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UP FRONT

Talk Show

"The CEO said he would ruin me. We'll see who's standing at the end." --Rosie O'Donnell, of Gruner + Jahr CEO Daniel Brewster, in the suit over the failed Rosie magazine

A Political Plank Made Of Pink Slips

Are U.S. politicians idly watching American jobs flow overseas? In the 2004 elections, some laid-off programmers and furloughed factory workers will have an opportunity to vote "yes." At least four congressional hopefuls are campaigning, in large part, on opposition to outsourcing U.S. jobs.

Senate candidate Charlie Crystle (D-Pa.) says that sending work offshore is crippling employment in his state. He has challenged opponents such as Republican Senator Arlen Specter to hold hearings on the issue. In Florida, Michael Emmons, a Democrat, lost his job last year when telecom giant Siemens (SI) ICN hired cheaper programmers from an Indian firm. Now, he's aiming to run for the House of Representatives and pleading for \$25 contributions from pink-slipped techies and others nervous about job security. "Republicans want cheap labor for their corporations," he says. The other candidates are running in Oregon and Connecticut.

The anti-outsourcing campaigns are political long shots, but they tap an emotional issue. "It could be the big issue," says Alan S. Blinder, former vice-chairman of the Federal Reserve. More white-collar workers -- who outnumber blue-collar workers by nearly 3 to 1 -- are seeing their jobs move abroad. That's turning up the political heat.

By Brian Grow

UPS: Undercut Postal Service?

Could one of the U.S. Postal Service's best engines for growth stall? It runs a program called Parcel Select, which lets bulk shippers save money by simply sorting packages and letting the Postal Service finish the deliveries. In theory, that should help all parties. But United Parcel Service has started using the program and that worries some Postal Service officials. Why? Unlike other shippers that rely mostly on the Postal Service for delivery, UPS is keeping much of the delivery volume for itself, leaving only costly rural packages for the Postal Service to deliver. With UPS siphoning off customers from rival shippers, that could sharply cut Postal Service revenues.

In a memo obtained by *BusinessWeek*, Robert Fisher, a manager in the Postal Service's Washington, D.C., office, says volume from some customers could fall 70%. The Parcel Select program could take in over \$700 million this year, says Doug Caldwell, of transportation consultant AFMS. A spokesman says the Postal Service expects a short-term "downturn of sorts." But between new UPS customers and efforts by other shippers to replace business lost to UPS, the Postal Service anticipates growth in the long term. Guess that's what the Postal Service expects Brown to do for it.

By *Brian Hindo*, with *Charles Haddad*

Graphic: Burning Up Money

THE BIG PICTURE

BURNING UP MONEY The recent California fires are among the costliest in U.S. history. The five most expensive:

BILLIONS OF DOLLARS

SAN FRANCISCO (1906)

\$7.0

CHICAGO (1871)

\$2.5

SOUTHERN CALIFORNIA (2003)

\$2.0 EST.

OAKLAND, CALIF. (1991)

\$2.0

BOSTON (1872)

1.1



*ADJUSTED LOSSES, IN 2003 DOLLARS

Data: National Fire Protection Assn., Insurance Information Network of California

It's Raining Magazines In China

U.S. magazines are hurting, but China is enjoying a glossy gold rush. Its market for print advertising is pegged to rise 37% this year, after 2002 revenues of \$5.5 billion. That's luring publishers to join with Chinese partners or to license their name and content. More than 50 foreign magazines now have Chinese-language editions, with a dozen more expected in the coming year.

Foreign publishers got a boost in July when Beijing said it would stop subsidizing many turgid government periodicals. By yearend, 1,000 are expected to close.

Still, foreign investment in newspapers is banned, and Chinese readers expect stories tailored to them. "You need local content," says Cao Weiming, head of Chinese operations for Hachette Filipacchi Media, publisher of *Elle*, *Marie Claire*, and *Car & Driver* in China.

Local rivals aren't pushovers, either. Fashion mag *Rayli* has impressive features. *China Entrepreneur* is popular

for stories about local execs. And finance biweekly *Caijing* breaks news on corruption. China may look daunting to foreigners -- until they remember the slump at home.

