Air Force, said in October that it wouldn't bid for a contract to supply 22 helicopters because of time constraints.

Boeing India said it expects to issue a statement on the P-8I deal Tuesday.

Boeing's commercial-aircraft division sells passenger aircraft to Indian airlines. The company has received 164 orders from Indian carriers valued at more than $25 billion since India's budget-airline boom began in 2004.

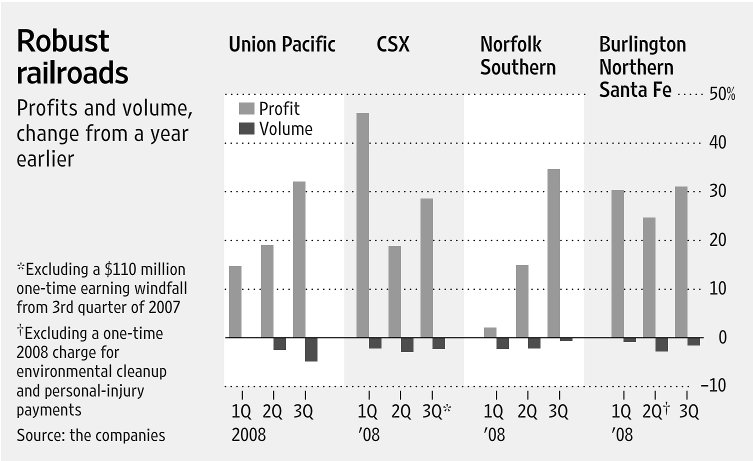
Boeing in July estimated that India will need 1,001 new aircraft valued at $105 billion by 2027 as economic growth boosts India's domestic and international air travel.

CORPORATE NEWS

U.S. rail shippers cry foul

Customers request heavier regulation of freight pricing

By Alex Roth



A growing number of railroad customers, arguing that big rail companies have been raising prices unfairly, are pushing for the incoming Congress to reinstitute tighter federal regulation of the industry.

Companies that rely on railroads to transport their goods or supply them with essential commodities have accused railroads of gouging for almost as long as trains have operated. But the debate over pricing intensified in the past few years as rail companies finally started posting big profits after decades of declining volumes and flat or falling rates.

Railroads first gained a measure of pricing power in 2004, when the economy rebounded and demand for rail services exceeded capacity. Railroads began raising prices and "were literally shocked by their success," said Rick Paterson, a UBS analyst.

Even as the economy sagged in the past year or so and freight volumes have declined, most railroads have been able to keep making money. The results have been fueled by industry consolidation, improved operating performance and the greater fuel efficiency of trains over trucks. But higher rates also have played a role.

Mr. Paterson said the biggest rail companies raised prices a total of 6% on average over the first three quarters of 2008, not including fuel surcharges. That rise compares with a drop in the cost of sending goods by truck and ship, and some rail customers have seen their rates increase by much steeper levels.

Seminole Electric Cooperative of Tampa, Fla., filed a complaint with federal regulators in October saying **CSX** Corp., one of the nation's four major railroads, had doubled its rate for shipping coal. The energy producer said the move would boost electric bills by $100 million for the cooperative's 1.7 million Florida customers.

Donald Kimball, chief executive of **Arizona Electric Power Cooperative** Inc., said **Union Pacific** Corp. has "nearly doubled" the electric cooperative's rate for shipping coal.

The rate increases have prompted some big customers to fight back with the help of a group called Consumers United for Rail Equity. The group, whose president is Mr. Kimball, has been pressing Congress and regulators to make railroads be more competitive on pricing. The group includes trade associations for utilities, chemical companies, manufacturers and other industries.

Railroads defend their prices as producing fair returns after decades of losing business to the trucking industry.

Ed Hamberger, president of the Association of American Railroads trade group, said these profits are vital at a time when railroads need to spend $148 billion to accommodate an expected boom in rail volumes in decades ahead. He also cited a recent study, commissioned by the federal Surface Transportation Board, that concluded that rising rail rates in recent years largely have been "the result of declining productivity growth and increased costs rather than the increased exercise of market power."

CSX has called Seminole's new rates "fair and reasonable." Its complaint is pending before the Surface Transportation Board.

The financial performance of railroads stood out in a year when the ailing economy brutalized other freight haulers, such as truckers and ocean shippers. Excluding factors such as one-time charges, each of the largest railroads—CSX, Union Pacific, **Burlington Northern Santa Fe** Corp., and **Norfolk Southern** Corp.—reported higher year-to-year profits for each of the first three quarters of 2008. Their total freight volumes, meanwhile, dropped almost every quarter.

