

Markets

For updates: www.boston.com/business

35.06 POINTS	0.96 POINT
DOW JONES 10,864.86	NASDAQ 2,305.82
US DOLLAR €0.823 ▼ 0.004	
10-YEAR TREASURY 4.52% ▼ 0.01	
MASSACHUSETTS 341.66 ▲ 1.83	

STEVE BAILEY

Downtown

Key West Academy

KEY WEST, Fla. — It is the kind of pricey resort, in the kind of remote locale, that most hard-working cops or firefighters rarely see from the inside unless they are answering a 911 call. But if you are a retired cop or firefighter on the board of the Middlesex County Retirement System you are a regular at this winter hideaway this time of year. This is, after all, what it is all about. This and family, too, of course.

The most remarkable thing about the continuing saga of the Middlesex retirement system is how little things have changed for the boys at the top. Three years ago the system lost \$37 million, or 7 percent of the fund, betting wrong in the risky world of currency trading. Last month, the state inspector general outlined how a secret fee-splitting arrangement had cost the system nearly \$2 million in fees. The inspector general continues to investigate,



Casa Marina Resort

as does the state agency that oversees the pension system. The attorney general's office is interested.

So what do you do? Just what you always do: You pack your golf clubs and head on down to the Casa Marina Resort for the annual "Fire & Police Academy." To quote the pitch letter from the sponsor of this choice junket: "The luxury Casa Marina was built in 1920 by railroad magnate Henry Flagler. Its understated island elegance provided a cultural escape for artists, dignitaries, and the ultra-rich in the '20s and '30s. Today it is a luxurious escape for those who would appreciate Key West's largest private, and only natural beach, and seek the same inspiration Hemingway found so abundant."

So Middlesex's five little Hemingways — chairman Thomas Gibson and members Brian Curtin, Lawrence Driscoll, John Burke, and James Goodkin — have come on down again in search of inspiration, or at least a midwinter tan. A critical state audit last year reported that the Middlesex board had spent nearly \$84,000 attending these events operated by Trustee Educational Conferences & Seminars, or TECS. At the time of the audit, the board agreed "to review whether to limit" board members' attendance at such conferences. That was two junkets ago. Real Hemingways don't cave.

The biannual meetings are a family affair of sorts. They are run by the ex-wife and daughter of Larry Driscoll, a retired Tewksbury firefighter who is now a stockbroker. Driscoll says he has no financial interest in the firm. But the relationship has drawn enough heat that the board voted last year to no longer pay Driscoll's way. Presumably his daughter, the president of the firm, gives Dad a break on the registration fee. Driscoll's brokerage firm is a sponsor.

There's not a lot of heavy lifting going on down here. On Monday, the roughly 50 attendees heard investment firms who help pay the freight for this junket make pitches on things like real estate and bond portfolios. The boys were done by 11:30 a.m. Then there was a stampede for a golf tournament followed by the nightly reception. At night Duval Street, Key West's Bourbon Street, awaited. The schedules for the following two days were just as grueling.

"There is tremendous educational value here," says Gibson, Middlesex's \$120,000-a-year part-time chairman. In a reversal of the board's October authorization for the trip, Gibson said that there is now an informal "consensus" not to bill the Middlesex system for the trip because so many questions have been raised, "fairly or unfairly." Board members will reimburse the fund for any advance fees that have been paid, he said. "The bottom line is the fund will not be paying for the trip," he added.

Say this for the Middlesex board: Up until now, it has never been afraid to push the envelope — no matter what it costs the system's nearly 14,000 members. The next TECS event is expected to be in August as usual when the horses will be running in Saratoga, N.Y. If the Middlesex crowd is really going to be paying its own way, I'm betting more of them will be barbecuing in the back yard instead.

A little humility is long overdue, all things considered.

Steve Bailey is a Globe columnist. He can be reached at bailey@globe.com.

Fireman era ends



Paul Fireman and his wife, Phyllis, stand to make nearly \$800 million cashing in their shares.

Reebok empire builder steps down to an advisory role as \$3.8b sale of his firm to Adidas concludes

By Jenn Abelson
GLOBE STAFF

Paul Fireman, who turned a little-known British brand into a global sneaker empire, stepped down yesterday as chief executive of Reebok International Ltd. after the Canton company finalized its \$3.8 billion sale to rival Adidas-Salomon AG.

Fireman will continue as an adviser to Adidas' chief executive Herbert Hainer through the transition. The 61-year-old Brockton native, who started selling running shoes in 1979, and his wife, Phyllis, stand to make nearly \$800 million cashing in their shares of Reebok.

"While Paul has chosen to step down as CEO of Reebok, I am very pleased that he has agreed to remain a personal adviser and consultant to me," Hainer said yesterday in a statement issued from Adidas' headquarters in Herzogenaurach, Germany. "Paul's experience is invaluable to the organization at this time, and I look forward to continuing to work closely together."

Shortly after the deal was disclosed in August, Fireman said in an interview with The Boston Globe that he planned to remain at the company for at least a year. Fireman declined to comment yesterday, but Reebok spokeswoman Denise Kaigler said: "The timing was right for him to step down as the deal was closed. Herbert is chairman and CEO. Reebok is now part of that group. There needs to be one clear chairman and CEO of the company."

Given the recent fallout at Nike Inc., where former chief executive William Perez resigned after a year and accused co-founder Phil Knight of refusing to let go of control, observers of the Reebok deal say it makes sense for Fireman to leave the company now.

"You don't want to go through what happened at Nike," said John Horan, publisher of Sporting Goods Intelligence, a Pennsylvania industry newsletter. "The founder really needs to give the company's leader the corner office so everyone knows who they're reporting to."

FIREMAN, Page E5

REEBOK'S RUN

1895 Joseph William Foster opens J.W. Foster and Sons to make running shoes for athletes in England.

1958 Two of the founder's grandsons start a companion company, Reebok, named after an African gazelle.

1979 Paul Fireman spots Reebok shoes at a trade show, negotiates a North American license, and introduces three Reebok shoes to the United States.

1982 Riding the aerobics craze, Reebok designs a shoe just for women.

1985 Reebok becomes a publicly traded company.

1989 Launches the Pump, a shoe that inflates with a push of a button.

1996 Reebok signs NBA star Allen Iverson, part of a growing strategy to sign athletes to promote its brand.

2002 Company taps into urban youth culture by introducing the "Rbk" line of shoes and clothing.



2005 Rival Adidas-Salomon agrees to buy Reebok for \$3.8 billion.

2006 Reebok sale closes, and Fireman leaves the company.

SOURCE: Reebok International Ltd.



Natural gas bills to fall at least 10%

Mild winter lends homeowners a hand

By Peter J. Howe
GLOBE STAFF

Massachusetts homeowners' monthly natural gas bills will drop 10 to 13 percent or more starting today, a payoff from a milder-than-expected winter and wholesale gas prices that

have dropped since hurricanes ravaged the Gulf Coast in September.

State utility regulators yesterday approved new rates for eight gas utilities, including rate reductions of 10 to 10.3 percent for customers of KeySpan Energy Delivery New England, the state's biggest gas utility with more than 700,000 customers.

Under state law, gas utilities have to seek new rates whenever the cost of

gas as a commodity rises or falls more than 5 percent. "In this case, we were pleased to have it be a 5 percent move down," said KeySpan spokeswoman Carmen Fields.

"Weather is the largest determinant of price, and I hasten to add that energy prices are very volatile, and we're early in winter," Fields said. Gas rates could rise if a short-term price

NATURAL GAS, Page E4

Unions battle over new cancer center jobs

NLRB will resolve labor power struggle

By Christopher Rowland
GLOBE STAFF

The two biggest healthcare unions in Massachusetts are waging a high-stakes battle over fewer than 50 nursing jobs at a cancer center being built at Boston Medical Center, prompting hospital officials to take the unusual step of asking federal officials for help.

The dispute is between the Massachusetts Nurses Association and 1199 SEIU United Health Care East. Each has represented nurses in separate buildings at Boston Medical Center and has coexisted in relative peace since the hospital was formed through a merger 10 years ago.

But competition between the unions is heating up statewide after 1199 SEIU merged with a strong New York affiliate last year and disclosed plans for a major organizing drive at

Boston teaching hospitals.

Currently, only a small fraction of the SEIU's 12,000 healthcare workers in Massachusetts are nurses, but the union has said it wants to enlist more. The stance represents a threat to the Massachusetts Nurses Association, the state's largest healthcare union with about 23,000 nurses.

That's why both unions consider it important to secure 42 positions at Boston Medical Center's planned \$95

NURSES, Page E4

Suit aims to force Wal-Mart to sell pill

Morning-after drug falls under Mass. law, women say

By Bruce Mohl
GLOBE STAFF

Three Massachusetts women are planning to file a lawsuit today against Wal-Mart for failing to stock and sell a prescription emergency contraception pill called Plan B.

Details of the lawsuit and the names of the plaintiffs were not available in advance of a press conference today, but an attorney representing the three women said the case is based on long-standing pharmacy regulations in Massachusetts.

The emergency contraception pill is a high dose of hormones that women can take three to five days after unprotected sex to prevent pregnancy. The pill, because it is viewed by abortion opponents as a way of terminating a pregnancy, has stirred controversy both nationally and locally.

A Wal-Mart spokeswoman said the company doesn't carry a number of products, including Plan B, "for business reasons." The spokeswoman, Sarah Clark, declined to discuss the specific "business reasons" associated with Plan B.

Clark said it is company policy to refer customers seeking a product that Wal-Mart doesn't carry to a competitor who does stock the item. She also said Wal-Mart pharmacies in Massachusetts will stock the Plan B pill if the retailer receives a directive to do so either from the Massachusetts Pharmacy Board or the state attorney general.

"At this time, we know of no such requirement," Clark said.

Until now, Wal-Mart's decision not to carry the Plan B pill has attracted little attention in Massachusetts, partly because the retailer has a relatively small presence here and there are so many other pharmacies where consumers can fill their prescriptions. Wal-Mart operates 44 pharmacies in Massachusetts and 3,700 nationwide.

