

# Business

▼ Dow	-15.54	12,487
▲ Nasdaq	+1.25	2,435
▼ S&P 500	-1.72	1,423
▲ Russell 2000	+3.95	788
► 10-yr. note	No change	4.88%

## Technology

By Fred Reed

### Digital lifestyle really better?

Perhaps a technology writer is not wise to question the value of technology, but it may be worth asking: What have we gotten from it? We have seen, and continue to see, a tremendous flowering of electronics, genetics and engineering of all kinds.

Heaven knows where it's taking us. Technology shapes us, rather than the other way around. But presumably we develop it to improve our lives. Has it done so? In many ways, clearly it has.

Think of medieval dentistry. In modern countries people are not hungry, cold, constantly sick or more ignorant than they want to be. It beats the alternative.

In other respects, I'm not so sure. For example, are kids happier with video iPods, high-definition television and computer games than they were with a dog, a fishing pole and the woods?

This isn't an exercise in nostalgia. I wonder whether certain needs aren't built into people, and whether technology hasn't pulled us away from them. Digital TV is slick engineering but, although people demonstrably do gawp at the lobotomy box for several hours a day, it doesn't seem to make them happier.

Sometimes the country seems to live for the mad pursuit of better gadgets: telephones with cameras, disk drives big enough to park your truck in, cars that talk to us and tell us how to get to Seven Corners, golf cars that trundle around Mars and show us pictures of rocks. Interesting stuff, yes, and not easy to do. But the technology that brings us clever robots has other effects.

One has been to separate us almost entirely from the natural world. We live, entertained by electronics, in temperature-controlled houses. Then we go to work in marvelous automobiles, heated and air-conditioned, with GPS and six-CD, high-fidelity stereos. Then we sit all day in front of computers in air-conditioned offices. Then we take Prozac, which is yet more technology, to alleviate the effects.

Maybe people are emotionally constructed to be happier when more physically active, less caught in a high-tech cocoon, closer to the outside world.

It could be that the fault is not with the technology but with the uses we make of it. True enough. But we do not seem able to control the uses we make of it. If we invent TV, we can't not watch it. If we invent cars, we can't not build remote bedroom suburbs.

A subtle effect has been to end the localness of life.

In 1920, towns governed themselves largely as they saw fit. Regional accents flourished. Washington didn't have much to do with local affairs because communications weren't good enough. Today, with computers and the Internet, the federal government can micromanage the entire country.

More ominous is the growth of surveillance. Few outside of government want it. However, I suspect that we can't not do it. The technology makes it so easy.

The cameras keep going in; e-mail is simple to monitor; databases grow and are cross-indexed. It isn't what we wanted, but it is what we are getting.

It is natural that long ago people sought to find ways to avoid work and to be comfortable and secure. But now our lives are so easy that we need gymnasiums to provide artificial work. Life is so secure that we have had to invent hang-gliding and rock-climbing so as to have an element of adventure.

Maybe we have technologized ourselves into a world more physically than psychologically comfortable. Perhaps being able to do something is no guarantee that you will be glad you did it.

## Contractors feel budget squeeze

### Government focuses money on Iraq, retirement, health costs

By Bryce Baschuk  
THE WASHINGTON TIMES

Funding for local contractors takes a back seat as the government focuses on Iraq, retirement and health costs.

"We've seen a tightening on the funding and less contracts," said George Wilson, executive vice president of strategic operations for Stanley Inc.

Stanley, an Arlington information technology contractor, has seen share prices fall 10 percent from a high of \$18.02 in December to \$16.16 yesterday. The company said its revenue mix between defense and civil-

ian agencies is about 65 percent to 35 percent.

Stanley, like many technology contractors in the Washington area, said it is anticipating the effects of decreased federal spending.

Last year, Congress passed a temporary resolution to keep civilian agencies running at 2006 funding levels instead of passing budgets for fiscal 2007. The fiscal year ends Sept. 30.

"The dollars are there to get something accomplished, and when the dollars aren't there, things don't get accomplished," said Renny DiPentima, chief executive officer of SRA Interna-

tional Inc.

SRA, a technology firm in Fairfax, saw its shares fall 34 percent from \$37.73 in March to \$25.05 yesterday.

Although the company posted 5 percent growth in net income for the first quarter ended Sept. 30, Mr. DiPentima said SRA's federal and defense clients will face uncertainty from the funding halt and may pull back their development and discretionary spending.