Some analysts predict the industry might also report modest profit gains for the fourth quarter, even though rail freight volumes in November were down 10%, the largest single-month drop since the railroad association began tracking such data in 1997.

Advocates for stricter government oversight of railroad pricing predict an incoming Congress with a larger majority of Democrats will be more sympathetic to the idea.

Among the Democrats with more power will be Sen. John D. Rockefeller of West Virginia, who takes over as chairman of the Senate Commerce Committee. As senator of a state where coal companies rely heavily on railroads, he has been a vocal critic of the industry's pricing practices. An aide to Sen. Rockefeller said "achieving competitive balance" between the interests of the railroads and their competitors will be high on the senator's agenda.

Two pending bills would make it easier for customers to challenge railroad rates with the transportation board and subject the industry to stiffer antitrust scrutiny. Among the biggest proponents are the estimated one-quarter to one-third of rail customers known as "captive" shippers—those that can't shop for lower rates because their facilities have access to only one railroad, according to Mr. Paterson, the UBS analyst.

Last month, the American Bar Association's committee on antitrust law endorsed one of the bills.

The railroad industry says the pending legislation would amount to the re-regulation of an industry that was famously deregulated in 1980, a time when railroads were hemorrhaging market share to the trucking industry.

"The railroads can yell re-regulation all they want, but guess what—that's not a bad word today," said Robert Szabo, executive director of Consumers United for Rail Equity.

The railroad association's Mr. Hamberger acknowledged that Congress will likely show "renewed interest" in the pending rail bills as a result of Sen. Rockefeller's position, but said such legislation would be a big mistake. The industry needs funds over the next two decades to install new tracks and otherwise expand capacity. Given that a freight train can haul a ton of freight 436 miles on a gallon of fuel, Congress should be nurturing the industry, not hurting it, he said.

"As Congress is wrestling with how to lower the nation's carbon footprint, we're part of the answer," Mr. Hamberger said.

Chesapeake Energy sells gas assets for $412 million

Chesapeake Energy Corp. sold natural-gas reserves in Oklahoma to **Argonaut Private Equity** for $412 million, continuing to shed assets to increase cash.

Chesapeake, the largest U.S. gas producer by output, sold some $12 billion of assets in the second half after a debt-fueled growth spurt was halted by the credit crunch and slumping natural-gas prices.

The proven reserves in Oklahoma's Anadarko and Arkoma basins that were sold total about 98 billion cubic feet equivalent and have current daily production of 60 million cubic feet. Chesapeake is retaining some drilling rights.

Goldman Sachs Group Inc. helped finance the purchase by Argonaut, which has $3.5 billion under management.

In a bid to win over skeptical investors, Chesapeake said last month it will cut 2009 spending and, in a reversal, pledged not to sell new shares to raise cash. The spending cut was the company's fourth in four months.

GLOBAL BUSINESS BRIEFS

Cytos Biotechnology Ltd.

Pfizer obtains licenses for immunodrug technology

Switzerland's **Cytos Biotechnology** Ltd. said **Pfizer** Inc. has taken commercial licenses for certain vaccines based on Cytos's immunodrug technology. Under an agreement struck in August, Cytos is eligible to receive up to 150 million Swiss francs, or about $140 million, from Pfizer, a Cytos spokeswoman said. She didn't say how much the company received this time. Cytos says it has the technology to develop special kinds of vaccine that treat chronic diseases, using a method that targets the cause of the disease and modifies its progression rather than just suppressing its symptoms.

Ryanair Holdings PLC

Ryanair Holdings PLC has asked the board of **Aer Lingus Group** PLC to explain why its chief executive, Dermot Mannion, could get a €2.8 million ($3.9 million) bonus if Aer Lingus is taken over. Aer Lingus and trade unions have rejected Ryanair's €748 million bid for Aer Lingus. According to Aer Lingus's defense document, each executive director is entitled to terminate his employment within six months should the company be taken over. Ryanair called this "failure bonus" unprecedented and said it should be put to shareholders for approval at Aer Lingus's annual meeting. Aer Lingus couldn't be reached for comment.

Deyaar Development Co.

