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Business & Finance

BUSINESS BRIEFS

Stocks listless ahead of data

Stocks were mixed in slow trading today as Wall Street braced for a heavy week of economic data, which could determine the direction of interest rates. In early afternoon trading, the Dow Jones industrial average was off 5.92 points at 5,467.14. The Nasdaq index was up 1.05 points at 1,080.49.

Security stocks soaring

The stock of Barringer Technologies soared more than 55 percent today on news that the Federal Aviation Administration has approved the company's IONSCAN explosive detectors for use at airports. Wall Street also bid up the shares of other companies that are in the explosives detection business.

California banking merger

First Nationwide Holdings Inc., the parent of First Nationwide Bank of San Francisco, says it's signed a definitive agreement to acquire Cal Fed Bancorp Inc., the parent of California Federal Bank FSB, for about $1.2 billion in cash. Based on assets, the resulting bank, to be headquartered in San Francisco, will become the fourth-largest savings and loan institution in the United States.

Record sales, earnings for 3M

Minnesota Mining & Manufacturing reported record sales and earnings for the second quarter today and said it sees solid growth for the year despite the effects of a stronger dollar. The company said earnings from continuing operations rose 10.1 percent to $381 million compared with earnings of $346.0 million in last year's second quarter.

Cray lodges dumping complaint

The U.S. supercomputer firm Cray Research says it has lodged an "antidumping" petition against Japan's NEC Corp. for allegedly selling supercomputers on the American market at less than fair prices. It said in a complaint filed with the Commerce Department and the International Trade Commission that NEC was taking an estimated $65 million loss to supply the supercomputers to the National Center for Atmospheric Research.

AmEx, Microsoft travel agency

American Express and Microsoft say they plan to create an online travel agency so corporate travelers can make their own reservations via personal computer. The pact would join American Express, the world's largest travel agency network, with Microsoft, the dominant maker of personal computer software, in a bid to tap the huge corporate travel reservation market as more and more people look to book online.

Prodigy, Intn'l wireless merger

Struggling online service provider Prodigy Services Co., recently orphaned by Sears and IBM, says it agreed to merge with International Wireless Inc., forming a new company called Prodigy Inc.

Kmart to cut costs

Kmart, the struggling retailer, says it is reorganizing the way its merchandisers buy goods in an effort to cut costs. The company said that effective immediately, its general merchandise managers will be provided with a team of experts in planning, sales, advertising, finance and product development.

Social Security disagree over who would manage investments

It's no secret that the Social Security Trust Fund will run out in 2029 if nothing is done.

While the system could continue to pay some benefits from the taxes collected each year, living paycheck to paycheck is no way to run a national retirement system.

Raising taxes could solve the problem, but tax increases are about as popular as strip-mining the Grand Canyon these days.

So the fix-meisters are eyeing Wall Street.

For all the Trust Fund's long term problems, in the short term it is flush with cash and raking in more every day. All that money — $566 billion by the end of this year — is invested in government securities at modest rates of return.

Shift some of that money to higher-yielding stocks and bonds, the reasoning goes, and voila! you've gone a long way toward bailing out the system.

The idea has already been floated in Congress, and will emerge as the central recommendation of the Advisory Council on Social Security, a blue-ribbon panel assembled by Secretary of Health and Human Services Donna E. Shalala to find a way out of the potential Social Security mess.

The Council's report, already much delayed, is scheduled for release late in August.

But while the 13-member Council is united in supporting the stock-market option, it's bitterly split over whether Social Security should do the investing itself, or whether a share of the funds should be "spun off" to individual workers to invest as they see fit.

A six-member faction headed by former Social Security Commissioner Robert M. Ball favors having Social Security do the investing. They argue that individual investment accounts would make too much of a worker's retirement income vulnerable to the swings of financial markets — and would leave disabled workers with much less protection than they get now.

Besides, they assert, creating individual accounts would be the first step toward dismantling a successful program that could easily be rescued with less-drastic changes.

Five members who favor a partial spinoff reply that the public is so soured on Social Security that an attempt to shore up the existing system would be met with disbelief. More to the point, this group — headed by Carolyn Weaver of the American Enterprise Institute and Sylvester J. Schieber of benefits consultancy Watson Wyatt Worldwide — argues that most retirees would have bigger incomes under their plan than if Social Security did the investing.

Somewhere in the middle are two members, including Council chair and University of Michigan economics professor Edward Gramlich, who advocate a more modest program of individual investment accounts.

As a consequence, the group will issue three separate prescriptions for healing Social Security's long-run ills:

The Ball plan calls for 40 percent of the Trust Fund to be shifted from government securities into a stock-market index fund over 15 to 20 years. The market returns are projected to cover promised benefits and keep the Trust Fund plump. A tax of up to 1.6 percent on wages, evenly split between worker and employer, might be needed by 2045 to keep the Trust Fund at the desired level: big enough to cover four years' benefits.

