

# Business

Thursday, March 16, 2000

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## Daily digest

### ■ AMR spinning off stake in Sabre Holdings

AMR Corp., parent of American Airlines, is spinning off an 83 percent stake in Sabre Holdings Corp. today in a \$5.75 billion move to help the largest travel reservation company win contracts with more airlines. AMR, the second-largest U.S. airline company, will distribute 107.4 million Sabre shares to AMR shareholders after the close of trading.

See Story/2E

### ■ Merger back on track for BP Amoco, Arco

A merger of BP Amoco PLC and Atlantic Richfield Co. was back on track Wednesday as the Federal Trade Commission and the companies agreed to examine a revised proposal aimed at easing the government's concerns about competition.

See Story/2E

### ■ Bank of America plans talking ATMs

Bank of America, the largest U.S. bank, will install more than 2,500 talking automated banking machines in Florida and California in the next three years to attract blind and low-vision customers in its largest retail markets.

See Story/2E

### ■ \$40 billion aviation bill takes flight in House

Get ready for more airline flights out of some of the nation's busiest airports and a \$1.50 increase in local airport passenger taxes. Both are part of a \$40 billion aviation bill the House passed Wednesday.

See Story/3E

## Market highlights

### Wednesday's closings

#### ■ Leading indicators

<b>Dow Jones</b> ↑ 10,131.41 +320.17	<b>Nasdaq</b> 4,582.62 -124.01
<b>S&amp;P 500</b> ↑ 1,392.15 +33.00	<b>NYSE</b> ↑ 605.02 +16.59
<b>AMEX</b> 996.12 -19.39	<b>30-year bond yield</b> 6.08% -0.01

### Dollar watch

#### ■ One U.S. dollar equals

<b>Mexican peso</b> 9.31	<b>Japanese yen</b> 105.57
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<b>Canadian dollar</b> 1.4657	<b>Euro</b> 1.0338
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### Oil and gas

#### ■ Monthly delivery

<b>Natural gas</b> April: \$2.866 +5.7¢	<b>Crude oil</b> April: \$30.72 -97¢
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### Metals

#### ■ N.Y. Comex

<b>Silver</b> \$5.127 +3.5¢	<b>Gold</b> \$288.70 +40¢
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# Some phone fees are going up

Caller ID is among services Bell customers will pay more for by late April

By SANFORD NOWLIN  
EXPRESS-NEWS BUSINESS WRITER

Southwestern Bell will raise prices on a dozen of its services in Texas including directory assistance and Caller ID by late April, according to details filed Wednesday with state regulators.

The phone company, however, is not raising rates for its basic residential service and will lower prices on 15 other services, officials said.

Bell, the main provider of local phone service for most of the state, will increase the charge for directory assistance calls to 75 cents from 30 cents under the proposed changes. However, customers will

continue to get three free directory assistance calls each month.

It also will boost the price of the most popular version of its Caller ID service to \$7.95 a month from \$6.50 a month.

"We're simply setting prices that haven't changed in years to reflect market conditions," said Bell spokesman Bill Maddox. "We think the prices are very competitive."

The company hasn't increased its directory assistance charge since 1984, he added.

Bell, a unit of San Antonio-based SBC Communications Inc., is not raising its basic residential rates, which are frozen under state law until 2005.

The company is allowed to make the changes under Senate Bill 560, a state law passed last year that enables it to raise and lower prices for some services without Texas Public Utility Commission approval.

Consumer groups vigorously opposed the law, which also required Bell to reduce what it charges long-distance carriers to complete calls on its network. The legislation, they said, would let the company boost prices in the residential market, where it faces little competition.

"This is exactly the kind of price increase a lot of us feared when SB 560 passed," said Melissa Caro, an

■ See RATE/3E

## New Southwestern Bell prices

Southwestern Bell on Wednesday told regulators it will raise prices on 12 services and lower them on an additional 15. Standard residential rates will stay frozen until 2005, however. Here are some of the changes:

Service	Current Rate	New Rate
Directory assistance	30 cents	75 cents
Caller ID (name and number)	\$6.50	\$7.95
Auto redial	\$2	\$3
Call return (*69)	50 cents (\$4 usage cap)	95 cents
Three-way calling	75 cents	95 cents

Source: Southwestern Bell

EXPRESS-NEWS GRAPHIC



Dan Beaver poses with a sampling of magazines offered on his 6-month-old Web site, MegaMags.com.