But the three women, backed by abortion-rights advocates Planned Parenthood League of Massachusetts, NARAL Pro-Choice Massachusetts, and Jane Doe Inc., are planning to argue that Wal-Mart is violating the Massa-

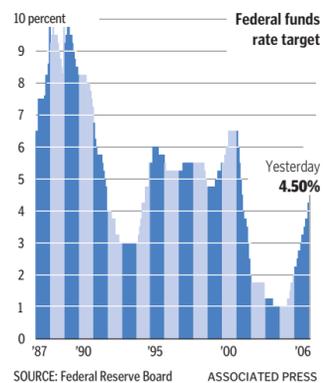
LAWSUIT, Page E4



MARK WILSON/GETTY IMAGES/FILE 2005

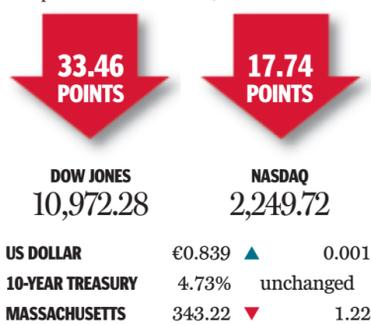
Fed boosts rate

As they raised the federal funds rate target to 4.50 percent, retiring chief Alan Greenspan (above) and his Federal Reserve colleagues tweaked their policy statement to give incoming chairman Ben Bernanke more leeway to do as he sees fit. Story, E4



Markets

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BRA paves way for harbor project

Agency eases Lovejoy Wharf height limits

By Thomas C. Palmer Jr.
GLOBE STAFF

The Boston Redevelopment Authority yesterday approved an amendment to the city's municipal harbor plan that would allow two dilapidated warehouse buildings at the mouth of the Charles River to be turned into 14-

and 11-floor luxury condominiums. The action was a big step forward for Lovejoy Wharf, a planned complex of 250 luxury condominiums, 45,000 square feet of commercial space including a restaurant, a pavilion open to the public on the Harborwalk, and views of the Leonard P. Zakim Bunker Hill Bridge and points north. The new harbor plan, amended yesterday for the second time since its 1991 inception, still must be approved

by the state. Lovejoy Wharf also must go through the city's approval process. Though opposed by some neighbors, it has strong support from the city and most public officials. The plan features not only extensive space for the public but also the city's first fully automated parking system, where the owners of as many as 350 cars will deliver their vehicles to a computerized garage with no attendant, picking them up later with the swipe of a card.

Two supporters, City Council president Michael F. Flaherty Jr. of South Boston and Councilor Michael P. Ross of Beacon Hill, acknowledged yesterday that the views of some residents of a nearby residential building, Strata 234, would be blocked. But, "I don't see any reason not to support it," Ross said. "This is going to provide an opportunity to light up that end of the harbor."

LOVEJOY WHARF, Page C4

STEVE BAILEY Downtown Bluto does good

Last week, with healthcare reform collapsing, Jack Connors called House Speaker Sal DiMasi. Connors had spent more than a year working the issue — in particular getting more money for his beloved hospitals — and he wasn't happy where this was going. Connors, long a power broker, is at base as a salesman. Jackism: "The word 'no' is the start of the selling process."

So the next morning, on Tuesday, Connors was in the speaker's office — and he brought a prop. Connors slipped a disc into DiMasi's DVD player. It was the classic "Animal House," and Bluto — a.k.a. John Belushi — was exhorting the misfits of Delta House to not give in to Dean Wormer and the overwhelming odds.

"What, over? You say over? Nothing is over till we decide it is over!"

When the clip was done, Connors turned to DiMasi: "Nothing is over till I say it is over."

Connors was selling — being Jack, doing what he does best. And he was on a mission. The roadblock to getting a bill done was DiMasi's insistence on business contributing real money to a solution. DiMasi had favored a payroll tax on companies that don't offer insurance. His number came to \$600 an employee, maybe more. The business community had reluctantly moved from zero to \$62 an employee, what companies that offer insurance pay into the state's pool for the uninsured.

Connors had his own number: \$300. Would DiMasi accept \$300? The answer was yes.

The next day Connors convened a meeting in his office in the John Hancock Tower, where top executives from Partners HealthCare, where Connors is chairman, Blue Cross and Blue Shield and business groups agreed, more or less, on the \$300. The next day a smaller group, including Connors, Blue Cross's Peter Meade and Michael Widmer of the Massachusetts Taxpayers Foundation met with Senate President Robert Travaglini, who liked what he heard. The following morning DiMasi and Travaglini met with Connors and others and the deal was struck — five days after Connors' first call to DiMasi.

Connors calls it a team effort. "My sole mission was to restart the negotiations," he says.

The healthcare debate has focused on extending coverage to the uninsured — a good thing. But the muscle to get it done came from the state's powerful hospital industry — read: Partners HealthCare — that wanted higher state payments for Medicaid patients.

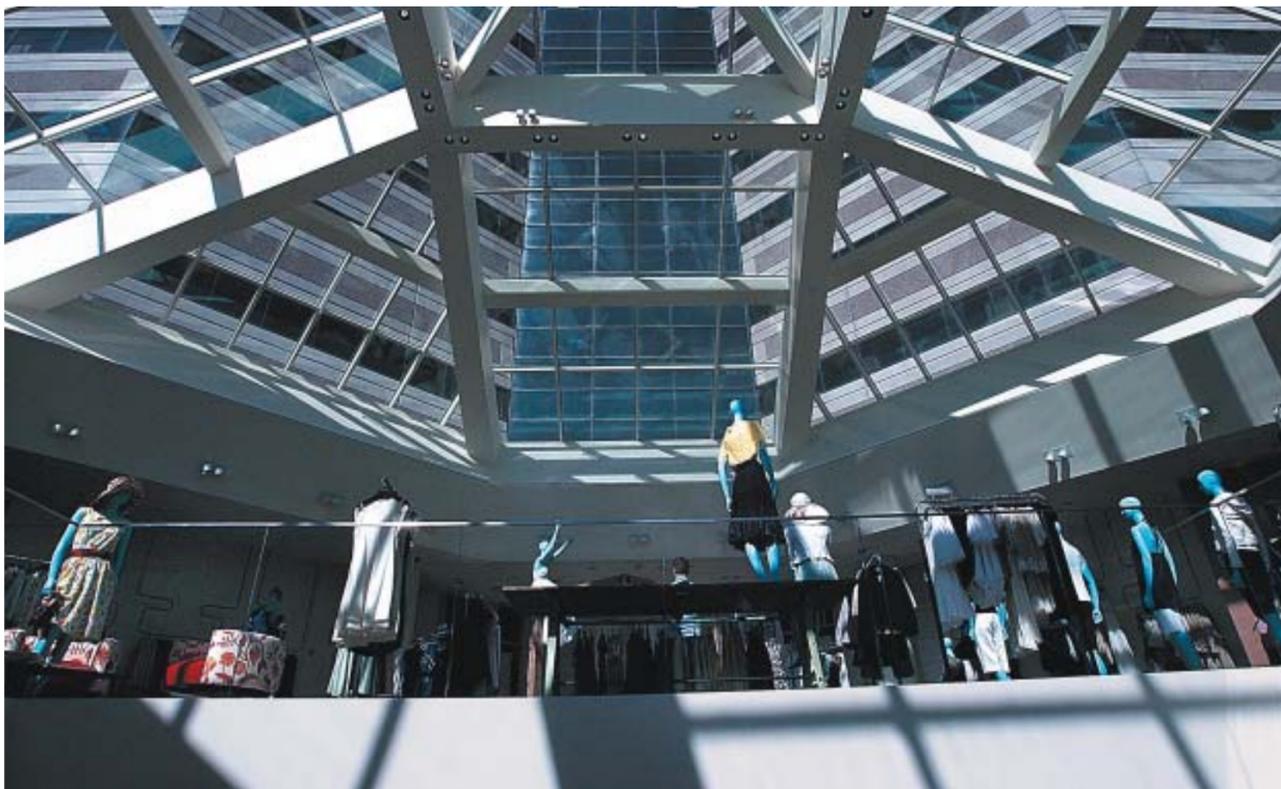
More than a year ago Partners, the dominant hospital provider, formed an alliance with Blue Cross, the dominate insurer. As part of their last contract negotiations, Blue Cross agreed to help Partners persuade the Legislature to raise the Medicaid rate. They hired John Sasso, the low-key but effective strategist to get it done.

Connors got rich building a Boston ad agency, Hill Holliday. But he is equally passionate about Partners HealthCare. His goal when Partners and Blue Cross launched their campaign: \$100 million in new money for the state's hospitals the first year, \$200 million the second and \$300 million the third year. What they got: \$90 million, \$180 million, \$270 million — and they did it, to their own surprise, in a single year. What Partners' share of that first \$90 million is remains to be determined in the bill. A good guess is \$15 million to \$20 million. The deal got done, by the way, on the same day that Partners was reporting profits tripled for the first quarter.

A good question is how Jack Connors came to Sal DiMasi with that \$300 number. The Massachusetts Taxpayers Foundation calculated that the companies that did not insure their workers were costing the state \$295 per employee, which became the final number. But \$300 was also used in a Boston Globe editorial on the very day that Connors called DiMasi. It also doesn't take a genius to figure that the midpoint between \$600, DiMasi's number, and zero, the business community's starting place, is \$300.

Bigger deals have been done on less.

Steve Bailey can be reached at bailey@globe.com or at 617-929-2902.



PHOTOS BY SUZANNE KREITER/GLOBE STAFF

Barneys New York's 45,000-square-foot high-fashion store in the Back Bay — it features a skylight that's 45 feet across — opens today.

What's that? A Barneys, too?

Swank retailer is the latest to be lured by Boston's high incomes

By Jenn Abelson
GLOBE STAFF

Has Boston finally arrived? Today, Barneys New York opens at Copley Place with a two-story mecca of designer fashion and luxury goods. (Think Neiman Marcus for the Paris Hilton set.) The debut of the high-end department store comes as other trendy brands over the past month unveiled plans to move into the region, including Nordstrom, the furniture store West Elm, and the W hotel chain.

A PEEK INSIDE
To see photos of the new Barneys store, go to boston.com/business.

"There's no question this town is now hip," said Annette Born, principal of Urban/Born Associates, a retail consulting firm. "We can stand up against New York and San Francisco."

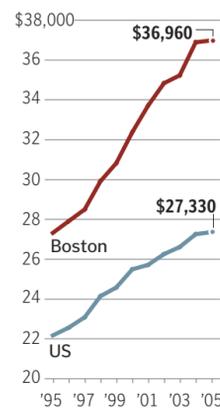
After years of envying trendier cities and fighting a stodgy reputation, the Hub has finally shed its frumpy and frugal Yankee image, retail analysts say.

BARNEYS, Page C4



A mannequin in the men's department awaits the crowds. The new Barneys store will stock men's and women's fashions.

