

Business Briefs

Banking

London times finally recognizes crisis

"There is growing awareness that the banking crisis so often forecast over the past 20 years may now be for real," wrote the London *Sunday Times* on June 17.

"But if the banking scene is gloomy in London, in New York it verges on the apocalyptic," Ivan Fallon and John Cassidy wrote. "The troubles of Trump and [Texas S&L head Don] Dixon are significant and catch the headlines, but in the context of the real difficulties now facing America's banking system, *they are only a drop in the ocean*. Right across corporate America there is a growing awareness that the banking crisis so often forecast over the past 20 years may now be for real. Even the big American insurance companies are reeling from the collapse of the junk-bond market. 'If they had to revalue their portfolios, which are stuffed with junk bonds, to market prices, many insurers would be insolvent,' said one bank analyst."

Fallon noted, in referencing the eruption in 1980 of the Third World debt crisis, the collapse of oil, and other major shocks of the past, "The difference today is that America's banks face not just one potential disaster area but a myriad of them."

Infrastructure

French plan major role, investments for TGV

France's rail industry wants the TGV to service the entire high-speed grid of Europe by early next century, and plans to build 3,400 kilometers of new tracks inside France alone.

One of the priority projects, according to remarks June 12 by French Minister of Transportation Michel Delebarre, is to extend the Rhine-Rhône line into West Germany, to have access, via the German ICE high-speed grid, into Eastern Europe. There are three main West-East transverse routes the TGV wants to service, making the entire distance in less than

10 hours each: 1) Paris, Brussels, Cologne, Hanover, Berlin, Warsaw; 2) Paris, Strasbourg, Munich, Vienna, Budapest, Bucharest; and 3) Paris, Lyon, Turin, Milan, Zagreb, Belgrade, Sofia.

A new TGV, capable of operating on all four different electric currents used in Europe, will be positioned to reach 55 big cities throughout Europe by the year 2015. The French daily *Libération* carried three pages on the plans showing average future traveling times for each route and graphs showing the entire planned high-speed grid in Europe. Articles in other French journals aimed at giving maximum exposure of TGV projects to the general public.

Pensions

Supreme Court rules LTV must restore plan

The U.S. Supreme Court ruled June 18 that the Pension Benefit Guaranty Corp. could force the bankrupt LTV Corp. to restore its pension plan, which it terminated after filing for Chapter 11 bankruptcy in 1986. The decision, which overrules two lower courts, holds that the PBGC does have the power to force such a bankrupt firm to restore its retirement system when it has abused the insurance features of the federal program.

The case arose after LTV filed for bankruptcy, claiming that it could not afford to pay into the retirement fund. The PBGC picked up the plan's obligations, but under the federal retirement income law and the PBGC's limited funds, benefit levels were reduced. The United Steel Workers threatened to go on strike unless the company made up the difference in lost benefits to retirees. Such an "abusive follow-on plan" was considered to take unfair advantage of the federal program, and the government sued LTV to force restoration of its private pension plans.

The PBGC has \$4 billion in obligations but only \$3 billion in assets, and insurance premiums to restore the program would have had to be raised if the PBGC were stuck with the tab. The PBGC fund already has a deficit of \$1 billion, but a handful of big corporate bankrupt-

cies could push that to \$8 billion in the red, PBGC executive director James B. Lockhart told a House Ways and Means subcommittee June 13.

AIDS

Cases expected to leap tenfold by year 2000

According to AIDS researcher Luc Montagnier, speaking before a Paris conference on June 18, AIDS cases will increase tenfold by the year 2000.

The 260,000 AIDS cases reported by the World Health Organization "are an underestimate, especially in areas where medical surveillance is difficult . . . so, we can actually double that figure to establish the number of AIDS cases. . . . We can predict that the number of cases of AIDS will multiply tenfold before the year 2000," Montagnier said.

Dominican epidemiologist Dr. Antonio De Moya also recently estimated during a seminar on National Policy on Hemotherapy and Blood Transfusion in the Dominican Republic, that there are at least 60,000 undiagnosed AIDS cases in that nation. Dr. De Moya said that about 1,263 people contracted AIDS recently through blood transfusions.

Health

Supreme Court gives hospitals reprieve

The U.S. Supreme Court handed down a 5-4 decision June 14 that hospitals can collect from states for reimbursement of Medicaid services. The decision is being hailed for hospitals across the country which have been crippled by low state reimbursement rates for hospital and medical care rendered to Medicaid patients.