# Virtual Newsstand

Online magazine rack offers more than 8,000 titles

By KAREN MILLS  
ASSOCIATED PRESS

MINNEAPOLIS — Dan Beaver doesn't pull any punches when he talks about his growing business. He says he will change the way America — and perhaps the world — buys magazines.

Beaver went online with MegaMags.com on Sept. 1, selling single issues of magazines from throughout the United States and several foreign countries.

The site now has more than 8,000 titles and expects to have 10,000 titles — 30,000 if you count back issues — by early fall. That will include about 1,200 foreign titles.

This is a man who's looking to become the Amazon.com in his niche.

"We really believe that magazines can do what books have done," Beaver said.

"Now we literally can carry everything."

The mass market magazines are there. So are Modern Ferret, Bus World, South American Explorer, Aboriginal Voices, El Andar, Black Enterprise, American Cheerleader, Cake Craft, Los Cabos, Bearfoot and Mountainfreak.

A vacationer heading for Las Vegas can get a preview by ordering Las Vegas Life, Las Vegas Magazine, Las Vegas Style, Here is Las Vegas, Nevada Woman or Nevada. Other travelers may want to see Blue Ridge Country, California Wild, Cape Cod Life, Georgia on My Mind, Lake Superior or Tucson Gourmet.

Beaver knows the magazine business well. He was in charge of magazine buying for Barnes & Noble Inc. for eight years and launched Web Guide magazine in 1997.

Beaver sold Web Guide in January 1999

and began building the MegaMags Web site a year ago.

"This is easily a half-million dollar site, figuring man hours and capital costs," Beaver said. But there was minimal cash outlay because Beaver and his associates did the work themselves. "It's mostly our sweat, scanning magazines," he said.

It takes two to four minutes for Beaver or an employee to scan each magazine cover onto the site. The process has to be repeated with each new issue. The goal is to include a brief description of each magazine, but not a complete table of contents.

Customers can search by magazine title or within categories such as art, business, computers, ethnic, food/wine, hobbies and travel. Also available are Sunday editions

■ See MAGAZINE/10E

# Industrials soar as Nasdaq sours

By EILEEN GLANTON  
ASSOCIATED PRESS

NEW YORK — The Dow Jones industrial average soared more than 300 points Wednesday as investors who sold off technology stocks this week put their money back into the long-forgotten industrial sector.

The Dow rose 320.17, or by 3.3 percent, to close at 10,131.41. It was the fourth-biggest point gain ever for the Dow, but wasn't close to a record in percentage terms. The blue chip index rose as much as 368.41 points before slipping back a bit.

Meanwhile, investors continued shedding technology shares. The Nasdaq composite index fell

124.01 to close at 4,582.62, bringing its loss for the past three days to 465 points, or 9.2 percent.

The Standard & Poor's 500 rose 32.99 to 1,392.14 and the Russell 2000 index of smaller companies fell 14.12 to 558.87.

"What a rare day," said Vernon Winters, chief investment officer at Mellon Private Asset Management. "A lot of money managers have been forced to sell blue chips to buy technology stocks, and today, they're reversing course."

The blue-chip Dow, which has dramatically underperformed the Nasdaq so far this year, rose on the strength of old-line indus-

■ See DOW/4E



A specialist on the floor of the New York Stock Exchange reads stock quotes Wednesday over the phone.

# Taxes, earnings limits affect early retirement

The U.S. House of Representatives approval of a bill to remove the Social Security earnings limit — which has rolled back benefits for high-earning seniors beyond their normal retirement age — made people think more about their retirement strategy.

A couple of questions sent to this column illustrate the need to consider several factors when deciding on applying for early Social Security benefits at age 62.

It should be remembered that the Social Security earnings limit of \$10,080 for people age 62 until the normal retirement age of 65 — which is being phased up to 67 in the future — is being retained.