Real per capita disposable income



SOURCES: BEA, US Census Bureau, Moody's Economy.com

GLOBE STAFF

Executives confront their inner Hamlets

At retreat, Shakespeare's lessons still resonate in today's business world

By Robert Weisman
GLOBE STAFF

WELLESLEY — If Hamlet were a CEO, he'd be fired well before the final act.

That was the assessment of three dozen chief executives who gathered yesterday at an executive summit at Babson College trying to give career advice to the Danish prince, one of literature's most famously indecisive figures who failed to swiftly slay his father's murderer.

"You have to pull out the sword and cut off the head," said Mary Wellington, president of MB Wellington Studios Inc. of Nashua, N.H., who was fully in the spirit of William Shakespeare's play. "And then you have to live with it."

Such was the tenor of the day at "Will," a two-day retreat aimed at applying lessons from the 17th-century playwright to the challenges of running companies in the modern business

HAMLET, Page C3

Trade gap widens

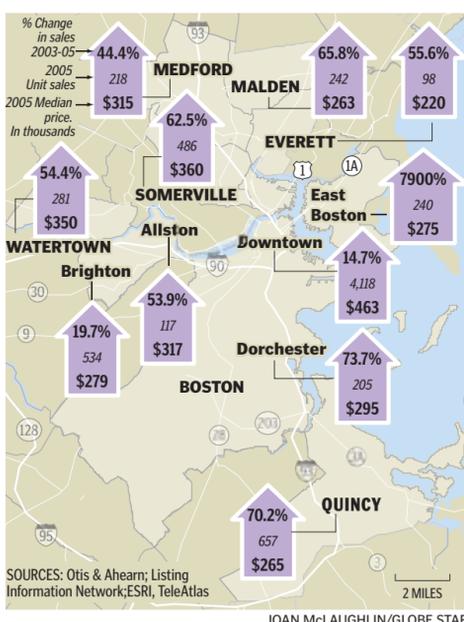
Oil prices and the US appetite for foreign goods sends the trade deficit to another record. C2

Medicare woes

Mark McClellan, who oversees Medicare's new drug plan, says chaos around it has abated. C4

Luring drug firm

Lawmakers are pushing a bill that would waive restrictions facing a potential drug plant in Devens. C4



SOURCES: Otis & Ahearn; Listing Information Network; ESRI, TeleAtlas

JOAN McLAUGHLIN/GLOBE STAFF

Condo sales heat up in areas ringing city

By Kimberly Blanton
GLOBE STAFF

As condominium sales in downtown Boston cooled, buyers flocked to more affordable condos ringing the city, driving a 26 percent increase in sales last year in these neighborhoods.

Sales in 10 "emerging" condo markets, including Somerville, Dorchester, East Boston, and Quincy, climbed to 3,078 units in 2005, from 2,442 in 2004 and 1,870 in 2003, according to data released by the Boston brokerage firm Otis & Ahearn. The vast majority were units priced under \$500,000, which have become increasingly difficult to build in Boston's pricey downtown because of rising construction and land costs.

The emerging markets have "a lot of momentum," said Kevin Ahearn, president. "The prices keep rising downtown," he said, "so [demand] is bleeding into these other neighborhoods."

Boston neighborhoods such as the Back Bay, the South End, and Beacon Hill experienced a 12 percent

CONDOS, Page C4

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STEVE BAILEY

Downtown

Gov. Jobs is MIA

FAIRHAVEN — It is a heck of an example of the governor of the commonwealth fighting for workers' jobs. Mitt Romney, please take note.

In February, AT&T Inc. said it was consolidating two call centers, eliminating 250 good-paying jobs — the kind of jobs that pay the mortgage, help send kids to college, and come with excellent benefits. The governor visited the workers, and fired off a rocket to AT&T's senior management. He could not have been more explicit. Unless AT&T reversed course, he would:

1. Ask state regulators to investigate the impact of the layoffs on "the quality of service in the commonwealth";

2. Oppose the pending merger of AT&T and BellSouth Corp. "because of the incredible bad

faith shown by your company in undertaking these layoffs" — despite promises to the contrary at the time of the previous AT&T-SBC Communications Inc. merger;

3. And inform other state regulators of AT&T's "bad faith."

"Obviously, this course of action is not one I prefer and I hope that you will reverse your decision and live up to the commitment you made to the commonwealth," the governor wrote.

A week ago AT&T did reverse course, saving the jobs of those 250 workers — thanks to table-thumping of the governor of the commonwealth — the Commonwealth of Pennsylvania — Edward Rendell.

Here in tiny Fairhaven, located in the region with the highest unemployment in Massachusetts, 185 workers are literally counting the days until their own AT&T call center closes, and with it their \$20-an-hour jobs. The difference: Until I intervened yesterday, they couldn't get a call back from anyone in the Romney administration — not from Governor Jobs, not from any of the third-string assistant secretaries who are busy with their own job search in their own final days.

Linda Teoli, the gritty president of the gritty Local 1051 of the Communications Workers of America, had written Romney asking for help, and called the governor's office repeatedly. She couldn't get past the intern at the end of the line; neither could dozens of her members who called looking for a pulse of an administration on life support. "I talked to a Dave. And I talked to a Mike," Teoli says. "And I asked if there wasn't an aide in telecommunications I could talk to. He told me there is no one here." At least the guy was honest.

An AT&T spokesman said the Pennsylvania governor's "interest prompted us to look at the situation" there. Eric Fehrstrom, a Romney spokesman, said the office only recently received Teoli's letter, and promised Romney would investigate the state's options.

Teoli — who like her members is facing layoff come April 21 — has gotten a far different response from members of the Democratic delegation. Both US senators and five Massachusetts congressmen have written AT&T chief executive Edward Whitacre asking the company to reconsider the Fairhaven closing. Like Governor Rendell, the Massachusetts congressmen, led by US Representative Barney Frank, have reminded AT&T that it will need their help in the future. In particular, they mentioned the so-called Video Choice Act, which would allow telecommunication companies like AT&T to bypass local communities on cable franchising decisions.

Telecom is a tough business these days. Competition is fierce and consolidation is the order of the day. The economics of an industry in transition will determine where the jobs will be — whether in El Paso or Fairhaven or New Delhi. Politicians can make a difference around the margins at best. Workers are kidding themselves if they think otherwise.

But what workers — what we all — have a right to expect is political leaders who have a sense of what we face every day. That when we are in trouble, they will listen. To be president, Romney must convince America not only of the merit of his ideas, but the compassion in his heart.

Steve Bailey is a Globe columnist. He can be reached at bailey@globe.com or at 617-929-2902.

Swan Song

Delta will fold the affiliate back into itself, marking the latest failure by a major mainline carrier to compete with the discounters on their own terms



By Peter J. Howe

GLOBE STAFF

Delta Air Lines Inc. will begin to sing a long, slow farewell to its Song discount affiliate starting May 1, but officials are promising they won't be dropping any Song routes out of Boston's Logan International Airport or other cities.

►Delta pilots authorize a strike if their contract is voided. C2

As Delta begins a six-month process of folding Song back into the mainline carrier, conventional Delta jets will begin to displace Song's Boeing 757s that feature leather seats and seat-back televisions on Boston-Florida routes. By autumn, Delta will reallocate the 48 Song jets to cross-country routes and refit the now one-class Song planes with a separate first-class cabin, Song chief marketing officer

Tim Mapes said in an interview.

Although Delta officials insist they will find ways to incorporate "the best of Song" in improving conventional Delta service, the demise of Song represents to many industry analysts the latest failure of a legacy carrier to successfully launch a discount unit.

Song started in April 2003 as Delta's second effort at launching a low-fare affiliate after Delta Express, which lasted from only 1996 to 2001. In the wake of other failed ventures like Continental Lite in the 1990s and US Airways' MetroJet, United Airlines' Ted unit will by next month be the only surviving example of an airline set up by an old-line carrier to compete with discounters like Southwest Airlines Co. and JetBlue Airways Corp. (US Airways wound up merging with discounter America West to emerge from bankruptcy protection

SONG, Page C4

Manchester-Boston Airport? Massport says that won't fly

By Peter J. Howe

GLOBE STAFF

Imitation may be the sincerest form of flattery.

But officials running Boston's Logan International Airport were a little flustered, not flattered, yesterday to find out the head of Manchester Airport in New Hampshire is thinking of renaming it "Manchester-Boston Regional Airport."

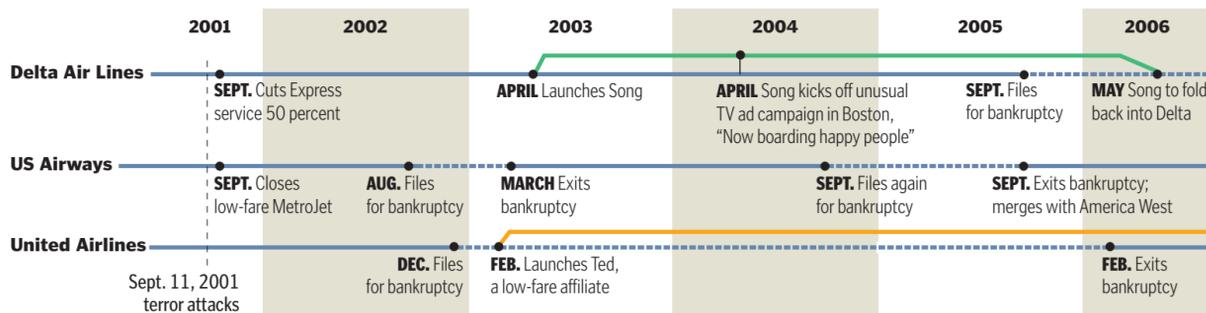
Manchester airport director Kevin Dillon told the New Hampshire Union Leader newspaper the change could help travelers from elsewhere in the

United States know how convenient the Granite State airport is to Boston and its northern suburbs. Some other exurban airports have renamed themselves to glom onto the metropolis, such as Orlando Sanford International Airport in Florida, 18 miles outside Orlando, and Washington Dulles International Airport in northern Virginia, about 26 miles outside of the capital.

