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Select a budget: Monday, May 3, 2010 Go

BC-MCT-BUSINESS-BJT — business editors (2900 words)

McClatchy-Tribune News Service
Business Budget for Monday, May 3, 2010

Updated at 9 p.m. EDT (0100 UTC)

Adds MED-CHILDRENSTYLENOL-QA:PH, UNITED-CONTINENTAL-USAIR:PH, ECONOMY-GAS:LA, DISNEY-LAWSUIT:OS, OILSPILL-COMPANY:BH, UNITED-CONTINENTAL:LA

Updates AUTO-SALES:LA

TOP STORIES

United and Continental join forces in \$3 billion merger

UNITED-CONTINENTAL:TB—United Airlines and Continental Airlines announced early Monday morning they were combining operations in a \$3 billion merger, forming the world's largest airline.

The deal is the culmination of a lengthy search by United CEO Glenn Tilton for a partner that would bolster his carrier's global network and promote consolidation in a fragmented industry plagued by chronic losses.

The combined airline would have annual revenue of \$29 billion, based on 2009 results, and hold an unrestricted cash balance of about \$7.4 billion. The carriers said in a press release Monday they expected to complete the transaction in the fourth quarter of 2010.

550 by Julie Johnsson in Chicago. (Moved as a national story) MOVED

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Also moving as:

UNITED-CONTINENTAL:LA—900 (with trims) by W.J. Hennigan. (Moved as a national story) MOVED

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Left out of the M&A party, US Airways sees options narrow

UNITED-CONTINENTAL-USAIR:PH—Now that United and Continental Airlines hope to tie the knot in a stock deal worth almost \$3.2 billion, what lies ahead for US Airways?

Another attempt at consolidation, possibly with American Airlines?

An alliance with another carrier to sell seats on each other's planes to attract more passengers, especially business fliers?

The new United-Continental, with expected annual revenues of \$29 billion, based in Chicago and serving 144 million passengers a year, will put pressure on American and US Airways — the last two remaining "legacy" network carriers — to seek alliances or a merger.

But many analysts do not see a logical or easy fit for US Airways and expect it to remain a stand-alone carrier in the near term.

800 (with trims) by Linda Loyd in Philadelphia. (Moved as a national story.) MOVED

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Also moving as:

UNITED-CONTINENTAL-USAIR:TB—500 by Wailin Wong in Chicago. (Moved as a national story.) MOVED

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Merger is ultimate triumph for United's oft-reviled CEO

UNITED-CONTINENTAL-TILTON:TB—Even by the airline industry's operatic standards, Glenn Tilton's eight-year stewardship of United Airlines has been extraordinary.

When he arrived in 2002, fresh from a long career at Texaco, wags chided him as an outsider, saying he would never survive. Wall Street badgered, customers howled and merger partners balked. Chicago-based United limped through a succession of bruising external crises stretching from the aftermath of the Sept. 11, 2001, attacks to the Great Recession and lost a staggering \$11.7 billion under his watch.

But on Monday, Tilton, 62, is enjoying the last laugh as United and Continental announced a merger that will make the one-time oilman the chairman of the world's largest airline.

1650 (with trims) by Michael Oneal and Julie Johnsson in Chicago. (Moved as a national story) MOVED

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Where did your food come from? Industry wants you to know

FOOD-TRACKING-BIZPLUS:SL—The Askinosie Chocolate factory sits at the edge of a downtown street in southwest Missouri, but its flavor comes from thousands of miles away, and its customers can find out where — exactly.

Each Askinosie chocolate bar bears a "choc-o-lot" code, a series of numbers that customers can plug into the company's website revealing where the cocoa beans in that bar were grown and who grew them. The idea is to introduce customers to the farmer in Ecuador, Mexico or the Philippines who cultivated the bar's essential ingredient.

In the food industry, this ability to track an ingredient from origin to destination is known as traceability, and for Askinosie, it lies at the heart of his operating philosophy. But with hundreds of people sickened by food-borne illness in a spate of recent



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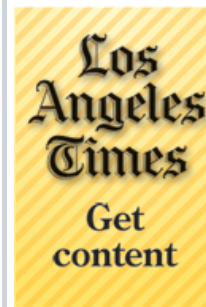
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outbreaks, traceability has also become a critical food industry goal.