By Dexter Roberts

Ante Up

Poker is back in the chips. Since poker players can't bet against the house, the card game has long been a low-margin biz for casinos. But this year, poker revenues at Connecticut's Foxwoods Casino and Las Vegas' Bellagio are up about 25%. The Bellagio expects to take in about \$12 million this year, charging players up to \$100 per half-hour. Why the popularity? Online gaming, for one. Also, *World Poker Tour*, on the Travel Channel, and ESPN's *World Series of Poker* have drawn record audiences with a reality-show feel. Poker is "not a big profit factor," says Jefferies analyst Lawrence Klatzkin. Still, more poker rooms may soon be in the cards.

By Brian Hindo

The COO: An Endangered Species?

MISSING: Chief Operating Officer. In the past year, dozens of U.S. companies have eliminated the COO post, says a study by Crist Associates, a Chicago recruiting firm. Why? The rising prominence of chief financial officers, and more CEOs wanting hands-on involvement with operations.

It turns out that many companies that promoted a COO to CEO have let the old job stay vacant, including Wal-Mart (WMT), General Motors (GM), IBM (IBM), Home Depot, McKesson, and Procter & Gamble. The COO could be a vanishing breed.

By Diane Brady

Steven Wallman: Keeping Tabs On The Street

Steven Wallman, 50, is a former SEC commissioner who now runs online brokerage Foliofn. Wallman, whose company helps investors diversify more cheaply than with mutual funds, recently shared his thoughts -- as a CEO and as a former regulator -- on Wall Street's troubles.

While investors are applauding state regulators for chasing Wall Street miscreants, Wallman is less thrilled. State regulators can't issue broad guidelines, and with so many rules, he says, "multiplying by 50 is problematic when building a national marketplace."

Disclosure still needs improvement, says Wallman. Disclosure of mutual-fund fees would help investors and competition. And he urges boards to think of investors. "Would the directors of WorldCom (MCWEQ) have approved the [former CEO Bernard] Ebbers' loans if they had asked themselves: 'How do we explain this at the annual meeting?'" he asks. Good question.

By Kimberly Weisul

Ballpark Figures To Bet On

Can b-schoolers teach Big Leaguers? Benjamin Polak, a game-theory expert at Yale University's B-school, and Brian Lonergan, a former student, are using probability theory to rate baseball players. Following the success of other quantitative analyses used by the playoff-bound Oakland A's and Boston Red Sox, Lonergan will start advising a National League club this winter.

Lonergan and Polak first measure the probability of a team's winning, given any set of circumstances. With each at-bat, a player can either help or hurt his team's chances. Say the home team is down by two in the bottom of the fifth, with no outs and a runner on second. There's a 39% chance they'll win. If the batter grounds out and the runner stays put, the chance falls to 33%. The difference between the two, or -0.06, is assigned to the batter.

Lonergan and Polak then total a player's outcomes for the season, yielding the exact number of wins -- or losses -- contributed, relative to an average player. Giants slugger Barry Bonds contributed 9.5 wins this season, the most in baseball.

Lonergan, a consultant at Charles River Associates ([CRAI](#)), also plans to pitch his services to agents. "We'll use everything we can get our hands on," says Jeff Moorad of Moorad Sports Management, which represents Red Sox player Manny Ramirez, among others. Moorad expects other agents to be interested -- at least half of them, anyway.

By Brian Hindo

Graphic: Baseball Greats

BASEBALL GREATS



Debbie Does...*Tom Sawyer*?

It's no secret that spammers traffic in porno and miracle drugs. But did you know that they are quietly dabbling in literary classics?

It's part of a new strategy to evade spam filters. Spammers wrap their message in unrelated sentences so that filters digest lots of words that don't read like spam. They're in white type on a white background. Filters see them, readers don't. One spam asks in dark type: "Would you like to be financially independent?" But by highlighting the text, readers can discover the hidden words. Select the text with a mouse click, and you're reading about "bulldog heads, armed to the teeth in both jaws." That's from Jules Verne's *20,000 Leagues Under the Sea*. Says Harry Katz Microsoft ([MSFT](#))'s program manager for message hygiene: "You have to admire the nefarious ingenuity of these people." Their libraries, too.

By Stephen Baker

Graphic: The Stat



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