Manchester is about 55 miles north of Boston. But depending on traffic, it can be as easy for

AIRPORT, Page C4

TURBULENT YEARS



GLOBE STAFF GRAPHIC

Developer of \$100 laptop slams Gates's gibe on plan

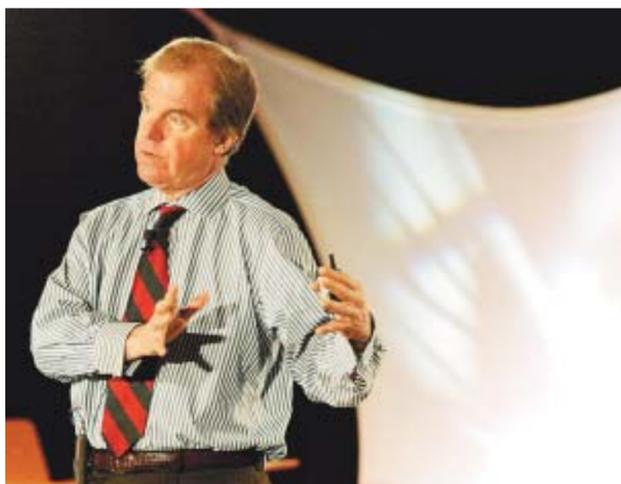
Negroponete says it's because machines don't use Windows

By Hiawatha Bray

GLOBE STAFF

Nicholas Negroponete, founder of the Media Lab at the Massachusetts Institute of Technology, thinks Bill Gates is "the most important philanthropist in the history of mankind." But Negroponete has a major philanthropic idea of his own — a \$100 laptop computer for every poor child on earth — and he says that the Microsoft chairman's recent criticism of the laptop plan could hinder its success.

At the LinuxWorld trade show in Boston yesterday, Negroponete revealed more technical details on the hand-cranked laptop to be produced by his nonprofit, One Laptop Per Child. But a good deal of Negroponete's speech was a thinly veiled critique of Microsoft and other computer industry leaders who've built ever-more-complex and



GEORGE RIZER/GLOBE STAFF

Nicholas Negroponete revealed details about the laptop, (below) which will be produced by his nonprofit, One Laptop Per Child.

power-hungry software and hardware, instead of cheaper, simpler devices.

"Bill Gates the philanthropist and Bill Gates the businessman are in conflict," Negroponete said after the speech. "I think we need to collaborate and not go to war."

Gates has made his fortune by selling the Windows operating system and other software that runs on more powerful machines. So even though

LAPTOP, Page C4



Storm consultants challenged

Two consumer groups charge that a hurricane computer modeling company is colluding with insurance carriers to engineer increases in home insurance premiums on Cape Cod and in other coastal areas. C3

Netflix sues Blockbuster

Online DVD rental service Netflix Inc. accuses Blockbuster Inc. of illegally copying its ideas in a patent infringement lawsuit challenging the video store chain's recent Internet expansion. C4

Citizens to offer 2d loan plan to create jobs

By Chris Reidy

GLOBE STAFF

Citizens Bank and Governor Mitt Romney said yesterday that the bank's \$100 million low-interest loan program to spur job creation in New England has been so successful that a second, \$150 million program will be launched.

Citizens' original Job Bank program, which debuted in early 2005, was designed to generate 2,500 new jobs in New England. Companies that received the loans promised to create one job for every \$40,000 borrowed.

Under the program, Citizens said it has approved and closed 89 loans of \$93 million and has an additional 37 loans "in process" for \$54 million. Based on a combined total of \$147 million, Citizens now expects that the initial Job Bank program has the potential to create an estimated 3,500 New England jobs, exceeding an earlier projection by 1,000 jobs.

In Massachusetts, Citizens said borrowers whose loans have either closed or have been approved have made commitments to create 884 jobs under the first Job Bank program; loans being processed could result in commitments to create another 570 Massachusetts jobs.

"The Job Bank program has been in-

CITIZENS BANK, Page C5

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STEVE BAILEY

Downtown

Good job, lost wages

What with the price of gas and all, life is tough enough these days on the working man — and it gets no easier when you lose that second job that helps make ends meet. Consider the plight of my favorite union boss, David Holway, who has to maintain a home in Cambridge and another in Edgartown.

Holway has what most of us would consider a good job at good wages. As president of the 45,000-member National Association of Government Employees, Holway made \$257,667 last year — or \$8,000 more than Andy Stern made as head of the Service Employees International Union. The key differences: Stern's union has about 33 times the members that Holway's Quincy-based SEIU local has and is in far better financial shape.

Until last month Holway was holding down a lucrative second job, too — as executive director of the Massachusetts Thoroughbred Breeders Association. Holway as usual didn't return my calls. The president of the breeders group, George Brown of Rehoboth, said Holway resigned because of the death of his father and the illness of his brother.

David Holway's moonlighting has been a touchy subject.

It was just months ago, however, that Holway was pushing for a new contract with the breeders association. The five-page contract, according to a copy provided to me, was for five years and would have given Holway the option to re-up for another five years. The breeders association, designed to encourage thoroughbred breeding in Massachusetts, is funded through a small tax on races at Suffolk Downs, a deal that Holway helped secure in the Legislature. Under terms of the contract Holway proposed, he would have continued to get 7.5 percent of the group's revenue from the track.

Over the past eight years the breeders association has averaged about \$1.2 million annually from Suffolk Downs, according to Harland Robbins, the group's secretary-treasurer. That would put Holway's cut at about \$90,000 a year. If Suffolk and the other tracks were to get slot machines, as seemed possible at the time the contract was being considered, Holway's compensation could have reached \$250,000, some horsemen estimate.

Holway's moonlighting has been a touchy subject, considering what his members pay him for his day job. According to Robbins and others, Holway proposed making an entity called "Bill's Farm" a "consultant" to the breeders association. "Bill's Farm," says Robbins and others, is controlled by Beacon Hill lobbyist William Ryan, whose clients include the government employees union headed by Holway. Ryan also sits on the union's executive board, and made \$35,523 last year between the two gigs, records show.

Robbins says the "Bill's Farm" ruse was rejected. "To me it smelled of disingenuousness," Robbins said. "I was not going to be a party to that." Ryan didn't return my calls. The contract was put on hold after the horsemen objected, and Holway's departure was disclosed to members late last month.

With his new free time, Holway might want to turn to repairing the union's finances. The union can use the help. Since 2002 its net assets have fallen from \$10.6 million to \$1.3 million last year. After running deficits for three years, NAGE was in the black last year — thanks to a \$1.3 million loan. About \$779,000 of its accounts payable — about 40 percent — is six months or more past due. Membership is down; Holway's total compensation is up. NAGE declined to discuss its finances.

Meanwhile, NAGE and Holway are awaiting a verdict in a federal lawsuit in Washington, D.C., in which two former leaders of a NAGE local say they were removed and their local put into receivership by Holway because of disputes over arbitrations and finances. NAGE, in court papers, says the local was put into trusteeship because of mismanagement. In a separate matter, the US Labor Department, which sued NAGE over its election of officers four years ago, will oversee its election in September.

There's a lot to do at NAGE. Unfortunately for the dues-paying working stiffs, Holway kept the wrong job.

Steve Bailey is a Globe columnist. He can be reached at bailey@globe.com.

A better tool to fight rising health costs?

Blue Cross to double its spending on incentives tied to performance by doctors and hospitals, raising fears patient care could suffer

By Christopher Rowland
GLOBE STAFF

Blue Cross Blue Shield of Massachusetts is pressuring doctors and hospitals to provide better, lower-cost healthcare by doubling to \$189 million the amount it will spend on performance incentives this year.

The move puts the state's largest health insurer at the

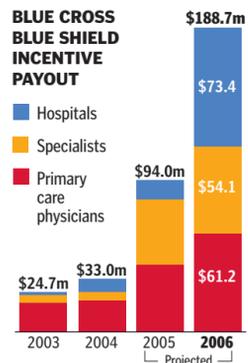
forefront of a nationwide effort by insurance companies, which want to move away from a long-used reimbursement model: automatic payments to doctors for the care delivered.

Blue Cross and other insurers say shifting to contracts that make some portion of payments contingent on quality and efficiency will help make healthcare more cost-effective.

The nonprofit company said the steps, which are generating criticism from some doctors and hospitals, are needed to address skyrocketing health premiums, which have risen more than 10 percent annually for five consecutive years.

"The best, most promising route to slowing the rate of increase is by investing in quality and performance. That's everyone's best hope," said Andrew Dreyfus, executive vice president at Blue Cross Blue Shield of Massachusetts.

"Physicians and hospital leaders we work with acknowledge that today's reimburse-



SOURCE: Blue Cross Blue Shield of Mass.
JOAN McLAUGHLIN/GLOBE STAFF



EXAMPLE: An incentive for cholesterol testing

If a doctor in the Blue Cross Blue Shield of Massachusetts network has 200 patients, and meeting a cholesterol testing standard in 68 percent of patients is worth 75 cents per member per month, the doctor is eligible for a bonus of **\$1,800 PER YEAR** for ensuring a high percentage of patients receives cholesterol tests.



Jacelyn Amburn draws blood from Margaret Nealon of Melrose for a cholesterol check. Blue Cross will reimburse more to doctors and hospitals who do such preventive screenings.

'We will give you more fun for less money.'

REGGIE FILS-AIME, Nintendo executive vice president

Nintendo banks on controller in gaming war

By Hiawatha Bray
GLOBE STAFF

LOS ANGELES — Executives from the Japanese video game company Nintendo turned the stage of the Kodak Theater into a tennis court yesterday, simply by waving their arms.

It was the coming-out party for the Wii, (pronounced wee) Nintendo's new video game console designed as the company's response to Microsoft Corp.'s Xbox 360 and the upcoming PlayStation 3 from Japan's Sony Computer Entertainment, all of which are being heavily promoted here at E3, the world's largest computer game trade show.

The Wii uses a game controller that's almost as unusual as its name to set itself apart. Nintendo — with the help of Norwood's Analog Devices Inc. — abandoned the standard one-piece video game controller for a two-piece

NINTENDO, Page D4



LUCAS JACKSON/ASSOCIATED PRESS

Nintendo executives demonstrate the firm's new motion-sensing controller, which is made with chips from Norwood's Analog Devices.

E3 SCENERY

View a gallery of games being promoted at E3 at boston.com/business.

Merck to buy N.H. biotech in record bid

Privately held GlycoFi to net \$400m in cash

By Stephen Heuser
GLOBE STAFF

A small New Hampshire firm with a new idea for making biotechnology drugs said yesterday it would be acquired by global pharmaceutical giant Merck & Co. for \$400 million in cash, the largest such deal ever reported for a private biotechnology company.

Six-year-old GlycoFi Inc. of Lebanon, N.H., cofounded by Dartmouth engineering professors, has only 55 employees and specializes in genetically altering yeast cells so they can produce useful human proteins.