"The government has asked everyone to tighten their belts," said Shiv Krishnan, president and chief executive officer of Indus Corp., an information technology provider in Vienna,

Va. "As a result, we've seen lower spending on the civilian side."

Mr. Krishnan said the decreased funding for civilian agencies such as the Department of Health and Human Services and environmental programs encouraged Indus to focus on defense and homeland security contracts.

"We used to deal primarily with the civilian sector," Mr. Krishnan said. "But there seems to be more opportunities on the defense and intelligence side."

"Within the next three to five years, defense and homeland

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## CHECKLIST

A roundup of top business news today

### Regional

✓ Smithfield, Va., pork processing giant **Smithfield Foods Inc.** agreed to pay \$1.1 million in back wages to workers fired from its Tar Heel, N.C., slaughterhouse and agreed to help pay for a new union election.

✓ D.C. mortgage company **Fannie Mae** paid Chief Executive Officer Daniel Mudd salary, bonuses and stock valued at \$14.25 million in 2006, an increase of 25 percent, the company said. The pay stems partly from progress in "building relationships with regulators and investors and restating prior period financial statements," the company said.

✓ Baltimore asset manager **T. Rowe Price** said earnings for the fourth quarter ended Dec. 31 rose 27 percent on stock-market gains and investor inflows. Net income increased to \$148.9 million (53 cents a share) from \$117.6 million (43 cents). For the year, net income jumped 20 percent to \$530 million (\$1.90).

### National

✓ A federal judge in Mississippi refused to endorse part of a proposed settlement of claims related to Hurricane Katrina. U.S. District Judge L.T. Senter Jr. would not sign off on a deal between **State Farm Fire & Casualty Co.** and Mississippi for \$50 million in payments to policyholders whose claims were denied.

✓ Alan Greenspan's book, "The Age of Turbulence," will be published Sept. 17 and the promotional tour may include an appearance with television host Jay Leno, the former Federal Reserve chairman's editor said.

✓ Tyco International Ltd.'s imprisoned former Chief Executive Officer L. Dennis Kozlowski was served with divorce papers, giving him 45 days to disclose his financial condition to his estranged wife, Karen. Kozlowski in July refused his wife's demand for disclosure.

✓ Home builder **KB Home** said the Securities and Exchange Commission has started a formal investigation into its stock-option granting practices.

✓ With a stern reminder that **Joe Nacchio's** trial is just weeks away, a federal judge ordered prosecutors to step up efforts to provide some key evidence to the former **Qwest Communications** chief executive's attorneys.

✓ Cerberus Capital Management may drop a planned \$3.4 billion investment in bankrupt auto-parts supplier **Delphi Corp.** because the United Auto Workers union is resisting the financial firm's proposals for pay cuts, sources said.

✓ Ford Motor Co. rolled out updated versions of two small sport utility vehicles that are among the keys to the company's turnaround plans. The 2008 Ford Escape and Mercury Mariner models were introduced by a delegation that included Ford President and Chief Executive Officer Alan Mulally.

✓ GlaxoSmithKline PLC, the world's second-biggest drug maker, was sued by **Apotex Inc.**, which says its syrup version of the ulcer medicine Zantac won't violate a patent held by its larger rival.

✓ Delta Air Lines Inc.'s creditors may ask **US Airways Group Inc.** to extend the Feb. 1 deadline on its hostile takeover bid as they study competing plans for the bankrupt carrier's future, sources said.

✓ **DreamWorks Animation SKG Inc.** said its top accountant William Losch will leave after his contract expires in April, following the departure of the studio's chief financial officer.

✓ Light-skinned immigrants in the United States make more money on average than those with darker complexions, and the chief reason appears to be discrimination, said researcher Joni Hersch, a law and economics professor at Vanderbilt University.

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Home Depot Inc., the world's largest home-improvement retailer, saw third-quarter comparable sales decline 5.1 percent after a 3.6 percent gain a year earlier. It is now trying to appeal to contractors and builders with special sales and events. Bloomberg News photographs

## Fewer nests to feather

### Home furnishers feeling forlorn as the housing market fades

By Cotten Timberlake  
BLOOMBERG NEWS

**M**acy's, the flagship chain of Federated Department Stores, is promoting "amazing deals" and free shipping on bedding and china. Williams-Sonoma's Pottery Barn slashed rattan furniture by 60 percent. Home Depot has its own "special values" on appliances.