Benefits are reduced \$1 for every \$2 of earnings over that limit per year. If the pending bill is signed into law, beneficiaries now



David Hendricks

ages 65 through 69 no longer will be subject to the \$17,000 earnings limit that reduces Social Security benefits \$1 for every \$3 above the limit.

Does a 401(k) distribution count as earned income and, therefore, will it reduce Social Security benefits if that distribution exceeds the cap? — Vic Wukovits

■ See RETIREMENT/3E

# Aviation bill goes to president

## Measure allows more flights at busy airports, increase in fees

By JIM ABRAMS  
ASSOCIATED PRESS

WASHINGTON — Get ready for more airline flights out of some of the nation's busiest airports and a \$150 increase in local airport passenger taxes. Both are part of a \$40 billion aviation bill the House passed Wednesday.

With air passengers expected to grow from 600 million last year to more than 1 billion by the end of the decade, the bill paves the way for major boosts in spending. Approved by the Senate last week, it passed the House by 319-101 and now goes to President Clinton, who supports it.

"The greatest aviation system in the world is hurtling toward gridlock and potential catastrophes in our skies," said House Transportation Committee Chairman Bud Shuster, R-Pa., who stressed that his bill "will make those skies safer, reduce flight delays and increase competition."

The bill would increase aviation spending in fiscal 2001 to \$12.7 billion, up \$2.7 billion from this year.

Transportation Secretary Rodney Slater said it would "expand capacity and improve the efficiency of the system to meet the air travel needs of the 21st century."

But the bill met strong opposition from New

York, Chicago and Washington area lawmakers unhappy with the prospects of more flights out of their local airports.

The legislation phases out by 2007 flight limits at New York's LaGuardia and Kennedy airports. These "high density rules" would end at Chicago's O'Hare in 2002, and flights from Washington's Reagan National could increase by 24 a day, with 12 of those flights to destinations beyond the current 1,250-mile "perimeter rule."

Rep. Henry Hyde, R-Ill., who represents a Chicago-area district, said adding flights would "help create massive gridlock and delays at O'Hare and across the nation." O'Hare, he said, "is an accident waiting to happen. It's only a matter of time before this increased jamming of flights results in a disaster."

Rep. Jim Moran, D-Va., said that in 1986 Congress "made an ironclad commitment that it would never increase the number of slots at Washington National. ... We ought not set a tradition of breaking promises."

But lawmakers from outside the big cities saw the issue differently.

A roundtrip ticket from Rochester to Chicago now costs \$1,200, said Rep. Louise Slaughter, D-N.Y. "The major carriers have a stranglehold on

these slots, effectively preventing low-cost carriers from entering the market."

The top Democrat on the Transportation Committee, Rep. Jim Oberstar of Minnesota, said that "under no circumstance will the FAA allow more departures or arrivals than controllers can safely manage."

The bill would allow airports to raise the ceiling for passenger taxes from the current \$3 to \$4.50 a person. That could bring in an extra \$700 million a year for local improvements if all airports imposed the increase.

Shuster said giving local authorities control over the "passenger facility charge" was good conservative policy, but Appropriations Committee Chairman Bill Young, R-Fla., said many will see this as a Republican-backed tax increase.

"I'm not sure this Congress wants to be on record as increasing taxes," he said.

Young's Democratic counterpart on the appropriations panel, Rep. David Obey of Wisconsin, also opposed the measure, saying Shuster's ability to corral more money for aviation meant less money for other programs. An extra \$1 billion for aviation, he said, means \$1 billion less for cancer research, or special education, or renovation of schools.

# 151 USAA workers may lose their jobs

Continued from 1E

while an evaluation of Information Technology proceeds.

"They are still (paid) employees, but they do not have an assignment," Honeycutt said. "At the conclusion of the evaluation process, those who still don't have assignments will be offered severance packages."

USAA's information technology division reportedly had financial problems in the late 1990s, causing USAA's board to make it a separate company rather than a division so that its expenditures could be monitored more carefully.

But last year, Information Technology's problems apparently didn't end; a worker who asked to remain anonymous said the company was significantly over budget.