The deal will give Merck "enormous capabilities" to expand its presence in biotechnology drugs, said a Merck executive.

According to the National Venture Capital Association, the deal was the third-highest price paid for a private biotechnology firm, and the largest record to be done in cash.

As injectable proteins — so-called "biotech drugs" — become a larger and more profitable part of the US pharmaceutical industry, major drug makers like Merck have been racing to expand beyond traditional pills into the complex realms of biotechnology, which involve growing human proteins in large vats of living cells.

"We felt that GlycoFi gave us enormous capabilities in the area of biologics, which is an area where we want

MERCK, Page D5

City makes Filene's site a landmark

Two of 4 buildings must be preserved

By Thomas C. Palmer Jr.
GLOBE STAFF

The Boston Landmarks Commission last night unanimously voted to give protected status to a Downtown Crossing block of buildings housing Filene's department store, meaning two of the four buildings in the complex must be substantially preserved.

The commission voted on a petition filed in the 1980s but moved to the top of its priority list because Federated Department Stores Inc., which last year bought the parent company of Filene's, is closing the store and selling the buildings.

Designation of landmark status means the facades of the two buildings must be largely retained, and the prospective new owner, Vornado Realty Trust of New York, will have to work with the panel as it redevelops the site.

Although the guidelines that were approved applied to the whole block, from Washington to Hawley streets, and

FILENE'S, Page D5

Gold tops \$700, oil exceeds \$70

Gold jumps to \$700 an ounce for the first time since 1980, and crude oil rises above \$70 a barrel as tensions increase over Iran's nuclear research program. D2

More errors for Fannie Mae

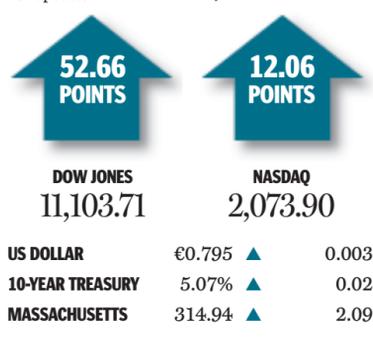
Still more errors have turned up in Fannie Mae's government-ordered review of its accounting, the mortgage giant says. D2

Insurance agent wins bias suit

A federal jury has awarded \$1.3 million to a veteran insurance agent with bipolar disorder who alleged he was fired as a result of his disability. D4

Markets

For updates: www.boston.com/business



STEVE BAILEY

Downtown

Friendly Fenway

Will Manny be the next to be fingerprinted at Friendly Fenway? Don't count on it — it's not the way the world works. But at the most expensive ballpark in America — the home of the \$300 seat and the \$6.50 beer — they are looking to crack down on fraud, waste, and abuse. And as usual when corporate America decides to do something about waste, it starts at the bottom, not the top.

Beginning today, Aramark Corp., the giant Philadelphia concessionaire that sells that overpriced beer, is requiring its Fenway employees to be fingerprinted. "Please stop by on Wednesday, July 26, 2006, or Thursday July 27, 2006, between 8 a.m. to 8 p.m. to pick up your paycheck and your new ID badge & to get fingerprinted," management said in a memo to employees. "New ID badge & fingerprinting is part of the new time clock system and it is a condition of employment."

Aramark is in a dozen Major League Baseball stadiums; it uses the fingerprinting system at Shea Stadium and now at Fenway. "There wasn't one single incident" at Fenway, a company spokesman told me, "just a trend you will start to see across the industry and outside the industry." Technically, Aramark says it takes not a fingerprint but a "measurement of a fingerprint."

Fenway is in the forefront locally. The New England Patriots, which operates its own concessions, does not fingerprint employees. Neither does Delaware North Cos. at the TD Banknorth Garden. Joe O'Donnell, chief executive of the Boston Culinary Group, which operates in 35 states, does not either. "We don't use fingerprinting or cameras. We feel it sends the wrong message of trust to our employees," says O'Donnell, who has no love for Aramark.

All this is part of a profound corporate expansion of Big Brother in the workplace — the so-called biometric technology revolution that uses everything from fingerprinting to retinal scans to facial recognition to keep tabs on a company's suspects, otherwise known as employees. In particular, Aramark thinks its new Fenway time-clock system will put an end to "buddy punching" — the practice of having a co-worker punch in for you.

As many as 800 people work the concessions on any given night at Fenway. Says one long-time vendor about being fingerprinted: "This is incredibly invasive for a pretty menial job. This is not a defense contractor. These people are making hot dogs."

Once upon a time, working the Fenway games was a fun part-time gig. But as the Red Sox have upgraded the fan experience — and the price tag — Aramark has downgraded the jobs. Almost anyone can walk up to Fenway and get a job on the spot.

Starting pay: Not much over minimum wage plus tips, which are officially prohibited but widely tolerated. Listed in the employee handbook as a violation that may result in immediate termination: "Solicitation of tips (or any form of gratuity solicitation) from our guests and customers. This includes the use of tip cups." Servers and bartenders, on the other hand, are expected to "up-sell" customers "on a daily basis."

Aramark chief executive Joseph Neubauer knows how to make money. Neubauer, a Tufts graduate whose estimated wealth of \$675 million puts him on the Forbes list of richest Americans, led a leveraged buyout of the company in 1984 and took it public in 2001. Now he is reversing the process, seeking to take the company private in a \$5.8 billion bid that includes Thomas H. Lee Partners in Boston. How are you going to make the numbers work with all that "buddy punching" going on at Fenway?

The Red Sox don't fingerprint employees. Imagine the savings, though, if Manny had to actually punch out every time he decided to take an early slide in the eighth?

Steve Bailey is a Globe columnist. He can be reached at bailey@globe.com or at 617-929-2902.

Mass. home, condo sales tumble

But June slowdown has little effect on prices as buyers become cautious

By Kimberly Blanton
 GLOBE STAFF

Home sales in Massachusetts tumbled 16.6 percent and condominium sales declined 14.3 percent in June, but the dramatic slowdown in sales had little impact on real estate prices.

The median price of a single-family home fell just 1 percent last month, to \$370,000, as compared with June 2005, according to the monthly sales report by The Massachusetts

Association of Realtors.

Similarly, the median condo price fell 1.1 percent in June, to \$283,500, only the second time in the last four years that prices were lower than the same month a year earlier.

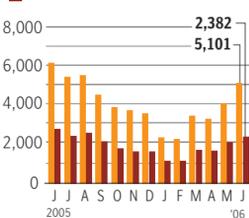
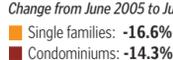
Higher mortgage interest rates and uncertainty about the real estate market caused buyers to be more cautious. As homes stay on the market longer, the supply of unsold homes is growing, putting pressure on prices.

"Prices are going to go down — there's no question about that," said Karl Case, a Wellesley College economics professor who specializes in the housing market. "The only question is how far and for how long," he said. Contin-

REAL ESTATE SALES, Page C4

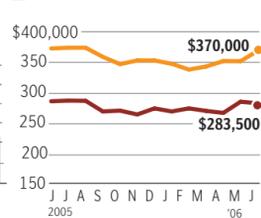
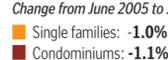
Sales

Change from June 2005 to June 2006



Median selling price

Change from June 2005 to June 2006



SOURCE: Massachusetts Association of Realtors

GLOBE STAFF

Sprint Nextel teamed up with electronics firm Kangaroo Media to create the FanView portable device.

Race fans' view goes wireless

NASCAR gadget lets spectators track action with cellular technology

By Hiawatha Bray
 GLOBE STAFF

LOUDON, N.H. — A nudge from Brian Vickers's race car sent Joe Nemechek out of control and slamming rear-end-first into the wall at New Hampshire International Speedway.

For most of the 100,000 spectators, some seated nearly half a mile away, the wreck was little more than a cloud of smoke. But a few thousand lucky fans got a close-up view, no matter where they sat, courtesy of the nation's number-three cellular phone company.

Sprint Nextel Corp. teamed up with Montreal electronics firm Kangaroo Media to create FanView, a portable device that relies on next-generation cellular technology to provide live TV and audio coverage of every major NASCAR event.

Racing fans who rent the gadget for \$50 to \$70 can get close-up views of crucial race events anywhere on the track. They can punch up video from the on-board cameras of seven different race cars, listen in on radio chatter between each driver and his pit crew, or punch up a database of his biographical data and career stats.

"This gives us more views, more excitement, and more to see," said Audrey Reynolds, 38, of Raymond, N.H., a NASCAR buff who first tried FanView at the Aaron's 499 race in Talladega, Ala. "I can hear all the announcers, I can hear all the drivers, I can see in the drivers' cars."

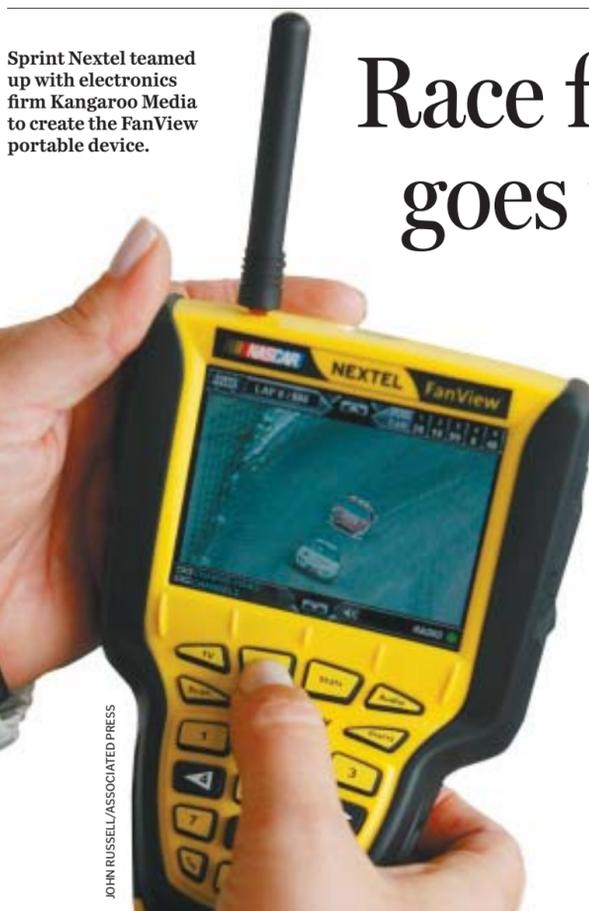
In effect, Sprint Nextel's FanView system turns Loudon and other NASCAR racetracks into giant wireless-data hot spots. But FanView has nothing to do with the popular WiFi wireless technology used in laptops. Instead, Sprint Nextel is using NASCAR to demonstrate the future of cellular communications.

