Business Briefs

Privatization

Brits gobble up U.S. electric utilities

Over the month of December, a number of deals were announced that would leave British companies owning U.S. electric utility systems. Before deregulation, such foreign control was unheard of. But, in states where deregulation has taken place (pioneered in Great Britain under Margaret Thatcher), U.S. utilities have been stripped of their status as "natural monopolies" in generating, transmitting, and distributing electric power. Since power plants are capital intensive, most utilities are trying to sell their power generation assets, in order to compete for profits.

On Dec. 6, the proposed takeover of Pacificorp in the Northwest by Scottish Power PLC, one of the U.K.'s largest utilities, was announced, the first time a major U.S. utility would be purchased by a foreign company. Pacificorp has 1.4 million customers in Oregon, Utah, Wyoming, Washington, Idaho, and California. On Dec. 13, the National Grid Group of Britain announced plans to buy New England Electric Systems for $3.2 billion. National Grid operates Britain's electricity transmission network. In September, New England Electric sold its non-nuclear power plants to a unit of Pacific Gas and Electric Corp. for $1.6 billion.

The Electric Consumers Alliance, which opposes deregulation, pointed out that "who owns essential infrastructure in the United States is an acute issue."

Financial Speculation

Huge credit card debt collector quietly fails

Commercial Financial Services, Inc., which used to boast that it was the "world's largest repository of charged-off credit card debt" filed for bankruptcy reorganization on Dec. 11. The Tulsa, Oklahoma-based firm is typical of the level that speculative insanity has reached, and CFS's Chapter 11 filing went largely uncovered in leading financial press: The company's Dec. 11 press release offered whimsically that "the filing of CFS's reorganization proceeding should not interfere with the process of receiving bids from potential buyers, and the company remains in discussion with interested parties."

On Oct. 27, Standard & Poor's yanked the ratings on a number of CFS's series bonds. CFS reportedly had a $1.5 billion in asset-backed bonds in the market, largely held by institutional investors, including insurance companies and hedge funds. CFS was listed as number six among the nation's 500 fastest growing private companies by *Inc.* magazine in 1998. The company created securitized bonds after buying bad credit card debt from banks, for pennies on the dollar. Based on CFS's perceived ability to recover money from defaulting cardholders, CFS put together packages of these bad accounts and sold asset-backed bonds tied to them. These "securitized multiple asset rated trust" bonds were valued at several times what CFS paid for the debt, due its proven collection rates.

Just before Christmas, CFS announced that it was laying off 1,800 of its staff of 3,900, most of them from the Tulsa area, where CFS was Tulsa's fourth largest employer.

Nuclear Energy

DOE's Richardson orders fusion potential review

On Dec. 16, U.S. Department of Energy Secretary Bill Richardson requested that his Energy Advisory Board form a "new fusion subcommittee to review the Department's fusion-related technologies, programs, and priorities pertaining to the development of a fusion energy source." The review had been requested in the FY99 Senate Appropriations Committee budget report. Although the Senate request was aimed at making the DOE justify funding research into both magnetic and inertial fusion approaches, previous reviews have routinely recommended that both approaches to fusion research move forward.

The report is supposed to evaluate the potential for each approach to lead to a plasma ignition (energy-producing) device. The past few years of drastic funding cuts, particularly for magnetic fusion research, have thrown the program back to a "science" effort, with no focus for funding to develop an energy-producing experiment.

Meanwhile, in Germany, where the "red-green" government is moving to dismantle existing nuclear energy production, it has been estimated that the shutdown could cost $400-500 billion (DM 900 billion) over 30 years. The estimates, by the Institute for Energy Economics at Stuttgart University, were presented in the Dec. 24 issue of the German engineering weekly *VDI-Nachrichten*. Institute director Prof. Alfred Voss argues that any notion of "sustainable development" must include maintaining technological and productive capabilities, which to allow future generations to have at least a present-day living standard.

Takeovers

Aetna moves to control 'managed health care'

Aetna Insurance is positioning itself to control the so-called managed health care, or HMO, insurance market in the United States, after sealing its third takeover, that of the health care division of Prudential Insurance, in December. In 1996, Aetna bought U.S. Healthcare, and earlier in 1998 relieved New York Life Insurance of its health care unit, NYLCare. Aetna now will contract with half of the nation's 550,000 physicians outside the government, thereby allowing it to determine the medical care of 18.4 million Americans.

Richard J. Huber, Aetna's chairman and chief executive, crowed, "We are going to change the landscape of the whole industry." Aetna is already infamous for its ruthless cost-cutting tactics, which have included forcing doctors into contracts in which they would carry full liability for malpractice, when the HMO denies necessary treatment. Aetna plans to combine their patient data base with Prudential's and NYLCare's to "stratify our membership," that is, look for patterns of chronic disease, such as asthma or diabetes, and manage these "at lower costs."