Real-estate company **Deyaar Development** Co., based in the United Arab Emirates, said it has decided to deal only with Islamic banks and that all its future contracts will be Shariah-compliant. The company, an affiliate of **Dubai Islamic Bank** PJSC, also said it will reassess its present projects to see if their sale prices are in line with the current economic situation. Deyaar's board has proposed to reconsider future projects in light of the new developments in domestic and global real-estate markets, the company said. Deyaar's battered shares rose 14% in Monday trading.

Areva SA

French nuclear-technology company **Areva** SA said Monday it obtained a permit from the government of Niger to mine for uranium in a project that will require an initial investment of €1.2 billion ($1.66 billion). Areva will have a 66.65% interest in the permit covering the Imouraren uranium deposits. The remainder is held by Niger. Production will start in 2012, and, once fully operational, the mining venture will produce some 5,000 metric tons of uranium annually over the 35-year life of the permit, said Areva. Imouraren is Africa's biggest uranium deposit.

John Lewis Partnership PLC

U.K. department-store chain John Lewis PLC, a unit of **John Lewis Partnership** PLC, and London department store **Liberty** PLC reported encouraging sales figures for the Christmas season. John Lewis said comparable sales in the five weeks to Jan. 3 were flat compared with a year earlier. While home sales were down 6%, fashion sales, including beauty, rose 4% amid steep discounting. Sales for electrical and home-technology goods were up 10%. Up-market London department store Liberty said its sales for the 10 months to Dec. 31 were ahead of last year. Liberty said sales in December "almost matched last year's record Christmas."

Infineon Technologies AG

German semiconductor maker **Infineon Technologies** AG said it plans to raise up to €450 million, or about $625 million, by issuing new shares. Neubiberg-based Infineon said it would ask shareholders Feb. 12 to authorize the plan as a "precautionary measure" amid the global economic crisis. The announcement caused Infineon shares to close at €1.14 ($1.58), up 13 European cents, in Frankfurt. Chip makers have been battered by lower chip prices amid the economic downturn. Infineon said last month that declining demand would cause revenue in the quarter ended Dec. 31 to drop 30% from the previous quarter. Infineon posted a €3.1 billion loss in the year ended Sept. 30 compared with a €368 million loss a year earlier.

Alitalia SpA

A key ally of Italian Premier Silvio Berlusconi, the Northern League party, Monday said **Alitalia** SpA must pick **Deutsche Lufthansa** AG as its foreign partner. After a meeting attended by Northern League leader Umberto Bossi, the party said Lufthansa is the only company that would ensure that Milan's Malpensa airport and Rome's Fiumicino are kept as hubs. However, a consortium of Italian businessmen called CAI that bought Alitalia from the government last month, prefers a tie-up with **Air France-KLM**, according to people familiar with the matter. The Franco-Dutch carrier favors keeping the bulk of Alitalia's flights in Rome because it generates heavy tourist traffic.

Porsche Automobil Holding SE

Porsche Automobil Holding SE said Monday it bought additional shares in **Volkswagen** AG and raised its stake in Europe's biggest auto maker by sales to 50.76%, which triggers a mandatory bid for Swedish truck maker **Scania** AB. Porsche said that by crossing the 50% threshold it now has to make a mandatory bid for Scania under Swedish law. Volkswagen is Scania's majority shareholder with around 69%. Porsche added, however, that it has "no strategic interest" in acquiring Scania shares and only has to offer the minimum price permitted under takeover law.

Bombardier Inc.

The rail division of **Bombardier** Inc. has signed a framework agreement to provide German railway **Deutsche Bahn** with passenger rail cars in a deal worth as much as $2.1 billion. The agreement would see Bombardier Transportation build 800 double-deck coaches for Deutsche Bahn, which was formed in 1994 during the restructuring of the country's railways following reunification. Bombardier said that it is the largest framework agreement for vehicles that Deutsche Bahn has ever awarded to a single supplier. Deutsche Bahn Chief Executive Hartmut Mehdorn says the company must have the courage to invest in the future despite the global slowdown. Montreal-based Bombardier makes business and regional jets as well as trains.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Obama plans $300 billion in tax cuts

Breaks for businesses, individuals are aimed at attracting Republican support for U.S. stimulus package

By Jonathan Weisman
And Naftali Bendavid

Associated Press

U.S. President-elect Barack Obama meets with House Speaker Nancy Pelosi on Monday in Washington to work on a tax-cut plan. The proposed cuts would account for about 40% of a stimulus package that could reach $775 billion over two years.