"They want to test the opportunity for the next generation of products and services," said Berge Ayvazian, senior technol-

FANVIEW, Page C7

TEST DRIVE FANVIEW

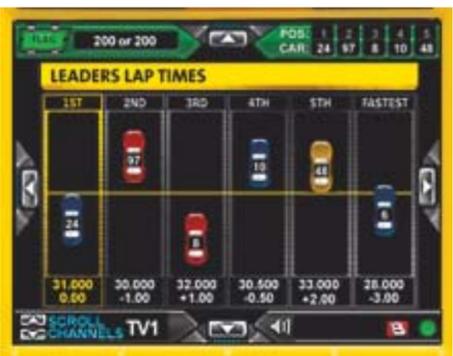
View a demo of the mobile video service at boston.com/business.



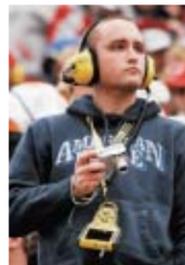
JOHN RUSSELL/ASSOCIATED PRESS



A FanView screen shows a race in progress.



Spectators can follow lap times on FanView.



In a tough media market, the Phoenix restructures

New editor is named to take over reins at alternative weekly

By Chris Reidy
 GLOBE STAFF

The changing of the guard continues at the Boston Phoenix, with Bill Jensen taking over as editor as Bradley M. Mindich puts more of a personal stamp on the local alternative-media empire his father founded 40 years ago.

The newspaper has evolved from scrappy upstart to established weekly in its long history, winning a Pulitzer Prize for its classical music criticism in 1994.

But like many media companies, it's scrambling to adapt in an environment of softening advertising and Internet competition. Just over a year ago, it un-

veiled a redesigned format meant to appeal to younger readers.

Alternative weeklies that trace their roots back to the protest movements of the 1950s and 1960s often pride themselves on political coverage, but recently many have been challenged by a new generation of publications such as the Weekly Dig in Boston, which focus largely on entertainment, said Dante Chinni, who studies alternative weeklies at the Project for Excellence in Journalism in Washington.

Looking to ensure that the Phoenix survives for another 40 years, Mindich is restructuring the organization, partly so the staff has a mix of experience and youth.

Jensen, 33, who came to the Phoenix as associate editor just over a year ago from the weekly Long Island Press, will become editor within the week. The

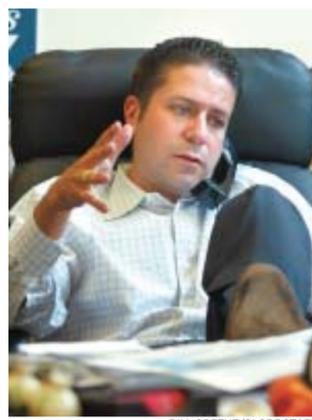
Boston University graduate helped found the Press four years ago and built it into a newspaper with a circulation of 150,000.

"Bill is the hip, happening guy," said Peter Kadzis, Phoenix editor for the last 16 years, who said that part of Jensen's focus will be on pop culture, including music and movies.

Kadzis, 54, will become executive editor for the Phoenix Media/Communications Group, a Boston company whose operations include the Boston Phoenix, the Portland (Maine) Phoenix, the Providence Phoenix, radio station WFNX-FM, and a mobile media firm whose specialties include cellphone marketing.

Nearly a dozen officials are getting new titles and responsibilities several months after the company disclosed

PHOENIX, Page C6



BILL GREENE/GLOBE STAFF

Bradley M. Mindich in his office at the Boston Phoenix.

An American dream denied

STEVE BAILEY

Downtown

John Walsh thought he was living the American dream. Until, that is, he ran head-on into Jonathan Winthrop.

The two men come from very different worlds — and Jonathan Winthrop has every intention of keeping it that way.

Winthrop's family came to Boston on the Arbella in 1630 (which followed the more modest Mayflower expedition by a decade), and he is a direct descendent of John Winthrop, the first governor of the Massachusetts Bay Colony. He is an architect and a graduate of St. Mark's School, Harvard, and the University of Pennsylvania. He is not someone who likes to see his name turn up in the papers, but The New York Times, of course, duly noted his engagement and marriage in 1998 to Sydney Cheston, whose great-grandfather founded Dodge, the car company. It must have been a grand affair.

Walsh's wedding 24 years ago to his high school sweetheart, Kathleen, didn't make the Times, but then Walsh wasn't exactly an avid Times reader all those years ago. He grew up in a Somerville housing project, and when his father, a laborer, drowned at the age of 47, he left his wife with six kids and no life insurance. Neither of his parents went beyond the eighth grade. Walsh himself dropped out of Westfield State College to go to beauty school. It turned out to be a good decision.

Today Walsh is the wealthy chief executive and sole owner of Elizabeth Grady Cos., the fast-growing chain of salons in New England. Since buying the business from the founding family 15 years ago by pledging everything his family owned (including his mom's modest home), Walsh has transformed Elizabeth Grady from a company near bankruptcy to one with about \$25 million in annual revenue. The company now has 40 stores and plans to add another 10 next year.

John Walsh has a remarkable rags-to-riches story to tell, but it has not been remarkable enough to impress Jonathan Winthrop, who lives his life, quite literally, overlooking Beacon Hill from the penthouse. Walsh just wants to move downstairs. Winthrop and his neighbors have said no. Walsh, though, is not going away quietly.

"I didn't get to where I am by waiting for someone to give something to me," says Walsh, 51. "My parents instilled in me that you can do anything you want, be

DOWNTOWN, Page F7



JODI HILTON/FOR THE BOSTON GLOBE

John Walsh, president of Elizabeth Grady, at 68 Beacon St. on Beacon Hill, where the building's cooperative rejected his bid for an apartment because they felt he wouldn't fit in.

Tufts Health will move to Watertown

Shift of headquarters lets HMO consolidate operations, cut costs

By Jeffrey Krasner
 GLOBE STAFF

In a cost-cutting move, Tufts Health Plan will leave its Waltham headquarters next year and consolidate operations in Watertown, where most of the insurer's 1,800 employees already work.

About 500 employees will be moved to "underutilized space" at 705 Mt. Auburn St. in Watertown, where Tufts occupies 426,000 square feet of a 440,000-square-foot building, the company said. The move comes in the midst of a layoff affecting fewer than 100 employees. The health insurer is also eliminating 50 unfilled positions.

"This is another move that shows us to be effective and cost-efficient," said Patti Embry-Tautenhahn, a Tufts spokeswoman. "We are being responsible stewards of our resources."

The Watertown location houses health plan operations, clinical and provider services, and a call center for plan members. Positions in Waltham that will be moving include marketing, sales, finance, and underwriting. Senior executives have had offices in both locations.

Tufts has seen its membership drop from about 1 million in 1998 to about 600,000. James Roosevelt Jr., who became chief execu-

TUFTS HEALTH, Page F7

Drug-coated stents may be losing favor

By Stephen Heuser
 GLOBE STAFF

After a three-year run in which drug-coated stents grew into one of the most profitable, fastest-selling medical devices in history, doctors now appear to be using fewer of them — a change that could hurt local life-science giant Boston Scientific Corp.

As more evidence emerges that suggests drug-coated stents have caused higher rates of blood clots than the older generation of bare-metal stents, doctors at many hospitals have recently begun shifting toward the older, bare-metal stents they replaced, according to figures provided yesterday to the Globe by Goodroe Healthcare Solutions LLC.

The slide is modest, but even tiny shifts in the stent market can hurt revenues.

Each percentage point of sales is worth several million dollars per quarter, and Boston Scientific, based in Natick, has built itself into

STENTS, Page F7



A swing away from drug-coated stents could hurt Boston Scientific.

Fiorina regrets not fixing woes with board



BILL GREENE/GLOBE STAFF

In her new memoir, "Tough Choices," former Hewlett-Packard Co. chairwoman and chief executive Carly Fiorina describes how she rose from a secretary's job to become head of the California computer maker, then was unceremoniously fired by its board in early 2005. Unstinting in its criticism of some directors, the book has come out amid a scandal over how her successors at HP handled an investigation into boardroom leaks that came to involve "pretexting," or lying, to obtain private telephone call records of board members and journalists. In Boston yesterday, Fiorina, a graduate of a midcareer program at MIT's Sloan School of Management, spoke with Globe business reporter Ross Kerber.

'I [should] have assessed the board's performance and qualifications sooner.'

Q. What lessons for other chief executives do you see in your departure from HP?

A. Board dysfunction is a serious matter. I, as chair of the nominating and governance committee, had been pushing for some time to bring assessment techniques that I had used with the manage-

FIORINA TV
 Watch part of the Globe's interview with Carly Fiorina at boston.com/business.

ment team into the boardroom. The resistance to that was fairly stiff, but we should have done it. We had performance issues. I think I was part of the solution to those performance issues, not part of the problem.

Q. What would you have done differently, in retrospect?

A. I didn't always make the right people choices. I would have assessed the board's performance and the board's qualifica-

FIORINA, Page F7

Millennium renews hunt after losing AnorMed to Genzyme

By Stephen Heuser
 GLOBE STAFF

After Genzyme Corp. declared victory yesterday in the first major bidding war in the biotechnology industry, spurned Cambridge rival Millennium Pharmaceuticals Inc. said it is still on the hunt to buy experimental cancer drugs that could boost its sales.

Millennium chief executive Deborah Dunsire had hoped to notch her first major deal by buying AnorMed Inc., a Canadian firm developing an experi-

mental cancer treatment. When Genzyme launched a hostile bid for AnorMed in August, she jumped in with a \$515 million friendly offer for AnorMed. Genzyme returned fire with a \$580 million offer last week. Dunsire conceded the fight early yesterday morning.

"We played a great game," she said. "Let's be honest. This wasn't something that the other Cambridge firm involved was expecting, and I certainly don't think they were expecting to pay what

they did."

The deal concludes a saga that began more than a year ago, when Genzyme and Millennium independently began talks with AnorMed to license the company's leading potential drug, Mozobil.

Such talks are common in the biotechnology industry, where established companies constantly fuel their growth by buying potential new drugs from smaller firms. But such deals usually end with a friendly agreement negotiated in private.

