

# BUSINESS

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Morton Marcus  
ON BUSINESS

## Revisiting State of the State

Appropriately Gov. Mitch Daniels did not make any claims about a revitalized Indiana economy in his recent State of the State speech. He stuck to the theme that we are on track to turning the economy around rather than proclaiming any victory.

This restraint was well-warranted. Indiana ranked 45th among the 50 states in its rate of employment growth for the past year (November-to-November figures). The nation added jobs at a 1.5 percent rate.

Our 0.3 percent increase beat out only Ohio and Michigan as well as Mississippi and Louisiana. The first two of these have been victims of the auto industry's distress, while the latter two were victims of hurricanes.

Indiana managed an increase of only 10,000 jobs. The private sector grew by 15,100 jobs (0.6 percent), while government employment declined by 5,100 (-1.2 percent). During the year, state government jobs fell by 2,500 (-2.1 percent), and local governments decreased their employment by 3,000 workers (-1.1 percent). Half of those local jobs were in schools.

But then, who cares if government employment is cut? We hear, time and again, that government is not productive, it does not create wealth. It is a lie, but we hear it repeatedly from those who learned their economics listening to Paul Harvey and Rush Limbaugh.

We are expected to believe that police, fire, education, health care, snow removal and the many other services of government are without value. Thus, if we have decreased government employment, we must be doing something right. The idea that a growing private sector requires a growing public sector seems to be an untenable, even un-American concept.

Where were the jobs gained and lost? Health care and social assistance accounted for 6,600 (44 percent) of the 15,100 private sector jobs added in the year. The social assistance number alone was 2,300 jobs added. Were any of these the result of shifting jobs from government to the private sector? I don't know.

On the down side, we lost 2,900 jobs in motor vehicle parts manufacturing and another 1,300 in transportation equipment manufacturing. Primary metals, fabricated metals and plastic products each lost 1,000 jobs. Retail trade lost 600 jobs, while insurance carriers lost 400 jobs, and telecommunications declined by 300 jobs.

Of the 10,000 jobs Indiana gained, two-thirds were in non-metropolitan areas while the other third were in the 14 metro areas of the state. The biggest winner was Evansville with a gain of 2,300 jobs (1.3 percent). The biggest loser was Kokomo, down 1,200 jobs (-2.4 percent).

(Indiana counties in the Louisville and Cincinnati areas are treated as non-metropolitan because of data limitations.)

Normally, Hoosiers think that the Indianapolis metro area is doing far better than the state as a whole.

That was not true in the past year. The 10-county Indianapolis metro area added only 1,400 jobs (the same as the three-county Fort Wayne area), which was about half the rate of growth statewide.

Columbus, Lafayette, South Bend and Gary were also growing metro areas, while Elkhart-Goshen, Bloomington, Terre Haute, Anderson, Muncie, Michigan City-LaPorte were job-losing areas.

It certainly is good to know that we are on the right track to adding more jobs in Indiana. Our recent performance should make it relatively easy to do better in the future.

Morton Marcus is an economist, formerly at the Kelley School of Business, Indiana University.



DANIELS

# Crowd pleasers

## Visitors at auto show in Detroit flock to gadgets and dream cars

By JOANNE VIVIANO  
THE ASSOCIATED PRESS

### DETROIT

If money were no object, a Nissan URGE would be sitting in Colton Austin's driveway.

The 8-year-old wouldn't be able to drive it yet, but he could use the car's Xbox 360 video game system. It allows drivers to play, while parked, "Project Gotham Racing 3" using the car's own steering wheel, pedals and flip-down 7-inch LCD screen.

Colton was one of the thousands to visit the North American International Auto Show on Saturday, the first day it was open to the public.

"It's so awe-inspiring. You can't pick a favorite. There are too many choices," said Joseph Saviano, Colton's neighbor, who drove the 140 miles to the show with 13-year-old daughter Samantha and other children from their neighborhood near Kalamazoo.

Over in the General Motors Corp. area, Michigan State University fans Cheryl and Ken Lutz were dotting over the GMC Savana, with its own grill and large screen television.

"We're big tailgaters. This is fabulous," said Ken Lutz, 58.

But 17-year-old Marko Ramus was most impressed with the Maybach 57S, which starts at \$367,000. Ramus, an exchange student from Croatia, came to the show from Zanesville, Ohio, and said he wanted to see the car because it's expensive and has many high-tech features inside.

Among them are a refrigerator box, DVD players embedded in the front seats for rear passengers, a 21-speaker surround-sound system and a rooftop solar panel that operates fans to cool the interior when the sun gets hot.

Ken Turk, of Swanton, Ohio, said he was pleased to see flashbacks to cars like the Pontiac GTO. The 56-year-old drove one when he was younger.

"It's all coming back," he said. "And it makes us feel like a kid again."

### Honda sweeps car-show awards

DETROIT — Two Honda vehicles, the Civic sedan and the Ridgeline pickup, were chosen as the car and truck of the year at the North American International Auto Show.

The awards were presented last week, the first day of media previews for the show.