WASHINGTON—U.S. President-elect Barack Obama and congressional Democrats met on Capitol Hill Monday to start work on a plan to offer about $300 billion of tax cuts to individuals and businesses, a move aimed at attracting Republican support for an economic-stimulus package and prodding companies to create jobs.

The size of the proposed tax cuts—which would account for about 40% of a stimulus package that could reach $775 billion over two years—is greater than many in on both sides of the aisle in Congress had anticipated. It may make it easier to win over Republicans who have stressed that any initiative should rely more heavily on tax cuts rather than spending.

The Obama tax-cut proposals, if enacted, could pack more punch in two years than either of President George W. Bush's tax cuts did in their first two years. Mr. Bush's 10-year, $1.35 trillion tax cut of 2001, considered the largest in history, contained $174 billion of cuts during its first two full years, according to Congress's Joint Committee on Taxation. The second-largest tax cut—the 10-year, $350 billion package engineered by Mr. Bush in 2003—contained $231 billion in 2004 and 2005.

Republicans and business leaders hadn't seen specifics of the proposals Sunday night, but welcomed the idea of basing a bigger proportion of the stimulus plan on tax cuts. Their response suggests the legislation could attract relatively broad support, and it highlighted the Obama team's determination to win backing from varied interests.

Some Republicans, including Senate Minority Leader Mitch McConnell (R., Ky.), have warned against a careless stimulus plan that enables unfettered spending.

The largest piece of tax relief in the new plan would involve cuts for people who pay income taxes or who claim the earned-income credit, a refund designed to lessen the impact of payroll taxes on low- and moderate-income workers. This component would serve as a down payment on the "Making Work Pay" proposal Mr. Obama outlined during his election campaign, giving a credit of $500 per individual or $1,000 per family.

On the campaign trail, Mr. Obama said he would phase out a similar tax-credit proposal at around $200,000 per household, but aides said they haven't settled on an income cap for the latest proposal. This part of the plan is similar to a bipartisan initiative launched in early 2008, which sent out checks worth $131 billion.

Economists of all political stripes widely agree that the checks sent out last spring were ineffective in stemming the economic slide, partly because many strapped consumers paid bills or saved the cash rather than spend it. But Obama aides wanted a provision that could get money into consumers' hands fast, and hope they will be persuaded to spend money this time if the credit is made a permanent feature of the tax code.

As for the business tax package, a key provision would allow companies to write off huge losses incurred last year, as well as any losses from 2009, to retroactively reduce tax bills dating back five years. Obama aides note that businesses would have been able to claim most of the tax write-offs on future tax returns, and the proposal simply accelerates those write-offs to make them available in the current tax season, when a lack of available credit is leaving many companies short of cash.

A second provision would entice firms to plow that money back into new investment. The write-offs would be retroactive to expenditures made as of Jan. 1, 2009, to ensure that companies don't sit on their money until after Congress passes the measure.

Another element would offer a one-year tax credit for companies that make new hires or forgo layoffs, which could be worth $40 billion to $50 billion. And the Obama plan also would allow small businesses to write off a broad range expenditures worth up to $250,000 in 2009 and 2010. Currently, the limit is $175,000.

William Gale, a tax-policy analyst at the Brookings Institution think tank in Washington, said the scale of the whole package is larger than expected. He called the business offerings a true surprise, since most attention has been focused on the spending side of the equation, especially the hundreds of billions of dollars being discussed for infrastructure and aid to state and local governments.

"On the other hand, it was hard to figure out how they were going to spend all that money in intelligent ways, so it makes sense to do more on the tax side," Mr. Gale said. His biggest question about the latest proposal concerns the credits for hiring new workers or refraining from layoffs. Much of that money would likely go to companies that would have hired more people anyway, he said, adding that it is impossible to know what firms would have done without such a credit.

As the details were being worked out, Mr. Obama and his family left Chicago during the weekend for Washington. He arrived on Capitol Hill Monday and met with House Speaker Nancy Pelosi (D., Calif.); he also was to meet with Senate Majority Leader Harry Reid (D., Nev.), and the broader bipartisan leadership of Congress. The stimulus package will be front and center in those discussions.

Democratic leaders and Obama aides acknowledge that congressional Democrats' initial goal of passing the recovery package before Mr. Obama's Jan. 20 inauguration is unrealistic. Now, they hope for passage before the Feb. 13 congressional recess.