As the food industry works on implementing traceability, its efforts have also produced the latest food marketing tool.

1450 (with trims) by Georgina Gustin in Springfield, Mo. [MOVED](#)

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PERSONAL FINANCE STORIES

Retirement withdrawals should be more flexible, academic argues

[PFP-WITHDRAWALS:MK](#)—How much — when the time comes — should you withdraw from your accounts earmarked for retirement? Answer that question correctly and you get to enjoy the retirement of your dreams. Answer it incorrectly and you either outlive your assets or you leave more money to your heirs than planned.

Conventional wisdom suggests that you withdraw on average 4 percent adjusted for inflation. Now comes a paper co-authored by William Sharpe, the winner of the 1990 Nobel Prize in Economics, challenging the conventional wisdom.

“It is time to replace the 4 percent rule with approaches better grounded in fundamental economic analysis,” wrote Sharpe in his paper “The 4 Percent Rule — At What Price?”

1150 (with trims) by Robert Powell in Boston. [MOVED](#)

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Personal-finance lessons bounce off some teens, but stick with others

[PFP-GALLAGHER-COLUMN:SL](#)—When Gateway Metro Credit Union opened its newest branch in April, budding bankers Allyson Hinrichs and Brandi Baker were ready for business. Both are 16 years old.

That may be a little young to be raking in depositors’ cash. But many of their customers are younger.

Gateway’s new branch is in Trinity Catholic High School in north St. Louis County. It’s part of the school’s effort to get students used to saving money and handling checking accounts. It also gives student tellers, such as Allyson and Brandi, a taste of the banking business.

Despite such wisdom from Trinity High, the evidence indicates that America’s young people are going backward in their money knowledge.

1350 (with trims) by Jim Gallagher in St. Louis. [DIVERSITY](#). [MOVED](#)

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Would-be law student sends out Internet appeal for tuition help

[PFP-CORNATZER-COLUMN:RA](#)—Sarah Allen wants me to help pay her way through law school.

She’d like everyone who reads this to help as well.

You see, when Allen was preparing to head off to college for her undergrad degree, she sent out hundreds of applications for scholarships and grants. And despite being in the top 5 percent of her class at Raleigh’s Leesville Road High School, she got nothing.

So for law school, Allen is trying something different — a more public effort.

First up, she has submitted a video to Upromise’s “Tuition Tales” contest. Two grand prize winners, determined in part by online voting, will win \$10,000 each.

She also has a blog and a Facebook page with links to a PayPal account. She hopes people will read of her effort and donate to both causes.

650 by Mary Cornatzer in Raleigh, N.C. [MOVED](#)

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MORE BUSINESS NEWS

Auto sales up from last year, but pace falls from March

[AUTO-SALES-1ST-LEDE:LA](#)—Auto sales surged in April from depressed levels of a year earlier, but the selling pace slumped from March, when several manufacturers launched major marketing campaigns and began offering big incentives to buyers.

Automakers sold almost 1 million cars in April. Although that was up almost 20 percent from a year earlier, it translated into an annual sales rate of about 11.2 million vehicles, down from a rate of 11.8 million in March.

Despite the slowdown, most of the big manufacturers said Monday that the industry was still on track to recover from last year’s dismal economy, when automakers sold 10.4 million vehicles.

1150 (with trims) by Jerry Hirsch in Los Angeles. [MOVED](#)

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Also moving as:

[AUTO-SALES:DE](#)—550 by Brent Snively and Greg Gardner in Detroit. [MOVED](#)

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Apple’s iPad shows sparkling sales, but controversy waits in wings

[CPT-APPLE-IPAD:SI](#)—Apple on Monday reported out-of-this-world sales for its iPad, but complaints from some users and regulators threaten to bring the gadget and the company back down to earth.

The Cupertino, Calif., company announced it sold 1 million iPads in the 28 days since the gadget hit the market. The announcement came just three days after Apple began sales of versions that can access the Internet over 3G networks.

But even as Apple celebrated, complaints were trickling in about the device and one of the company’s business decisions related to it.