At present, Stephen Yates, the company's new president, is reassessing its 3,100 employees, seeking to match workers' skills to future lines of business, including e-commerce.

As the restructuring of Information Technology is winding down, USAA for the first time is launching a recruiting blitz on South Padre Island during Spring Break. T-shirt-clad recruiters are using a beachside booth to build name recognition, USAA recruiter Jeannie Ollis said.

And USAA is preparing to expand in a big way in Phoenix, where it will open a new regional office that will mirror the San Antonio headquarters in size and staff levels.

The Phoenix office, to be opened in 2001, will be able to accommodate as many as 15,000 employees. USAA's San Antonio headquarters now has more than 16,000 employees.

USAA is expanding and revamping staff because it expects the number of its customers to double to 7 million by 2009. Most of USAA's clients then will be served via the Internet, company officials have said.

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# Retirement sources not included in limit

Continued from 1E

The answer is no. Private pension, company-sponsored 401(k) and individual retirement account distributions do not count toward the Social Security earnings limit, said two accountants I spoke with.

The main incomes that count toward the earnings limit are those reported on W-2 forms and self-employed income on Schedule C, plus farm income that goes on Schedule F, said accountant Jim Oliver.

Another way to think about it is "wages paid in the year of working," said accountant Steve Bankler.

That would exclude deferred-income retirement plans, including 401(k)s and IRAs.

Also exempt from the earnings limit are dividends and interest income, Bankler said. "Social Security income, too, still is taxed, but it is not counted as 'earned income' for the Social Security limit," he said.

It's a good question because what falls under "unearned income" can be confusing.

Income-tax considerations are another big factor, though.

This new Social Security bill isn't doing what everyone thinks it is. Once people's income rises, their Social Security will be taxed at 85 percent of their benefits as mine is because my retirement check is more than \$25,000 a year, and I'm not married.

The government isn't going to lose anything. It is going to gain money in taxes. — Ron Ocker

Social Security taxation indeed goes up when there are other taxable incomes, Oliver said.

"If all you have are Social Security checks, there is no tax on those benefits," Oliver explained. "But as income rises, Social Security becomes 50 percent taxable at one level and 85 percent taxable at the next level."

Up to 50 percent of Social Security benefits become subject to income taxes if other incomes plus half of Social Security benefits exceed \$25,000 for a single taxpayer or \$32,000 for a married joint return.

Up to 85 percent of Social Security benefits become taxable when the same amount exceeds \$34,000 for singles or \$44,000 for married couples.

In fact, it is possible that a single worker receiving early Social Security benefits actually can lose money working because of the combined effect of lost Social Security benefits, higher taxation on the remaining benefits and continued Social Security payments.

The income-tax bite on Social Security benefits is a tricky juggling act for working seniors and those with high retirement income from savings, regardless of Social Security earnings limits.

And it is complicated. "If it weren't for the computer, I wouldn't understand it," Oliver said.

To leave a message for David Hendricks, call ExpressLine at 554-5500 and punch 415, or e-mail to dhendricks@express-news.net.

# Rate changes planned by Southwestern Bell

Continued from 1E

attorney for the state's Office of Public Utility Counsel, which represents consumers on utility issues.

Maddox said the new residential charges are not out of line with those of other companies and they include significant price reductions.

Bell, for example, will drop its charge for automatically connecting to a number during a directory assistance call to 5 cents from 30 cents and cut by half the price of two of its business packages.

Still, the proposed changes will mean higher residential phone bills, said Randall Chapman, executive director of Texas Legal Services Center, which provides legal services for low-income Texans.

"It's the services that residential customers use on a daily basis that Southwestern Bell is increasing," he said.

Bell is expected to make another price change as early as April when it again cuts its long-distance access rates as required under SB 560.

It's required to cut those rates by an additional 2 cents per minute on July 1 or upon its entry into the long distance business, whichever comes first. Federal regulators could approve SBC's pending application to

offer long distance as early as next month.

Bell implemented in September a 1-cent cut to its access rates also required under the bill.

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- Who is our customer?
- What does the customer value?
- What are our results?
- What is our plan?

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