— The Weaver/Schieber plan would immediately divert two-fifths of current Social Security tax revenues into individual accounts to be invested by workers. Social Security payments would be reduced to $410 a month (they would grow with inflation). Workers over 55 would be exempt from the change; to pay their benefits under existing formulas, workers and employers would each pay an extra 0.75 percent tax on wages for 70 years.

Under the Gramlich plan, each worker would have 1.6 percent deducted from his pay to fund a retirement account he would invest. Social Security taxes would remain the same, but benefits would be reduced as the Trust Fund was drawn down. By the time benefits from the existing system were cut back, workers would have enough money in these accounts to make up the difference.

But of the 43 million current Social Security beneficiaries, only 26 million are retirees. Four million are disabled; 7 million are surviving spouses and children, and 6 million are dependents of Social Security recipients.

Benefits for the disabled would be left pretty much intact under the Ball plan, but would be reduced as much as 20 percent over time under the other schemes. Benefits for survivors of deceased workers wouldn't change much in any of the plans.

A spot check of workers lunching in Center City last week found many intrigued by the idea of individual accounts, but skeptical about having Social Security itself invest in the stock market.

"If someone else is going to manage my money, I want it to be in low-risk investments, like Social Security is now," said Laura Walsh, 28, a project manager with the Philadelphia Redevelopment Authority. "In a riskier environment, like the stock market, I'd prefer to have my hands on my money."

Business development fund leverages millions

Rural communities in Oregon have benefitted from millions of private dollars leveraged in their areas to create jobs and grow businesses, thanks to an Oregon Economic Development Department fund.

A recent analysis of the performance of the Oregon Business Development Fund has found an investment of $20 million in state lottery dollars has leveraged more than $80 million in matching funds from banks and private resources, since the fund's inception in the mid-1980's.

More than 3,800 jobs have been created or saved by companies financed through the program.

"This fund has been successful in leveraging a great deal of bank and private resources to assist rural and other businesses expand and create jobs," said Mark Houston, business finance manager for the Oregon Economic Development Department.

The fund's primary focus is to help rural areas diversify their economies. About two-thirds of the loans have partially financed businesses in rural areas of Oregon.

The fund is targeted at manufacturing, processing and tourism-related businesses. Houston said the intent of the fund "is to help communities diversify their economic bases and create jobs locally."

In addition to the economic benefits of jobs and investment in Oregon, the Oregon Business Development Fund receives interest and fees to cover all administrative costs and loan losses. The Fund is currently earning a four percent return on investment.

Examples of rural projects financed through the fund include: a recreational vehicles manufacturing company in LaGrande, creating 70 jobs, a belted chain manufacturer for the agricultural industry in Hermiston, a pizza crust-making company in Baker City, and a company in Brookings creating floral arrangements out of forest floor plants.

The fund works to satisfy a businesses' expansion needs after the company has obtained private financing for at least half of the project. The department can then provide financing to fill out the balance of the financing need, Houston said. The department works in cooperation with Oregon banks.

Preston leads in female attorneys

Survey Ranks Preston Northwest's Highest

In its most recent survey on how women are doing in the legal profession at the 250 biggest law firms in the U.S., the National Law Journal (NLJ) ranked Preston Gates & Ellis number one in the Northwest and 39th nationally.

Female attorneys represent 30.7 percent of Preston's professional staff. When you look at the number of those women who are partners in the firm, the ultimate measure of advancement, Preston fares equally well with 29 female partners.

The national average for all law firms is only 9.1 percent female while the average for the top 250 is 26.4 percent women. The percentage of female attorneys is based on the total number of partners, associates and special status attorneys, not including support personnel.

Equipment leasing company opens

With the recent founding of Capital Equipment Leasing, Inc., Oregon gained a new entry to its ranks of employee-owned businesses. Based in the Portland metropolitan area, Capital Equipment Leasing provides all types of equipment leasing and financing services to small and medium-sized companies throughout the United States and Canada.

CEL President Beverly Becket has brought together a team of professionals with over 15 years of combined leasing experience. Together they are creating a Total Service Leasing Company that specializes in "instant approvals" and same-day documents.

They also focus on leases with deferred payments, annual and quarterly installments, and a wide variety of terms and purchase options tailored to meet client needs. Additional leasing services include Lease Credit Lines, National Vendor Programs and opportunities for businesses that are newly established or with weak credit.

Albina community bank public offering announced

Six months after opening for business, Albina Community Bank is going public, with an initial public offering of 100,000 shares of common stock priced at $10 per share, with a 25-share minimum, or $250.

Pacific Crest Securities is managing the offering. Proceeds from the sale of the shares will be used to support the general growth plans for the company, which has as its focus the acceleration of redevelopment in N/NE Portland.

"This public offering is an opportunity for the people of this community to take ownership of Albina Community Bank and to actively participate in its economic redevelopment," says Leon C. Smith, the bank's chief executive officer.

Albina Community Bank opened for business in January, modeled after the South Shore Bank of Chicago, which has successfully revived several depressed areas.

Albina Community Bank was cultivated from $2 million seed money from the Northeast Portland Community Development Trust and from proceeds of a private stock offering.

The Trust is the bank's largest shareholder.