—Amy Chozick contributed to this article.

Israel's push into Gaza might open doors for Obama

By Gerald F. Seib

CAPITAL JOURNAL

It's taken as an article of faith in the Middle East that every crisis also creates an opening for diplomacy.

If that's the case, President-elect Barack Obama, watching the unfolding battle between Israel and Hamas in the Gaza Strip, has to be asking himself: What can I possibly do to make something good come of all this?

In the short run, the answer is probably: Not much.

In the long run, the Israeli push into Gaza just might open some doors for the new administration—if Hamas is widely seen as having been set back on its heels, if the new American administration is more successful than its predecessor at building up moderate Palestinians, and if Egypt decides to lend a helping hand.

Those are all very big ifs, of course. But such thin strands often are all that diplomats have to grasp at in the Middle East.

Israeli officials insist the attack on Hamas was undertaken not because they hope it will somehow reshape the region's landscape, but for a much simpler reason: Hamas rocket and mortar attacks from Gaza onto Israeli territory had to be stopped.

Israel's move against Hamas wasn't a war of choice, but rather a "no-choice option," says Sallai Meridor, Israel's ambassador to Washington. Israel's "calm arrangement" with Hamas—something similar to, but short of, a real cease-fire—that kept rocket and mortar attacks on Israel to a minimum expired in December. Mr. Meridor says that Hamas reacted by sending more than 400 rockets and mortars into southern Israel within a week's time.

It's possible that Hamas—and perhaps its sponsors in Iran—decided on this show of rocket power to demonstrate to both the new American president and the new Israeli government that will take over after February elections there that it is a force with which all must contend.

In any case, Israel's response, obviously, was to launch an air assault on Hamas targets, followed by this week's ground incursion into Gaza. It's a response declared essential by Israel, disproportionate by its many critics.

It's tempting to conclude that Israel responded so forcefully because the outgoing government of Prime Minister Ehud Olmert sensed a historic opportunity to cut Hamas down to size in the short time it has left. Or perhaps it sought to put Hamas in a weakened state as a new American administration begins its search for Israeli-Palestinian peace.

But Israeli officials insist that no such grand aims were at work in their response. Indeed, the short-term difficulties in the region simply may not allow grand strategies to work right now.

Israel's fundamental problem—and, by extension, the problem Mr. Obama inherits—is that it is trapped between Hamas leaders controlling the Gaza Strip, who have the ability to move the Palestinian public but no interest in peace, and a Palestinian president, Mahmoud Abbas, controlling the West Bank, who is interested in peace but has little ability to deliver the Palestinian public.

The ideal solution would be to smash Hamas and allow Mr. Abbas to take its place in the Gaza Strip. That would give Israel a sensible and credible partner for real peace talks.

But, of course, life isn't that simple. Mr. Abbas appears so weak—and his credibility on the Palestinian street so eroded—that nobody thinks he could move in to supplant Hamas, even if Hamas's military arm is crushed by Israel's incursion. Even if Hamas is laid low as a military force, that wouldn't end its role as a religious and social organization capable of uniting and rallying Palestinians.

Instead, Israel's hopes are more limited. It wants to use force to deter more rocket attacks. Beyond that—and this hope is crucial—it would like to prevail decisively enough that Hamas is widely perceived as having suffered a genuine military setback.

If Hamas is seen as having been vanquished militarily, that might usher in some longer-term strategic changes. Palestinians in Gaza might grow angry that Hamas's leaders led them down a path toward pointless pain and suffering at the hands of Israel, undermining Hamas's ability to lead Palestinians. Beyond that, perhaps Hamas's patrons in Iran would be embarrassed and diminished in the region for having used rocket shipments and rhetorical flourishes to prod Hamas to such an unhappy outcome.

But even those openings will matter only if the Obama administration can make some long-term changes to take advantage of them. First, it will have to assume the slow, difficult process of building up Mr. Abbas and his Palestinian Authority to the point where they will be seen by Palestinians as superior to Hamas. Squashing Hamas's leaders does little long-term good unless there are credible moderate Palestinians to take their place.

Second, the new administration will need help from Egypt. Egypt is the Arab power next door to Gaza, and it has plenty of reason to fear that Hamas militants and their sympathizers nurse visions of toppling President Hosni Mubarak and replacing him with a more radical regime. If there is to be a strategy for reining in Hamas, it likely begins with a unified approach by Egypt and the new Obama administration.