Genzyme broke with that tradition in August by launching its hostile offer to buy AnorMed for \$380 million, or \$8.55 a share. AnorMed's management urged shareholders to reject the deal as too low.

The terms of the deal yesterday valued AnorMed at \$13.50 a share, nearly 60 percent higher than the original bid, and more than two and a half times the \$5.03 share price of AnorMed before Genzyme made its hostile offer.

MILLENNIUM, Page F5

EMC cutting jobs

The state's top digital technology company plans to cut 1,250 jobs worldwide, even as it posted record-high third quarter revenue. **F4**

2 Sapient chiefs quit

The Cambridge firm's chief executive and interim finance chief resign amid an internal investigation into stock option irregularities. **F5**

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Drug-coated stents may be losing favor

► **STENTS**
Continued from Page F1

one of the state's largest companies on the strength of more than \$2 billion in annual revenue generated by stents alone.

In the third quarter, drug-eluting stents represented 86 percent of all stents used in heart-repair procedures, down from 88 percent in the previous quarter, according to Goodroe, which closely monitors preferences of doctors at dozens of hospitals across the country.

The new figures measured stent use in about 35,000 heart procedures at 78 hospitals.

"It's the first time that we're aware of that there's been even a 2 percent decrease" in the share of drug-coated stents, said Joane Goodroe, the company's president.

The overall number of heart procedures is holding steady, she said, so a shift from drug-coated

stents is likely to presage an overall decrease in sales.

The tiny wire mesh tubes are one of the most widely implanted medical devices in the world.

Doctors use them to keep coronary arteries open after they have been cleared of blockages. On newer stents, a drug coating slowly leaks out to prevent the artery from narrowing as it heals.

A Boston Scientific spokesman declined to comment on the company's recent sales, saying the figures will be released when earnings are announced today.

In late September, however, the company warned Wall Street that its stent sales for the third quarter of 2006 would be \$550 million to \$580 million, down from \$600 million the previous year.

Yesterday, rival Johnson & Johnson said it had seen third-quarter US sales of its competing Cypher stent drop to \$327 million, down 6 percent from the same



JB REED/BLOOMBERG NEWS

Boston Scientific, headquartered in Natick, will release earnings and sales figures today.

quarter last year. International sales dropped 3 percent to \$300 million.

Unlike its rival, which is a highly diversified healthcare company, Boston Scientific counts on drug-eluting stents for a large proportion of its total sales, and needs the continued income to pay down the debt it incurred buying Guidant Corp. for \$27 billion in April.

At more than \$2,000 each, drug-coated stents are far more expensive and profitable than the \$800 bare-metal versions. Boston Scientific and Johnson & Johnson are the only two companies approved to sell them in the United States.

Recently, drug-coated stents have been shadowed by a flurry of

news about their long-term side effects.

Doctors have found that a small number of patients develop blood clots inside drug-coated stents long after they are implanted. Such late-forming clots, which are frequently fatal, almost never appear in bare-metal stents.

Since the clotting issue has emerged as a high-profile topic at cardiology conferences this year, financial analysts have been watching carefully to see whether doctors begin to lean away from the newer generation, and toward the older bare-metal stents.

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MARCUS BRANDT/AFP/GETTY IMAGES/FILE 2004

Wiring problems will cause a delay in the delivery of more than 150 new A380 superjumbo jets, forcing Airbus to restructure because of missed-deadline penalties the company will have to pay to airlines.

Airbus to lay off 1,000 in restructuring

ASSOCIATED PRESS

HAMBURG — Airbus said yesterday it will cut 1,000 temporary staff and reduce working hours at its German operations, the first timid steps in a major restructuring process triggered by delays in its A380 superjumbo project.

The European aircraft maker said it would not renew contracts with employment agencies currently supplying about 1,000 of its 7,300 temporary workers in Germany.

It also revealed a raft of measures for its regular staff in Germany, including cutting working hours to as little as 28 hours a week for some — though without

reducing their pay.

The measures will affect all seven Airbus facilities in Germany and are covered by a 2003 agreement with labor representatives, it said.

"We must take the delay in the delivery of the A380 into account," Gerhard Puttfarcken, managing director of Airbus's German division, said.

"This flexibility agreement that we worked out together will help us to react to the current situation," Puttfarcken said.

Airbus didn't say when the measures would take effect or how much they would save as a result.

Toulouse, France-based Airbus

disclosed a radical restructuring program this month after admitting that wiring problems will now delay delivery of the 555-seat A380 for two years.

It said the holdup would wipe \$6 billion from the profits of its parent company, European Aeronautic Defence and Space Co., over four years. Airlines who have ordered more than 150 of the giant aircraft are expected to seek hefty compensation.

The company doesn't plan to disclose details of the restructuring plan, including possible cuts to its regular workforce and switches of production between its various European facilities, until next

year.

However, the 2003 agreement with German labor unions rules out firing any regular staff here until 2012.

Detailing its initial measures in Germany, Airbus said it will reduce the work week for underemployed workers to as little as 28 hours.

However, workers will be expected to make up the hours later, when orders are healthier.

It also said it will grant busier workers extra leave to compensate them for overtime and shift staff temporarily between Airbus and parent company EADS to boost efficiency.

Fiorina regrets not fixing woes with the board

► **FIORINA**
Continued from Page F1

tions sooner. The big decisions that define my legacy, the decision to strive for leadership, the decision to undertake a very difficult and complex but ultimately successful merger [with Compaq Computer Corp. in 2001], the decision to do the heavy lifting to turn the bureaucracy back into a meritocracy, those things I would not do differently.

Q. Why aren't there more women chief executives?

A. The good news is, three more women have been named to CEO posts since I left HP — at PepsiCo, Archer Daniels Midland, and Kraft. If you look at business school students, however, they don't approach [a gender breakdown of] 50-50 like they do in medical school and law school; they average about 25 percent. So we still don't have enough women choosing a career in business.

I think we still don't have enough practice with women in positions of authority, and because we don't have enough practice, old habits die hard, and those are discouraging to women.

Q. You write that money wasn't a main motivator for you, but HP's 2004 proxy filing shows you were paid millions that year. Are chief executives paid too much?

A. Full disclosure: I was given \$21 million when I left HP. That's a lot of money. It's more money than I ever thought I would earn, and I feel blessed to have it. But look, when I read about [United-Health Group Inc. chief executive] Bill McGuire making \$1 billion and going on to backdate stock options to make a little more, it's outrageous. I think the goal should be for companies to be absolutely transparent ahead of time about how they intend to pay their CEOs, all in. There shouldn't be any

surprises.

Q. Speaking of stock options, has HP said anything about getting inquiries about its stock-options practices?

A. No, and they won't. The thing that's disturbing to me about the backdating of stock options is that it suggests that there are a lot of people who concluded, 'If there's no rule to tell me I can't, then maybe I can.' It's pretty clear what's right and wrong here.

Q. That sounds a lot like the thinking behind the pretexting that took place later.

A. I agree. And that's an example of the breakdown of ethics and judgment. Set aside the rules, and whether it's legal or not. Personal ethics should play a large role in the executive suite and the board-

room, and when they don't, bad things happen.

Q. Do you know if pretexting ever occurred on your watch?

A. I never even heard the term before.

Q. You write about an episode early in your career where you attended a sales meeting a customer wanted held at a strip club. What do you say to those who say, 'Well, the customer is always right?'

A. That's what I concluded. That's why I went, that's what my colleagues said to me. But what I wasn't going to permit was my exclusion from an important meeting simply because it was an awkward situation. If that's really where the customer wanted to go, I would go again.

Believe me, by the end of that luncheon they were far more uncomfortable than I was, which is why they never did it again.

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Tufts Health Plan to move headquarters to Watertown

► **TUFTS HEALTH**
Continued from Page F1

tive in June 2005, has said that membership will stabilize this year and begin to grow in 2007.

The plan scored a major victory this year when Harvard Vanguard Medical Associates, one of the largest doctors' groups in the state, signed an exclusive agreement with Tufts to provide senior care to the HMO's Medicare plan patients. The arrangement takes effect in January.

Real estate brokers said Tufts may be able to earn a profit on the Waltham space it is vacating in an office park at 333 Wyman St. Tufts recently renewed its lease for 152,000 square feet and rents are rising.

The vacancy rate in the Waltham/Route 128 area — including

subleased space — has fallen from 26 percent in the second quarter of 2003 to 13.9 percent, according to Mark Roth, executive director of Cushman & Wakefield of Massachusetts Inc., a Boston real estate firm.

"There's a scarcity of large blocks of space, and the stuff that's proposed for new construction won't be on the market for another 18 months," said Roth. "Rents are rising."

Two developments that will be ready in 2008 are seeking gross rents of \$38 to \$42 a square foot. Roth said he believes Tufts pays less than \$30 a square foot for its Waltham space. Tufts declined to state how much it pays.

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New money unwelcome as old money blocks co-op purchase

► **DOWNTOWN**
Continued from Page F1

anything you want, as long as you work hard at it."

For months now Walsh has been trying to buy a unit at 68 Beacon St., a striking nine-story brick building at the corner of Charles Street — one of the city's best locations, at the foot of the Public Garden and the Boston Common.

The problem: 68 Beacon is a cooperative building, which courts have ruled are essentially private clubs, giving boards the right to turn down anyone they want as long as no one can prove they have broken laws barring discrimination based on things like race, sex, or age. Co-ops are much more common in New York than Boston, and prospective owners are frequently rejected without knowing why. Singer Barbra Streisand, clothing designer Calvin Klein, and casino entrepreneur Steve Wynn are among those rejected by co-ops.

Walsh and his family have lived

in North Andover for years and have a summer home in Gloucester. But with their children getting older, he says, they started looking for a place in the city. They eventually fell in love with the location — and the possibilities — of 68 Beacon. Their unit would be on the first floor in space formerly occupied by Sovereign Bank. He agreed to pay \$700,000 for 2,254 square feet and figures it will cost about that much again to renovate the space. He knows he got a steal.

"I never said I had stupid stamped on my forehead," says the blunt Walsh.

Walsh says Winthrop, chairman of the co-op board, was cold and haughty from the beginning. In an initial 30-minute "preliminary interview," Walsh says, Winthrop's questions focused on the couples' parents' backgrounds, their own educations, and that of their children. Winthrop also wanted to know how they got such a good price on the unit, Walsh says. "By the way," Walsh quoted

Winthrop as saying at the end, "your references are weak."

Walsh says his wife got the message loud and clear: They don't want us here, she said.