800 by Troy Wolverton in San Jose, Calif. [MOVED](#)

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Also moving as:

[CPT-APPLE-IPAD-1ST-LEDE:MK](#)—400 by Dan Gallagher in San Francisco. [MOVED](#)

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Bank of America casts itself among U.S. heroes with History Channel ads

[MKTG-BANKOFAMERICA:LA](#)—United States history is filled with such heroes as George Washington, Abraham Lincoln, Rosa Parks and Bank of America.

Well, maybe not, but the colossal bank is doing its best to join the pantheon.

After being excoriated for its role in the financial crisis and government bailout, Bank of America has been looking for ways to show its influence on the U.S. economy in a positive light. The History Channel’s uplifting “America: The Story of Us,” an ambitious 12-part series that recounts 400 years of U.S. history, offered the opportunity.

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700 (with trims) by Meg James in Los Angeles. MOVED

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Investors unswayed by Johnson & Johnson recall, but parents worry

[MED-CHILDRENSTYLENOL-QA:PH](#)—Parents and investors may both be worried by this weekend's recall of dozens of versions of Children's Tylenol and several other infants' and children's medications made by Johnson & Johnson's McNeil Consumer Healthcare division.

Three days after the Friday-night recall, the market appeared to reflect little concern. But parents voiced fears to pediatricians and pharmacists, and asked questions about the affected products.

Here are answers to some key questions.

750 by Jeff Gelles in Philadelphia. MOVED

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Biotechnology grows, adds jobs in tough times

[SCI-BIOTECH:TB](#)—Good news on the biotech front: The biotechnology industry grew, despite soaring unemployment and thousands of job shed by pharmaceutical companies during the recession, according to a report presented Monday morning by the Biotechnology Industry Organization.

The U.S. "bioscience sector" grew 1.4 percent to 1.42 million jobs in 2008, the latest year statistics were available, said the report by research firm Battelle. Meanwhile, the larger unemployment picture was dismal, with nearly one in 10 Americans without jobs.

350 by Bruce Japsen in Chicago. MOVED

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Oil spill, consumer spending likely to bolster rising gas prices

[ECONOMY-GAS:LA](#)—Gasoline prices are rising nationwide as the summer driving season nears, and oil futures appear poised for a breakout on encouraging economic news and fears about the seriousness of the Gulf of Mexico oil spill.

Over the past week, pump prices saw their biggest jump in more than a month, according to the Energy Department's weekly survey of U.S. filling stations.

Nationwide, the average price of a gallon of regular gasoline rose 4.9 cents to \$2.898.

450 by Ronald D. White in Los Angeles. MOVED

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Consumers' March spending hits 2007 level

[ECONOMY-SPENDING:MK](#)—Boosted by spending on autos and other durable goods, real U.S. consumer spending increased 0.5 percent to a record high in March, at last surpassing the pre-recession peak set in November 2007, the Commerce Department estimated Monday.

After-tax, inflation-adjusted incomes increased 0.2 percent in the month, with transfer payments such as unemployment benefits accounting for the gain. The tepid income gains should hamper the nation's recovery, economists say.

550 by Rex Nutting in Washington. MOVED

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Company hopes it can help with oil spill

[OILSPILL-COMPANY:BH](#)—As the U.S. government and BP try to avert an environmental disaster in the Gulf of Mexico and the nearby shorelines, a Washington state company is making preparations in case it gets the call.

In recent years Absorption Corp. has been focused on making animal bedding products. But early on in its history it developed a product that is ideal for liquid spill control, particularly oil, said Doug Ellis, president of the company located north of Seattle.

350 by Dave Gallagher in Ferndale, Wash. (Moved as a national story) MOVED

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Jury rules for Disney in Tower of Terror case

[DISNEY-LAWSUIT:OS](#)—An Orange County jury decided Monday that there was nothing unsafe about Walt Disney World's Twilight Zone Tower of Terror ride, ending a lawsuit brought by a Philadelphia man who claimed it caused his stroke in 1998.

Concluding a three-week trial in Circuit Court, the three-woman, three-man jury deliberated about three hours Monday before agreeing with the Walt Disney World Co., that the ride is not dangerous, and Disney was not negligent in providing it as an attraction.

450 by Scott Powers in Orlando, Fla. (Moved as a national story) MOVED

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Wal-Mart to pay \$27.6 million to settle California environmental case

[ENV-WALMART:LA](#)—Wal-Mart has agreed to pay \$27.6 million to settle charges that it violated California environmental laws in its handling and disposal of hazardous materials, prosecutors involved in the case announced Monday in San Diego.