The Virginia Hospital Association, whose hospitals are losing \$1 million a week, sued the state of Virginia. A lower court ruled in the Hospital Association's favor. The state of Virginia responded by taking the case to the Su-

preme Court, claiming that only individual Medicaid patients, who are already indigent, can sue, not the health providers.

From 1972 until 1981, Congress required "reasonable costs" reimbursement to be paid by states to hospitals and nursing home providers, linking the reimbursement to the actual costs to assure that payment would reflect the cost necessary to provide services of adequate quality. This "reasonable cost" was abandoned by Congress in 1981, allowing states to effect more stringent cost-containment.

By 1989, state governments' reimbursement policies were so consistently damaging to hospitals, they were being challenged in court by state hospital associations for: 1) not reimbursing hospitals at all for their Medicaid services; 2) reducing the percentage of the reimbursement rates to hospitals; 3) setting the rate arbitrarily or annually to reflect budget cuts.

The decision will immediately hit hospitals in over 40 states that are now being under-compensated.

Agriculture

Genetically engineered beef shows promise

Scientists in Texas announced June 9 that they had produced four calves, each of which contains genes from other species, including humans, which have been spliced into their genetic material to increase their rate of growth.

"This technology has tremendous implications. For the time being, most people are looking at improving efficiency; the amount of feed it takes to produce a pound of meat. In the future, we're looking at manipulating growth and other characteristics," stated Dr. Caird Rexroad, a USDA research physiologist, according to the *New York Times*. One of the key ones is resistance to disease.

Vice President of the Humane Society Dr. Michael W. Fox objects to the project. "We have 2 billion cattle, 1.6 billion sheep and goats, and 800 million pigs in the world today," he stated. "That population needs to be drastically reduced because of adverse environmental impacts. This focusing on enhanced

productivity might look good to investors but is the last thing the world needs." Fox did not comment on the needs of people who eat.

Finance

Appeals court strikes down anti-takeover rule

The U.S. Court of Appeals for the District of Columbia struck down June 13 a rule by the Securities and Exchange Commission that required all common stock issued by listed corporations to have an equal vote in corporate governance.

The SEC rule was passed in response to the attempt by many U.S. corporations to fend off hostile takeovers by creating a special category of stock with lower dividend claims, but more heavily weighted voting power, designed for corporate management in order to defeat unwanted bids for control by corporate raiders. The SEC said it was acting under its authority to control the market for corporate securities.

The court ruled that the SEC overstepped its authority in issuing the rule, noting that laws regulating corporate governance are traditionally and properly made by the states. The ruling was decried by United Shareholders of America, a group heavily backed by corporate raider T. Boone Pickens.

Computers

India's role grows for software development

India is emerging as the new center for computer software development.

British business houses are moving software development projects to India as a way to reduce costs. An average Indian software programmer costs £3,000 annually in wages—about a sixth of the British average.

In terms of productivity, the Indian software programmer is about 150% more productive than his British counterpart. The Indian export of software is now close to \$1 billion annually.

Briefly

● **BRITISH** Prime Minister Thatcher has decided not to fund the high-speed rail link to the English Channel tunnel, according to the June 13 *Financial Times*. "Britain's transport policy is in danger of becoming the laughingstock of Europe," London *Guardian* transport editor Patrick Donovan commented in response June 15.

● **YUGOSLAVIA** reported a record 14.6% drop in industrial production in May, two weeks before a second economic reform package is to be announced, the London *Financial Times* reported June 18.

● **NASA** Associate Administrator for Space Flight Bill Lenoir announced June 13 the cancellation of the Orbital Maneuvering Vehicle, the small space tug which could stay in orbit between missions, be attached to Space Station Freedom, and do jobs such as boost satellites into higher orbits, due to budget constraints. Such a vehicle will be necessary, he said.

● **CHINESE COMMUNIST** Party General Secretary Jiang Zemin called for direct trade and communication links with Taiwan, the June 13 *Journal of Commerce* quoted Red Chinese news service Xinhua. It was his first detailed response to Taiwan's call for government contacts in trade, academia, and science.

● **THE WORLD BANK** forbade Venezuela to build railroads for the rest of this century in a report presented to the government. The daily *Diario de Caracas* of June 11 said the report demands Venezuela "postpone railroad projects, both for freight and passenger lines, until at least the end of the century."

● **BORON** in the diet has a direct effect on aiding motor function and brain wave activity, according to three studies from the Grand Forks, North Dakota Human Nutrition Research Center. Boron is most abundant in apples, pears, grapes and broccoli.