The Walshes eventually went through an interview with the entire board, and it was more of the same, he says. In a rejection letter last spring, Anne R. Righter, a director, wrote: "The board, in general, has through its interview process, garnered a belief that Mr. Walsh would not reasonably coalesce as a member of this cooperative community. Inherent in the nature of the cooperative form of ownership is the right of the stockholders, acting by and through the board and officers, to select people and activities that are compatible with the community."

And that was what the board was willing to put in writing. The letter also cited "at least one material misrepresentation" on the application but wasn't explicit and expressed concern that Walsh did not have the "ability" to complete

the renovation. The board also worried that Walsh's intentions were "of a speculative nature."

Walsh says there was no misrepresentation, and the board's list is a smokescreen. Winthrop, in particular, does not want them there because "we are not their kind of people," Walsh says. "What I wanted to say — and didn't — is that when he was studying art appreciation, I was wondering where my next [expletive] meal was coming from," says Walsh. He also says the co-op board itself wants to buy the space. He eventually appealed his rejection before a meeting of all the building's residents at the Somerset Club, but was turned down.

Winthrop declines to comment: "I have no comment to make on this issue at all. You may or may not be receiving a call from the building's attorney with the same message." The lawyer called, and he too declined to comment.

Walsh has no shortage of admirers, all of whom are willing to

speak up for him with the co-op board. Massachusetts Attorney General Tom Reilly, who has worked with Walsh on drug and street crime issues in Somerville, calls him "a caring person," a good family man, and someone who wants to give back. "He is what America is all about," says Reilly.

Kent Kreh, former chairman of Jenny Craig Inc., calls Walsh a "straight arrow" who has done a "magnificent" job with his company. Of Walsh's co-op rejection, Kreh says: "It sounds like something that doesn't exist any more in this country."

State Representative Barry Finegold, an Andover Democrat, wants to make sure it doesn't happen again in Massachusetts. He and state Senator Bruce Tarr, a Gloucester Republican, plan to introduce a bill that would limit such rejections to financial considerations. He calls Walsh "an absolute role model for any person who thinks one can accomplish anything. He came from a very, ve-

ry tough background, and is someone who has not forgotten where he comes from."

Despite all that has happened, Walsh insists that he "positively, absolutely" wants to live at 68 Beacon. "What kind of example do I set if I walk away?" asks Walsh, a father of three.

John Winthrop is remembered for his "City on a Hill" sermon, which proclaimed that the wealthy have a holy duty to look after the poor. But Winthrop, elected 12 times as a governor of the Massachusetts Bay Colony, was no democrat. Known as obstinate and intolerant, he wrote: "A democracy is, amongst civil nations, accounted the meanest and worst of all forms of government."

Nearly four centuries later, the family's Puritan values live on in the penthouse atop 68 Beacon St.

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STEVE BAILEY
Downtown
Happy 50th, Marty

When times are toughest, innovation often comes not from the behemoths, stuck in the old business models, but from smaller enterprises, those that are light on their feet and open to new ideas. So it is in my business, the newspaper business.

Consider the Lowell Sun. In search of new revenue like all the rest of us, the Sun is throwing a celebration for its hometown congressman, Marty Meehan.

"We are thrilled to announce that on Wednesday, December 27th, we will produce a special commemorative section on Congressman Marty Meehan as he celebrates his 50th birthday and reflects on his life, local roots, and the commitment to public service," Sun publisher Mark O'Neil writes to local advertisers.

It gets better. Taking a page from the revenue-sharing playbook that brought down one-time Times-Mirror CEO Mark "Captain Crunch" Willes, who got into bed with the Staples Center seven years ago in Los Angeles, O'Neil says "a portion of the proceeds will benefit the Marty Meehan Educational Foundation." Just how big a kickback — I mean portion — will go to Marty's fund the paper isn't saying.

Meehan, whose nice-guy dad, Buster, spent 43 years in the Lowell Sun's composing room, is having his staff work the phones for the hometown paper. Writes Meehan on his campaign stationery: "A representative from the Sun or my office will likely be contacting you within the next few weeks with an offer to be part of this special edition. In the meantime, should you have any questions or want to place an advertisement, please contact Emily Byrne at (978) 884-7114." Byrne works in Meehan's Lowell office when she isn't taking ads.

"She is not authorized to sell," Meehan, a prodigious fund-raiser, told me. Instead, he says, she is helping to coordinate material for the section. He doubts it will affect the paper's coverage of him, which he terms "lousy."

O'Neil, the Sun's publisher, also doesn't think going into business with the congressman will affect the paper's coverage. "We have proven ourselves to be good watchdogs, tough when appropriate," he says. O'Neil says the paper has done other tribute sections, including one coming out tomorrow to honor Ed Davis, who is leaving Lowell to become Boston's police chief. Davis, however, declined to help sell the section, O'Neil says. "Frankly, he wouldn't have been a great salesman," O'Neil says.

A full page in this special "Marty Meehan at 50" keepsake edition goes for \$3,000; a half-page is \$1,900. The back page, in color, is \$6,000. If you are looking to feed at the trough — and who isn't? — are you really going to say no when the congressman's office calls? The only real question is can I get away with a quarter page (price: \$1,250)?

Imagine the possibilities. Deval Patrick's inauguration is coming up. Who wouldn't buy an ad in that, particularly if the governor-elect's staff is working the phones. Other birthdays to put on the editorial calendar: Mayor Tom Menino turns 64 on Dec. 27. Ted Kennedy is 75 on Feb. 22. Cambridge boy Ben Affleck is 35 on Aug. 15. Revenue opportunities, all.

Neighborhood news: Ken Chandler is stepping down as the Boston Herald's editorial director at the end of the year, but he is already out there prospecting for Fortune 500 clients for his new consulting firm. On his website (chandlermedia.com), Chandler refers to the Herald in the past tense. "He served twice as editor of the Boston Herald . . ." A Chandler spokesman, George Regan, says there is no conflict in soliciting corporate clients while still editor of the Herald. Chandler is not starting a business in Boston, and the Herald sells no papers in New York, Regan says. "If there was a potential conflict, Ken would recuse himself in a New York second," Regan says.

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End of housing decline near?



ANTHONY SCHULTZ/GLOBE ILLUSTRATION

Drops in price and sales moderate, hinting market may be starting to stabilize

By Kimberly Blanton
 GLOBE STAFF

Price drops and declining sales in the Massachusetts housing market moderated in October, two housing reports showed yesterday, suggesting that the monthslong slump in the real estate market may be nearing its end.

The median price for a single-family home fell 2 percent in October to \$341,000 compared to the same month in 2005, according to data compiled by the Massachusetts Association of Realtors.

Sue Hawkes, managing director of Collaborative Cos., a real estate marketing firm, was heartened by October's results.

"In the scheme of things," she said, a 2 percent price drop "is quite low. People think prices have dropped 10 or 15 percent, but the statistics aren't showing that. That's very encouraging news."

In total, the median price for a single-family home has fallen 7.8 percent since hitting a peak of \$370,000 in June.

Sales of single-family homes fell 16.5 percent from the previous October to 3,239. In

each of the past three months, single-family home sales fell by more than 20 percent.

The real estate market will likely grow relatively quiet for the next few months, as holiday gatherings and cold weather dampen

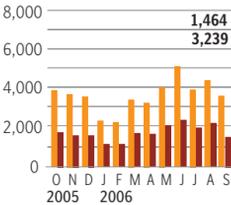
REAL ESTATE, Page F3

THE HOME MARKETPLACE

Chat with Globe real estate reporter Kimberly Blanton at 1 p.m. today on boston.com/business. Also, read previous Globe coverage, and access real estate resources and data, at boston.com/business.

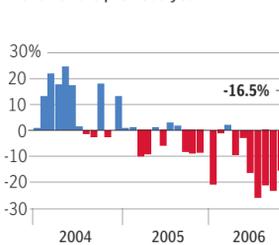
Sales
 Change from October 2005 to October 2006

Single families: -16.5%
 Condominiums: -17.6%



SOURCE: Massachusetts Association of Realtors

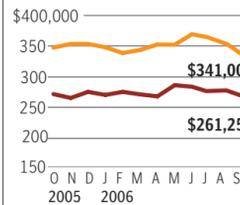
Percent change in the sales of single-family homes compared with same month of the previous year



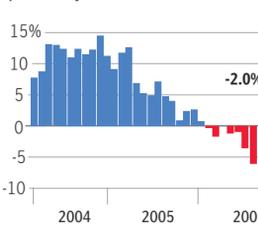
Prices

Change in median selling price, October 2005 to October 2006

Single families: -2.0%
 Condominiums: -3.7%



Percent change in the median sale price of single-family homes compared with same month of the previous year



GLOBE STAFF

Screens turn taxis into new ad vehicles

By Peter J. Howe
 GLOBE STAFF

What do you get when you cross a Boston taxicab with a 32-inch liquid crystal television set?

A rolling billboard that can fetch up to \$1,750 a month from advertisers — and by tuning in to navigation satellites, beam a different ad based on what neighborhood or even what street a cab's driving down.

Clear Channel Taxi Media, a divi-



CLEAR CHANNEL TAXI MEDIA

LCD screens atop taxis will fetch up to \$1,750 a month from advertisers.

sion of the Texas radio and billboard advertising conglomerate, has outfitted about 20 Boston cabs with what it calls "LCD Digital Smart Tops," the next leap forward from black-and-

white digital banners. Another 80 will get the new technology by the end of January.

In contrast to a standard, static,

TAXIS, Page F3

Arizona strike could squeeze Raytheon profit

By Robert Weisman
 GLOBE STAFF

A strike by 1,500 workers has stretched into its fourth week at Raytheon Co.'s missile business, and analysts warn it could slow deliveries and pinch fourth-quarter profits for the Waltham company.

Unionized hourly workers set up picket lines at the Missile Systems division in Tucson just after midnight Nov. 5, when their previous three-year contract expired. Two days earlier, negotiators for Raytheon and Local 933 of the International Association of Machinists broke off contract talks after failing to bridge differences on issues ranging from healthcare to pensions. Union members voted overwhelmingly to re-

STRIKE, Page F4

Lower growth forecast

Economists lower their forecasts after declines in consumer confidence and orders for durable goods. **F2**

Zipcar goes to Europe

The Cambridge-based car service that launched in 2000 makes its London debut today. **F2**

Pfizer to cut sales force

The world's largest drug maker will cut 2,200 US sales jobs to compensate for revenue lost to generics. **F4**

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