STRICTLY BUSINESS

PHOTO/CALVIN FERGUSON

Blacks at Microsoft, an employee group at the computer software giant, held its annual student day last week in Charlotte. High school students from the Charlotte area gathered to hear Jeff Raikes, BAM's executive sponsor, open the event with a speech on "Putting Potential In Motion."

BAM, started in 1992, established scholarships to support minority students in realizing career goals in technology. With yearly awards and renewals, $35,000 has been awarded in scholarships and recipients are also considered for paid internships at Microsoft before starting college. In addition to Charlotte's event, student day activities were held at Microsoft's Mountain View, Calif., campus. Nationally, more than $250,000 is awarded in scholarships at Microsoft.

Herbert L. White

Coke's human resource chief resigns

By Harry R. Weber
THE ASSOCIATED PRESS

ATLANTA – The woman tapped to head The Coca-Cola Co.'s human resources department four years ago as the company grappled with a costly racial discrimination suit is resigning, leaving only one black female in a senior vice president position or higher at the beverage giant.

A search is under way to find a replacement for 47-year-old Coretha Rushing, who will remain with the world's largest beverage maker until her successor is named. Rushing joined Coke from Pizza Hut in April 1996.

Coke general counsel Deval Patrick said in a memo to employees on Monday that Rushing is leaving the Atlanta-based company "to pursue other interests." On Tuesday, a spokesman refused to elaborate, saying only that she was leaving for personal reasons. A call to Rushing's office was not immediately returned.

Patrick

In March 2000, Rushing was appointed head of the company's human resources department. In that role, she helped to settle a race discrimination class action lawsuit involving current and former black employees that resulted in Coke agreeing to pay $192.5 million.

With Rushing's departure, Ingrid Saunders Jones, senior vice president of corporate external affairs and chairwoman of Coke's charitable foundation, will be the only black female senior vice president or higher at the company, spokesman Ben Deutsch said.

In a report issued in December, an independent task force set up in the wake of the lawsuit said that the recent trend of executive-level promotions at Coke reflects an absence of diversity. It said the beverage giant needs to implement career development and staffing reforms to comply with the court settlement.

As of Sept. 30, only 18.9 percent of Coke's salaried executives in the United States were minorities, the report said.

However, the task force also noted that there have been positive changes in Coke's diversity program. It said Coke has done a better job on diversity issues in several areas: the job posting process, diversity training for managers and internal equal employment opportunity monitoring.

Chief executive Doug Daft said at the time that diversity has long been a fundamental element to Coke's business success.

On the Net:
Coca-Cola
www.coke.com

Comptroller general criticizes Fannie Mae

By Harry R. Weber
THE ASSOCIATED PRESS

WASHINGTON – Congress' chief watchdog on Tuesday criticized the executive structure of mortgage giant Fannie Mae, saying it diminishes the independence of the chairman and board of directors.

As senators consider legislation to stiffen oversight of Fannie Mae and rival Freddie Mac, U.S. Comptroller General David Walker also urged creation of a strong federal regulator to replace the current agency.

A new study by the General Accounting Office, Congress' investigative arm which Walker heads, found that the way in which the two government-sponsored companies govern themselves "does not always reflect best practices."

Fannie Mae and Freddie Mac, the two biggest players respectively in the multitrillion-dollar home mortgage market, have come under close scrutiny since an accounting crisis at Freddie Mac came to light last spring. The publicly traded companies "should lead by example in the area of corporate governance" and their government regulators must be strong and independent, the GAO report says.

Walker testified before the Senate Banking Committee, which is studying possible legislation. Its chairman, Sen. Richard Shelby, R-Ala., said recently he will move to eliminate the companies' current regulator, the Office of Federal Housing Enterprise Oversight, and replace it with a stronger, more independent federal watchdog.

The Bush administration has asked Congress for a stronger government hand over Fannie Mae and Freddie Mac and wants to shift financial oversight of them to the Treasury Department from the Department of Housing and Urban Development.

Shelby has said his legislation will go further, making the new regulator independent of either agency.

Walker told the panel he believed the new regulator could either be independent or part of Treasury, the crucial requirement being that it have full authority over all facets of the two companies' activities.

Freddie Mac, with $40 billion revenue a year, has acknowledged understating its earnings by $5 billion for 2000 through 2002 to smooth out volatility in profits and uphold its image on Wall Street as a

See COMPTROLLER/7C

Social Security reform to drive up national debt

By Adam Entous
REUTERS

WASHINGTON – President Bush's economic advisers said this week adding personal retirement accounts to Social Security would send the nation's debt soaring over the next three decades.

Tapping the bond markets to pay for private accounts proposed by Bush's Social Security Commission would increase the nation's debt-to-GDP ratio by 23.6 percentage points by 2036, the White House Council of Economic Advisers said in its annual Economic Report of the President.

Democratic critics said there could be dire economic consequences for letting the debt-to-GDP ratio rise from this year's 38.6 percent to as high as 62.2 percent — a nearly two-thirds increase to the highest level recorded since the early 1950s in the aftermath of World War II.