That isn't a formula for quick success. But the alternative—a long and debilitating Israeli occupation of Gaza—is in no one's interest.

Obama taps Panetta for CIA post

Former congressman and Clinton official is a surprise choice

By Siobhan Gorman

In a surprise move, U.S. President-elect Barack Obama has picked Leon Panetta, a former congressman and chief of staff under President Bill Clinton, to be the next director of the Central Intelligence Agency, according to an Obama transition official. His appointment is expected to be announced later this week.

The pick was unexpected because many of the names discussed for the job had been intelligence professionals. Mr. Panetta, whose background is in politics and government, hasn't worked for an intelligence agency.

He was selected for his management experience, the official said, citing Mr. Panetta's tenure as chief of staff and director of the Office of Management and Budget in Mr. Clinton's first term. In those posts, Mr. Panetta was involved in setting the intelligence budget and handling key foreign-policy issues such as the Bosnian conflict, the official said.


Leon Panetta

Another key factor in the selection of Mr. Panetta, the transition official said, is Mr. Panetta's reputation for centrism. "He's someone who is known as being even-handed and bipartisan," the official said.

A Democratic congressman from California from 1977 to 1993, Mr. Panetta is currently the director of the Leon & Sylvia Panetta Institute for Public Policy, a nonpartisan think tank based at California State University at Monterey Bay. He was also a director of the New York Stock Exchange and a member of the bipartisan Iraq Study Group, which assessed the U.S.'s Iraq policy and provided recommendations in late 2006.

Mr. Obama is also expected to announce soon the nomination of retired Adm. Dennis Blair as director of national intelligence, the top intelligence post.

Meanwhile, Mr. Obama, who criticized the Justice Department under the administration of George W. Bush, named the team charged with repairing the agency, including a staunch critic of Bush interrogation and terrorism policy.

Mr. Obama's picks for the senior leadership posts under Eric Holder, his nominee for attorney general, are David Ogden as deputy attorney general, Elena Kagan as solicitor general, Tom Perelli as associate attorney general and Dawn Johnsen as head of the office of legal counsel.

During the Bush years the Justice Department has come under attack for backing Mr. Bush's expansive view of presidential power and for issuing legal opinions that allowed harsh interrogation tactics of terror detainees.

In comments nominating Mr. Holder in November, Mr. Obama said: "Let me be clear: The attorney general serves the American people. And I have every expectation that Eric will protect our people, uphold the public trust, and adhere to our Constitution."


Associated Press/Harvard University

Elena Kagan, dean of Harvard Law School, was picked as solicitor general.

The team is composed of well-regarded academics and former Justice Department hands who largely get high marks from Mr. Obama's liberal supporters. But at least one nominee, Ms. Johnsen, is likely to gain attention because of outspoken views critical of Bush administration national-security policies that have emanated from the legal counsel's office, known as OLC.

Ms. Johnsen has said she was "appalled" by memorandums that allowed what critics call torture of terror detainees.

U.S. spending on construction shows resilience

By Kelly Evans And Jeff Bater

Spending on U.S. construction projects is holding up better than expected, thanks to spending on office buildings, lodging and power plants, but it is likely to falter in the coming months.

U.S. construction spending fell at a seasonally adjusted 0.6% annual rate in November to $1.078 trillion, the Commerce Department said Monday, following a revised October decline of 0.4% that was smaller than originally reported.

Residential spending fell at a 4.1% rate in November to $336.3 billion, 22.8% lower than November 2007. Despite the credit crunch and worsening economy, nonresidential spending showed surprising resilience, rising 1% during the month to $742.1 billion, up 9.2% from the previous year.

Outlays increased for power plants, roads, public-safety facilities, hotels and office buildings, but economists say the boost will be fleeting.

"As previous contracts run their course, business investment in structures is expected to plunge in 2009 and recover only slowly, if at all, the following year," Bank of America economist Peter Kretzmer said in a client note.

Wachovia Corp. economist Anika Khan said rising oil prices in the first half of 2008 spurred construction activity at power plants and some manufacturers, but that is expected to reverse as those industries now grapple with sharply lower oil prices and weak customer demand.

Public construction spending rose 1.4% in November to $322 billion, another bright spot, although the U.S. recession is hurting governments' tax revenues. Expected declines there stemming from budget cuts could be offset later this year by a stimulus plan aimed at funding government construction projects.