Americans' love affair with their homes has cooled, and retailers that jumped in to sell them merchandise during the housing boom are reeling, cutting prices and profit forecasts. Their shares have retreated, with Williams-Sonoma dropping 27 percent in 2006.

Sales of previously owned homes fell 0.8 percent in December, capping the biggest annual slump since 1989, the National Association of Realtors reported Thursday. The housing market may not have bottomed out yet, clouding the retail outlook for 2007.

"You could say the bubble burst in the

housing market, and it's had a dramatic impact on retailers who sell merchandise for the home," says Rosalind Wells, chief economist for the D.C.-based National Retail Federation. "Retailers still will feel that impact this year."

Shrinking sales growth at U.S. stores that offer home-related goods pulled down the nationwide holiday gain to a smaller-than-expected 4.4 percent, from 6.1 percent a year earlier.

Building materials, furniture and appliance stores posted sales of \$583 billion in 2006, representing a quarter of all U.S. retail sales. Their year-over-year sales growth slid to 2.7 percent in December from a jump of 16 percent last January.

Retailers such as Sears have suffered from a weaker housing market, more stores offering home goods and fewer people increasing their spending. Thirty-two percent of U.S. consumers spent more on home furnishing in 2006, less than the 38 percent in 2005, according to a survey released Jan. 19 by Columbus, Ohio-based Retail Forward, a market research and consulting firm.

A record 19 percent of consumers re-



Employee Paul Gibson yesterday buffed appliances at a Home Depot store in Columbus. Home-improvement retailers are slashing prices to make up for a decline in sales.

ported putting on hold purchases of \$500 or more in December, according to a survey of 1,000 Americans by Charleston, S.C.-based America's Research Group.

see DEPOT, page C14

## New-home sales show silver lining

ASSOCIATED PRESS

New-home sales fell in 2006 by the largest amount in 16 years, but they were up for a second straight month in December, raising hopes that the worst of the housing downturn is coming to an end.

The Commerce Department reported yesterday that sales last month rose by 4.8 percent, following an even bigger 7.4 percent rise in November.

Those two increases, however, were not enough to salvage the entire year, with total sales of 1.06 million units, down 17.3 percent from 2005. That marked the biggest decline since a 17.8 percent plunge in the housing downturn of 1990.

The housing bust is occurring after a boom in which sales of

both new and existing homes set records for five consecutive years. The lowest mortgage rates in four decades powered a surge in sales that was bolstered by investors making purchases in hopes of turning around and reselling the properties for quick profits.

Analysts attributed the big declines in 2006 to a cooling of that speculative boom. That reversal has given the housing industry its toughest downturn since the recession of 1990.

The slowdown trimmed 1.2 percentage points off overall economic growth in the July-September quarter. Analysts are looking for an equally severe hit in the final three months of the year, with housing expected to be a continuing drag in the first half of 2007.

The downturn has meant a break for home buyers, as double-digit price gains during the boom years have slowed considerably.

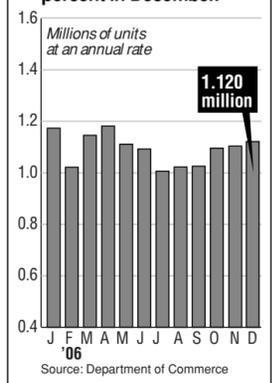
The median price of a new home sold in 2006 rose by 1.8 percent to \$245,300. That was far below the 9 percent price gain turned in during 2005.

David Seiders, chief economist of the National Association of Home Builders, said he looked for home prices to continue to be depressed in 2007 as builders scramble to reduce near-record levels of unsold homes.

He said his organization's January survey of builder sentiment showed continued extensive use of incentives to clear the backlog, with 60 percent of builders surveyed offering them, up from 41 percent at the beginning of 2006.

### IMPROVING MARKET

Sales of new homes rose an unexpected 4.8 percent in December.



The Washington Times

# Tapes show secretary taking Coke secrets

ATLANTA (AP) — A former Coca-Cola secretary charged with conspiring to steal trade secrets from the beverage giant was caught on surveillance cameras removing documents from her office in June, sometimes late into the evening.