Under this scenario, the debt held by the public would increase by as much as $4.7 trillion. But the new government bonds would be repaid 20 years later, eliminating Social Security's unfunded liability while reducing the tax burden in the long term, advocates say.

"The economic report illustrates that the long-term fiscal position of the government would improve if Social Security reform were enacted," said White House spokeswoman Claire Buchan, who insisted Bush has yet to settle on a plan to reform the retirement system or on a means to finance it.

The Council of Economic Advisers said increasing borrowing to finance the transition to private accounts was not a problem from an economic perspective. While the deficit would increase initially, it would fall as the reforms are phased in.

At its peak in 2022, the incremental deficit increase would be less than 1.6 percent of gross domestic product, they said. By comparison, Bush is projecting this fiscal year's deficit at 4.5 percent of GDP and a debt-to-GDP ratio of 38.6 percent.

"Since the budget surpluses forecasted a few years ago have not materialized, critics argue that adding personal retirement accounts to Social Security is impossible or impractical," the report said. "In reality, the need to add resources to the Social Security system is no less pressing now that the surpluses have disappeared; indeed, it may be even more so."

Under fire over deficits

Bush is already under fire

Please see SOCIAL/7C

Awards honor women in business

By Herbert L. White
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Outstanding Charlotte businesswomen will be honored at the 2003 BusinessWoman of the Year Leadership Forum Feb. 26 at Queens University of Charlotte.

The forum and luncheon are sponsored by Wachovia and Queens. Tickets range from $45 - $345 and may be purchased by calling Carrie Carper (704) 337-2499 or by going online at www.queens.edu.

The day from 9 a.m.-12 p.m. in the Sykes Learning Center, the Leadership Forum will feature Mary Lou Quinlan, the first woman CEO of America's oldest advertising agency N.W. Ayer, and other prominent female corporate executives and business owners. The panel will discuss how leaders can leverage power and influence while remaining true to their values and beliefs.

The winner of the 2003 Charlotte BusinessWoman of the Year Award, as well as four other finalists, will be honored at the Awards Luncheon from 12:30-2 p.m. in the Frances Young Dining Room in Morrison Hall. In addition, two Queens students will be awarded Charlotte BusinessWoman of the Year scholarships. Quinlan will speak on the role of power and influence for women in business leadership. Finalists for the 2003 Charlotte BusinessWoman of the Year Award are: Jennifer Appleby, president and chief creative officer of Wray Ward Laseter; Lori Collins, senior vice president – product and account manager of LendingTree; Gay Dillashaw, vice president operations of Allen Tate Co.; Peyton Howell, president of the Lash Group; Dana Rader, director of Dana Rader Golf School.

Viacom plans to spin off Blockbuster video retail division

THE ASSOCIATED PRESS

NEW YORK – Viacom Inc. announced Tuesday that it plans to shed its controlling stake in Blockbuster, the video rental chain, and take a $1.3 billion charge to write down the value of the business.

Blockbuster's business has been under pressure from cheap sales of DVDs through major retailers as well as emerging video technologies like video on demand and personal video recorders.

Viacom had long been considering a disposal of its roughly 81 percent stake in Blockbuster, and was believed to be looking for a buyer in recent weeks. The company didn't disclose details of what it planned to do and indicated that the plan was not yet final.

Viacom said it expected to separate Blockbuster in a tax-free split-off, which would most likely involve exchanging shares of Viacom for shares of Blockbuster. But the company said it would continue to consider other alternatives.

The company said the plan was subject to final approval from its board of directors as well as "an assessment of market conditions." Viacom expects to complete the separation by the middle of the year.

Viacom, which also owns CBS, MTV and the Paramount movie studio, made the announcement on the same day it reported fourth-quarter and full-year earnings for 2003.

The company said same-store revenues in its video business were down 7 percent in the fourth quarter due to overall softness in the movie rental industry.

Sumner Redstone, Viacom's chairman and chief executive, told investors in a conference call that while the company continued to believe in Blockbuster's long-term prospects, "the business is evolving and moving away from our core areas of focus."

Blockbuster has adapted to the shift to DVD usage from videotape by adding DVDs to its retail and rental inventories, but it has been challenged by growing sales of cheap DVDs through other retailing outlets.

Viacom took the $1.3 billion charge under an accounting rule that requires companies to occasionally assess the value of the goodwill of its businesses, or the amount above their current value that the company paid for them.

The announcement marked the second time that Viacom has said it would split off Blockbuster. Viacom floated shares in Blockbuster in 1999 and said it would divest the rest later, but the company later changed course, deciding to hold on to the business for the cash it generated.

Investors have been concerned about Blockbuster's prospects in the face of super-cheap sales of DVDs, and in recent months its shares have been hovering below $18, not far above the $15 per share at which Viacom first offered the shares to the public in 1999.

The retail nature of Blockbuster's business was always an anomaly within the Viacom media conglomerate, which is made up predominantly of adver-

Please see VIACOM/7C