It's the first time in the award's 12-year history that both winners were from the same automaker. The winners were chosen by a group of 49 full-time automotive journalists from the U.S. and Canada. Finalists had to be new or substantially redesigned from the previous model. More than 50 cars and trucks were eligible for the 2006 award.

### Buzzmakers

Here's a look at some of the most talked-about cars unveiled at the North American International Auto Show in Detroit.



Car  
Nissan URGE

### Why it's cool

Xbox 360 video game system in trunk that, when car is off, is played with steering wheel



Car  
Chevy Camaro

### Why it's cool

To be released in 2009, extends return of American muscle car



Car  
Mitsubishi CT

### Why it's cool

Hybrid features an electric motor in each of its wheels and all-wheel drive



Car  
Dodge Challenger

### Why it's cool

2006 concept car features a 6.1-liter Hemi engine, six-speed manual transmission

# Group blasts Cinergy merger

## Advocates: Takeover will hurt consumers

By LISA CORNWELL  
THE ASSOCIATED PRESS

### CINCINNATI

A proposed \$9 billion takeover of Cinergy Corp. by a North Carolina power company is being criticized by some consumer advocates, disrupting what had been a smooth approval process.

The merger of Cinergy with Charlotte, N.C.-based Duke Energy Corp. would create a company with more than \$70 billion in assets and 5.4 million retail customers, making it one of the nation's five largest power companies.

The deal sailed through South Carolina's and Kentucky's regulatory processes, winning approval in November. But North Carolina and Indiana consumer groups remain opposed, and the Ohio Consumer's Counsel is trying to get a rehearing even though Ohio's commission signed off on the merger last month.

Critics say there is a lack of adequate consumer protection and inequitable benefits for rate payers in the deal. Their concerns mirror those of consumer advocates nationally as utilities continue consolidation efforts in the wake of last summer's repeal of a decades-old federal law. Utilities and the Bush administration pushed for repeal of the law that had confined utilities to regional operations.

"We don't think these large mergers are good for consumers," said Tyson Slocum, an energy program director at Public Citizen, a Washington D.C.-based watchdog group. "They put more utilities in fewer and fewer hands, increasing the likelihood of complex financial structures that will be less transparent and undermining the ability of state regulators to protect consumers."

Four large utility mergers proposed in the last year, including Duke-Cinergy, have encountered few hurdles so far, said Charles Fishman, analyst with A.G. Edwards & Sons Inc.

"I think the Duke-Cinergy merger is pretty close to done," Fishman said. "They seem to be on track to meet their target of closing in the first half of this year."



AP PHOTO  
Cinergy Corp.'s Miami Fort generating station in Cleves, Ohio, is part of a proposed \$9 billion takeover of Cinergy Corp. by the Charlotte, N.C., based Duke Energy Corp.

# Rules could squeeze pensions

## Expected changes might force workers toward private accounts

By ADAM GELLER  
THE ASSOCIATED PRESS

### NEW YORK

It may sound arcane, but a planned overhaul of the way companies keep their books on pensions and retiree health-care plans could come at a very real cost to workers counting on those benefits.

The changes, likely to begin by year's end, come as a growing number of companies freeze pensions and cut retiree health benefits, shifting risks and costs to workers. In recent weeks, IBM Corp. and Verizon Communications Inc. have joined the list

of those announcing they will freeze their pension plans.

But some experts say new regulations requiring companies to more accurately calculate and show the cost of their retirement promises could speed up the move by employers away from guaranteed pensions and other benefits.

"Changing accounting rules can cause companies to change their behavior," said David Zion, an accounting analyst with Credit Suisse First Boston.

Rules now in place give companies cover. Many have made expensive retirement promises without putting aside all the

money needed to meet them. But they don't have to fully disclose the shortfalls in their earnings statements or on their balance sheets.

Instead, firms can post positive numbers based on assumptions about investment returns, when the actual returns would hurt their results. And while companies are required to disclose pension figures in footnotes to financial statements, even those can be difficult to decipher.

"If you change those rules you take that protection away and our thinking is a company may have to go out and protect themselves," Zion said.

## Accounting can mask retirement promises

An overhaul of corporate accounting practices could increase pressure on companies to reduce retirement benefits. Current rules enable businesses to greatly overstate their book value by minimizing their retirement obligations.

Companies whose book value would drop by more than 100 percent if required to report funding of their retirement plans 2004 figures in millions

COMPANY	REPORTED BOOK VALUE	ADJUSTMENTS PENSION	OPEB*	ADJUSTED BOOK VALUE	PCT. CHANGE
Goodyear Tire & Rubber Co.	\$73	-\$430	-\$855	-\$1,213	-1,766%
UST Inc.	10	-55	-7	-52	-644%
General Motors Corp.	27,726	-24,544	-21,676	-18,494	-167%
Navistar International	531	-84	-696	-248	-147%
Visteon Corp.	407	-241	-284	-118	-129%
Ford Motor Co.	16,045	-7,389	-9,702	-1,046	-107%
Hercules Inc.	97	-51	-49	-4	-104%

\* Other post-retirement employee benefits

SOURCES: Credit Suisse First Boston; company data

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