A Coca-Cola security expert testified yesterday at Joya Williams' trial that a handful of concealed cameras were installed at the Atlanta company's headquarters to monitor her movements in different parts of the sprawling complex.

The surveillance video, played for the jury yesterday, was made after Pepsi received a letter in May purportedly from a co-defendant in the case stating that the person was willing to sell confidential Coca-Cola documents and samples of products that Coca-Cola was devel-

oping to the highest bidder. The government has said that Miss Williams stole the materials from the Coca-Cola Co. and gave them to co-defendants Ibrahim Dimson and Edmund Duhaney as part of a conspiracy to sell the items to rival PepsiCo Inc. for at least \$1.5 million.

Miss Williams faces up to 10 years in prison if convicted of conspiracy. Dimson and Duhaney have pleaded guilty and are awaiting sentencing. Miss Williams' lawyer, Janice Singer, told reporters yesterday her client intends to testify in her own defense as early as next week.

The surveillance that Coca-Cola conducted of her is a key part of the government's evidence.

Coca-Cola security expert Deborah Casey testified yesterday that surveillance cameras were running between June 7,



Joya Williams, shown leaving the Richard B. Russell Federal Building in Atlanta on July 6, is accused of stealing trade secrets from Coca-Cola in a conspiracy to sell them to rival Pepsi.

2006, and July 5, 2006, the day Miss Williams was arrested.

Video images displayed in court show Miss Williams placing papers in her bag, holding drink bottles in her hand, plac-

ing bottles on a cart in a confidential document room and stuffing gift tote bags in her personal bag. Some of the instances occurred at night, between 8 p.m. and 10 p.m.

# Economic reports confuse market

## Interest rate cuts seen as unlikely

NEW YORK (AP) — Wall Street closed out a volatile week yesterday with a mixed performance after a pair of economic reports dashed hopes for an interest rate cut anytime soon. The major indexes were down for the week.

Stocks found some late-day strength as investors sought bargains after a two-day pullback that erased most of 2007's gains. The market had its worst performance so far this year, despite optimism about earnings earlier in the week that lifted the Dow Jones industrials to a fourth record high of the year.

Strong results from Microsoft helped lift technology stocks, while heavy machinery maker Caterpillar lent some support to the Dow Jones industrials. However, those gains were offset by economic reports that raised concerns about interest rates.

The Commerce Department said new home sales rose 4.8 percent in December, well above economists' projections. The department also said orders to U.S. factories for big-ticket manufactured goods rose in December by the largest amount in three months.

"The biggest driver is concern the Fed might see more reasons to raise rates than to lower," said Arthur Hogan, chief market analyst at Jefferies & Co.

The Dow Jones industrial average fell 15.54, or 0.12 percent, to 12,487.02.

Broader stock indicators were mixed. The Standard & Poor's 500 index was down 1.72, or 0.12 percent, at 1,422.18, and the Nasdaq composite index rose 1.25, or 0.05 percent, to 2,435.49. The Russell 2000 index of smaller companies rose 3.95, or 0.50 percent, at 788.14.

Long-term bonds were little changed, with the yield on the benchmark 10-year Treasury note flat at 4.88 percent.

Oil prices rose after a steep decline in the previous session because of doubts that OPEC members are making the production cuts promised last year. The price of a barrel of light sweet crude rose \$1.19 to \$55.42 on the New York Mercantile Exchange.

Yesterday's performance capped a week in which the

stock market shuffled from great optimism about earnings and a possible interest rate cut in the first part of the year to dejection over an economy that could be strong enough to force a rate increase. Generally good earnings reports were cast aside while investors focused on the Fed's likely moves.

For the week, the Dow was down 0.62 percent, while the S&P lost 0.58 percent and the Nasdaq fell 0.65 percent.

Steven Goldman, chief market strategist for Weeden & Co., said the retreat in stocks should offer buying opportunities. He said the market isn't "terribly overbought, but had been listlessly moving up" and believes "pulling back allows the market to clean out its excess."

The major indexes had been up more than 1 percent on Wednesday, the highest levels this year, before the two-day retreat. For the year, the Dow is up 0.19 percent; the S&P is up 0.27 percent; and the Nasdaq is up 0.84 percent.

Caterpillar, whose earnings are heavily tracked as an indication about the pace of U.S. construction, rose \$1.46, or 2.5 percent, to \$61.09 after it reported a 4.3 percent rise in fourth-quarter profit. The company also stuck by its full year forecast, which it believes will show continued strength in industries such as mining, oil and gas.

