

Business Briefs

Health

AIDS-TB link mandates testing, doctors say

A year-long study of tuberculosis patients in the Houston, Texas area revealed 31% testing positive for HIV. The results have prompted doctors to call for routine testing between the groups.

"The big point of this study is that tuberculosis patients need to be tested for HIV, and people with HIV need to be tested for TB. That's the message we need to get out," said Michael Enochs, HIV seroprevalence coordinator for the Houston health department.

"The reason pulmonary tuberculosis is going up is because of AIDS. There's no question about that," said Dr. Robert Awe, director of the chest clinic at Lyndon B. Johnson Hospital. "If AIDS patients with weakened immune systems become ill with tuberculosis, that could fuel the spread of the TB. . . . As opposed to HIV infection, tuberculosis is easy to get. You can be sitting next to someone who's coughing and get it," said Awe.

A study of so-called "street kids" at Houston's Covenant House youth shelter found 2% tested positive for HIV in a recent study of 1,000, according to the May 12 *Houston Chronicle*. The rate for women was 2.5%, and 1.7% for men. The physician at the shelter said he was not surprised by the findings, because "this is a fairly high-risk population." Many have abused drugs or lived by prostitution, he said.

Small Business

Fed study finds reduced lending

A study by the Federal Reserve Board confirmed that the nation's commercial banks are restricting loans and other types of credit to small and medium-sized companies, but that total lending had not declined, the *New York Times* reported May 19.

The study of 60 banks, performed three times a year, found that all the banks reported tighter policies on loans involving real estate, with a large share of the banks reporting "considerably" tighter restrictions on developers.

The bankers said the tightening was motivated by what the Fed called a "less favorable economic outlook," as well as by deteriorating loan portfolios, which also indicate a weakening economy.

Industry

Cost-benefit analysis crippling corporations

American companies are losing the battle over Research and Development to Japan because of methods of cost-benefit analysis that demand up-front proof of a positive future return before any substantial investment is actually made, *Wall Street Journal* reporter Amal Kumar Naj charged on May 21.

Japan's edge is usually laid to the relatively lower cost of capital and to the pattern of government-industry collaboration, but the planning and accounting methods of most U.S. firms are an overlooked factor, Naj said.

Naj described a new technique, called "technology options," whereby companies commit themselves to a certain level of funding for a determined period of time in order to see how factors that are not fully quantifiable in advance—such as technical breakthroughs, new product or market possibilities—play out over time. He cited various case-studies in which seed-money for preliminary efforts wound up changing the parameters of new products or techniques and creating profitable investments.

The approach appears to allow some role for non-linear scientific and economic effects in business planning decisions long advocated by *EIR*.

Finance

Legal case could sink all corporate raiders

Pre-buyout bondholders of RJR Nabisco, Metropolitan Life Insurance Co. and Jefferson-Pilot Life Insurance Co., have filed suit against RJR Nabisco for violating "negative pledge covenants" on bonds issued before RJR Nabisco was bought out by Kohlberg Kravis

Roberts and Co. for \$25 billion in early 1989. If successful, the suit could bring corporate raider activity to a halt.

A negative pledge covenant, Leslie Wayne wrote in the May 20 *New York Times*, is a standard feature of most bond indentures that protects the bondholders by prohibiting the issuing company from pledging corporate assets to third parties, or placing liens on those assets, without granting similar measures to the existing bondholders.

Met Life and Jefferson-Pilot argue that when RJR Nabisco sold \$6 billion in assets to pay down some of the debt incurred in the buyout by KKR, the value of RJR Nabisco's pre-buyout debt of \$5 billion plunged in value by \$1 billion, causing losses of \$250 million to Met Life and \$10 million to Jefferson-Pilot. As Harry Kamen, attorney for Met Life, told Wayne: "If they can take \$6 billion in assets and pay the banks, then that's \$6 billion in assets not available for us. We say the purpose of the covenant is to protect us against some ahead of us" getting paid the proceeds of asset sales before we do.

If Met Life and Jefferson-Pilot win their case, a flood of similar suits will likely be filed by other holders of RJR Nabisco's pre-buyout debt, forcing KKR to fork out \$5 billion it can ill afford at this time. Vera Young, vice president of American National Insurance Co., said, "We're sick and tired of takeovers. We bought a double A bond and now it's double B. That gets pretty old fast."

Biology

Cancer breakthrough made in Canada

Dr. Patrick Wong, a scientist of the Canadian National Research Council (NRC), announced a potential breakthrough in cancer detection on May 9.

Using cells taken by needle biopsies, Wong put them under strong pressure and irradiated them with infrared light. Some frequencies are absorbed, causing various parts of the cell—membranes, DNA, RNA, and proteins—to vibrate in specific patterns. The "microscopic fingerprints" of cancer cells are characteristically different from that of normal cells.