The settlement was signed by Superior Court Judge Linda B. Quinn. The San Diego County district attorney's office and the state attorney general's office had filed a civil complaint last month alleging that all of Wal-Mart's 236 stores, Sam's Club stores, distribution centers and storage facilities were in violation of environmental laws.

Among the materials being improperly transported, stored and dumped were pesticides, chemicals, paint, acid, aerosols, fertilizer and motor oil.

300 by Tony Perry in San Diego. MOVED

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Angry county officials sue after complex securities' collapse

[COUNTY-INVESTMENT:LA](#)—The doomed deal at the heart of the government's civil fraud suit against Goldman Sachs & Co. was designed for sophisticated investors.

But one of the main buyers of the complex toxic securities issued by the Goldman vehicle, a German bank known as IKB, paid for its share of the deal with money it collected from a number of relatively unsophisticated investors from areas including King County in Washington state.

The county lost \$19 million when an IKB fund collapsed — and an additional \$54 million when other similar funds defaulted. About 100 county agencies in the Seattle area, including some that deal with libraries and schools, saw their budgets cut as a result. The county has sued IKB and the rating firms that put their stamps of approval on the fund.

900 by Nathaniel Popper in New York. MOVED

[TEXT](#) | [HTML](#)**Stocks surge on consumer spending, mergers**

[MARKETS:MK](#)—U.S. stocks surged Monday, with retailers rallying after a report showed consumer spending at a record level and as investors took heart from the latest merger activity, including UAL Corp.'s \$3.15 billion deal with Continental Airlines Inc.

The Dow Jones industrial average ended up 143.22 points, or 1.3 percent, at 11,151.83, its biggest one-day gain since mid-February and nearly recouping Friday's 159-point slide.

750 (with trims) by Kate Gibson in New York. [MOVED](#)

[TEXT](#) | [HTML](#)**COLUMNS**

[PFP-MARKETBEAT:LA](#)—Bond investors forced Greece into a corner, and U.S. should take notice.

1200 by Tom Petrino. [MOVED](#)

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[PFP-YIP-COLUMN:DA](#)—Before kicking financial adviser to the curb, examine your relationship.

950 by Pamela Yip. [MOVED](#)

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[PFP-ONTHEMONEY:MCT](#)—Consolidate student loans to relieve debt burden.

150 by Chuck Myers. [MOVED](#)

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[PFP-SERRA-COLUMN:MCT](#)—Check portfolio to see if it's time to adjust.

500 by Dan Serra. [MOVED](#)

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[PFP-NOTEBOOK-QA:SA](#)—Ask The Experts: Joint tenancy ensures assets will pass to heirs.

600 by Claudia Buck. [MOVED](#)

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[PFP-TOMPOR-COLUMN:DE](#)—'Broke Is Beautiful' author says to embrace cash-strapped life.

900 by Susan Tompor. [MOVED](#)

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[PFP-MCGUIRE-COLUMN:MS](#)—Shopping for home insurance a thankless, but necessary task.

850 (with trims) by Kara McGuire. [MOVED](#)

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[PFP-MARKSJARVIS-COLUMN-ADV02:TB](#)—Moved Friday—Pick up the pieces of 529 college-savings plans.

700 by Gail MarksJarvis. [MOVED](#)

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[PFP-SPENDINGSMART-ADV02:AA](#)—Moved Friday—Don't blow money on job-hunting tools and tricks.

600 by Gregory Karp. [MOVED](#)

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[PFP-AMBROSE-COLUMN:BZ](#) by Eileen Ambrose will not move..

KIDS AND MONEY**Students learn that not all debt is bad debt**

[PFP-KIDSANDMONEY:KC](#)—With work sheets laid out on the tables, the 11 high school students looked ready to dive into their group projects.

But this class exercise wasn't about trigonometry problems or physics theories. Instead, the teenagers were being tested on their financial smarts in a lesson called "Good Debt vs. Bad Debt."

The teachers who concocted the exercise were two financial planners who stood front and center this recent morning in a personal-finance class at Shawnee Mission North High School near Kansas City.

650 by Steve Rosen. [DIVERSITY](#). [MOVED](#)

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