Honeywell International, a diversified high-tech manufacturer, reported fourth-quarter profit rose 14 percent. However, lackluster 2007 projections sent shares down 7 cents to \$44.13.

Technology stocks rose after Microsoft reported second-quarter results that beat expectations, and projected double-digit growth in all of its core businesses through the rest of the fiscal year that ends June 30. Strong sales of its Xbox video game console helped offset the delayed release of its latest operating system, Vista.

Microsoft, which hit a 52-week high in the previous session, rose 15 cents to \$30.60.

Amgen declined after the world's largest biotechnology company said fourth-quarter profit missed projections. The stock fell \$3.35, or 4.5 percent, to \$71.50.

## DEPOT

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Existing home sales, representing 85 percent of total housing sales, will dip this year to 6.4 million, after an 8.2 percent retreat in 2006, the Washington-based realty group says.

"Consumers use their homes as their savings banks," Miss Wells says. "Without home equity cash-outs, consumers are not going to feel as affluent."

Neither are retailers, nor their shareholders. A home-retailing index compiled by New York-based Telsey Advisory Group declined 6.9 percent to 99.2 yesterday from a two-year peak of 106.6 in July 2005.

The measure, which uses a base of 100, is a composite of 17 home improvement, furniture and furnishings companies. Ethan Allen, Home Depot and Williams-Sonoma were among those whose shares have declined.

U.S. retail sales growth will shrink to 4.8 percent in 2007, the smallest gain in five years, says the retail federation. Consumer spending accounts for 70 percent of gross domestic product.

At Pottery Barn, which represents almost half of San Francisco-based Williams-Sonoma's revenue, comparable sales grew 4.3 percent a year from 2002 to 2005. They will be "slightly negative" in the latest fiscal year, ending Jan. 28, Patrick Connolly, Williams-Sonoma executive vice president, said.

## BUDGET

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security will compose 60 percent of our business," he said.

Congressional spending for the war in Iraq has given defense contractors more breathing room than their civilian counterparts. The only two agencies that have approved budgets for fiscal 2007 are the Departments of Defense and Homeland Security.

"The defense sector is cur-

rently a more fertile hunting ground than the civilian sector," said Tim Quillin of Stephens Inc., an investment banking firm in Little Rock, Ark.

"But as the war winds down, there will be increased emphasis on federal government modernization," which means a bright future for civilian contractors, he said.

In the meantime, he said civilian contractors will have to find opportunities and pockets of federal spending that will help them survive the budget cuts.

## CHECK

From page C11

➤ A former branch manager who said he was wrongfully demoted at age 60 when Prudential Securities forced him to return to being a broker has been awarded \$900,000 by a National Association of Securities Dealers arbitration panel, an unusually stiff award in an age-discrimination dispute.

➤ Federal railroad regulators banned excessive fuel surcharges and imposed strict rules on the fees that many companies this week credited with bolstering their quarterly earnings. The Surface Transportation Board said the railroads must link the surcharges directly with the actual fuel costs for specific rail shipments.

### International

➤ China should ease exchange-rate controls to let its currency depreciate and shift the basis of its growth to domestic consumer demand, the head of the International Monetary Fund said.

➤ South Korean prosecutors indicted Paul Yoo, the local head of U.S. buyout fund

Lone Star Funds, part of a long-running probe that last year resulted in the cancellation of a multibillion-dollar bank sale.

➤ The Nasdaq Stock Market Inc. fell short in its attempt to win a majority stake in the London Stock Exchange when LSE shareholders pledged only 0.62 percent of common shares by the deadline. The amount was far off the 21 percent needed.

➤ German-American automaker DaimlerChrysler AG said it had sold its Stuttgart aviation unit to ATON GmbH for an undisclosed amount.

➤ Ford Motor Co. will become Mazda Motor Corp.'s biggest shareholder in February by acquiring all Mazda shares held by its wholly owned subsidiary Ford Automotive International Holdings, Mazda said.

➤ Belgian Prime Minister Guy Verhofstadt appealed to workers at Volkswagen AG's Belgian plant to drop their wildcat strike and get back to work. He called the strike, which started late Wednesday, "unjustifiable" in the wake of continuing negotiations.

From wire dispatches and staff reports

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