A double-blind study of 200 samples tak-

en from patients with liver and colon cancer has shown a 100% accuracy, according to Dr. Wong.

Space

Supercompressed helium studied for energy use

Supercompressed, supercooled helium is being studied as a means of energy storage for hypersonic transport and spaceflight when high rates of energy release are required, a government scientist told *21st Century Science & Technology* in a May 17 interview. The process was mentioned in a 1985 *Fusion* magazine article on hypersonic transport.

If supercooled helium were passed over the nozzle of nuclear propulsion reactor—like that designed for Nuclear Engine for Rocket Vehicle Application—the helium undergoes “superexpansion” and the energy yield is hundreds of times that stored in the chemical bonds. Whether the energy production involved is more than that stored by compression, is not known.

The studies in supercompressed helium may yield some insight into the energy releases reported in cold fusion research, the scientist said, since there is intense compression of hydrogen in the palladium lattice during cold fusion.

Infrastructure

Link between Africa and Europe studied

Work on building a bridge or tunnel to link Europe and Africa across the Straits of Gibraltar should begin in the next decade, Moroccan Equipment Minister Mohamed Kabbaj, told a conference of 300 international experts, Reuters reported May 16. “The next decade will certainly see the start of work on the job,” he said.

Kabbaj said the world’s biggest road bridge, with ten 6,560-foot spans, would be a more attractive option, but it would be cheaper to dig a 33-mile railway tunnel. Cost estimates range from \$5-10 billion and con-

struction could take 10 years.

Moroccan Prime Minister Azeddine Laraki said the project would boost economic relations between the European Community and the Arab Maghreb Union linking Algeria, Libya, Mauritania, Morocco, and Tunisia. It would also open Europe to West Africa by means of a road network between Tangiers in north Morocco and Lagos in Nigeria. “It used to be just a dream, but now studies are in an advanced stage,” he said. Feasibility studies conducted over the past 10 years were discussed at the conference which opened in Marrakesh May 16.

Banking

Supreme Court strikes Federal Reserve policy

The Supreme Court has ruled that the Federal Reserve Board does not have the power to force bank holding companies to help ailing subsidiary banks, the *Wall Street Journal* reported May 16.

The court upheld a New Orleans appeals court ruling which said the Fed overreached its authority when it tried to force MCorp, the Dallas bank company, its holding company funds to support the holding company’s troubled subsidiary banks. The Fed’s so-called source of strength doctrine, made explicit in regulations in 1984 and 1987, required bank holding companies to use their assets to aid their bank units “during periods of financial stress or adversity.”

MCorp defied the Fed’s and Federal Deposit Insurance Corporation’s orders to support its banks in 1988, saying it would recapitalize on its own terms. Ultimately, regulators seized 20 of MCorp’s 25 banks and sold them to Bank One of Ohio, in a move that will cost the taxpayers an estimated \$2 billion.

Brookings Institution banking expert Robert Litan said that “The Fed must be reeling from this. They’ve often trotted out this policy as an arm-twister.”

Richard Whiting, general counsel of the Association of Bank Holding Companies, called the decision “a significant loss for the Fed,” and added, “I would assume they will appeal.”

Briefly

● **THOMSON AND PHILIPS**, the French and Dutch electronics firms, formed a \$3.6 billion joint venture with French government backing to develop high definition television. “HDTV is our industrial future; this accord between two groups . . . symbolizes what we want to do in Europe to catch up with Japan,” French Industry Minister Roger Fauroux said.

● **CZECHOSLOVAKIA** is planning to build four nuclear power plants with Western technology, doubling the country’s nuclear generation of electricity by the year 2000, Foreign Minister Jiri Dienstbier announced in Vienna, Austria.

● **A CONSORTIUM** of French banks and industrialists has offered East Germany “dream” financial conditions for construction of a 200 kilometer TGV high-speed rail line between Berlin and Dresden, according to *Der Spiegel* May 21. On May 18, the TGV broke another record by hitting 515.3 km per hour.

● **A BRIDGE** over the Straits of Messina, linking Sicily with the Italian mainland, has been approved by the International Maritime Organization, and it is now up to the Italian government and the parliament to give the final okay, *La Repubblica* reported May 17.

● **ENGINEERS** at the Hanford, Washington, Fast Flux Test Facility (FFTF), built 12 years ago, are seeking private funds to keep the newest U.S. nuclear reactor test facility alive after Energy Secretary James Watkins decided the FFTF should shut down. The final decision is up to Congress.

● **THE U.S. ENERGY** Department is considering buying enriched uranium from the Soviet Union, a potential \$200 million deal, the *Wall Street Journal* reported May 21. Because the United States has refused to modernize its enrichment processing, its prices are higher than those of other countries.