# THE WALL STREET JOURNAL.

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III NO. 65

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EASTERN EDITION

TUESDAY, APRIL 4, 1989

PRINCETON, NEW JERSEY

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J.S. Caught d Smuggler artsto Egypt |

ts Fed the Race Mideast Nations g-Range Missile

I in the Garbage

AM M. CARLEY

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y any wrongdoing and say the smuggling charges ed in federal court in Sacced June 24 last year. the Egyptian government gating the role of its offi-

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## What's News-

#### Business and Finance

CITIZENS & SOUTHERN rejected NCNB's buy-out offer of \$39 a share, or \$2.4 billion, calling it "inadequate." A battle is now expected between the two Southeastern banking giants. Still, Atlanta-based Citizens invoked a Georgia anti-takeover law, which may force NCNB to reach an accord with Citizen's board.

#### (Story on Page A3)

Corporate raider T. Boone Pickens has turned his sights on Japan, buying 20.2% of an auto-parts maker tied to Toyota. The surprise move, one of the first big hostile investments there by a foreigner, was called "greenmail" by Tokyo analysts, though the practice is common in Japan.

#### (Slory on Page C1) . . . . .

Brokers in Gibraltar Financial securities claimed that federal regulators may have prematurely seized the firm's thrift units. The issue may become common under Bush's proposed revamping of thrift regulation.

#### (Story on Page A4) . . .

SmithKline's stock surged \$4.75, to \$65.625, on speculation that a rival bid may emerge for the drug company, which is planning a partial merger with Beecham Group of Britain.

#### (Story on Page A4)

Construction outlays appear to be slowing due to higher interest rates, two reports show. Building contracts slid 7% in February, while spending was the weakest since August.

#### (Story on Page A2)

The dollar declined, partly in reaction to the Group of Seven's statement Sunday against a stronger currency. Stocks and bonds railled on expectations that the economy is slowing and putting less pressure on inflation.

#### (Story on Page C1)

Chrysler has begun offering zerointerest financing on two-year car loans to boost sagging vehicle sales. But Chrylser's rates on longer-term loans are the same or not as low as those offered by GM and Ford.

#### (Story on Page A12)

Burger King hired away Hardee's marketing chief, Gary Langstaff, to revitalize its advertising and promotion efforts. Burger King also cut 35% of its headquarters and field staff.

#### (Story on Page 84)

Six of the 12 jurors in the GAF stock-manipulation trial favored acquittal, according to jurors. The case ended in a mistrial two weeks ago.

#### (Story on Page 68)

#### World-Wide

BUSH EXPRESSED support for a "prop-

erly structured" Mideast peace parley.
The president, following a White House meeting with Egyptian President Mubarak, said s ich an international conference "could play i useful role at an appropriate time. While Arab leaders have pressed hard for such a forum, which would include the U.S. and Soviet Union, Israel remains opposed. Bush also urged Israel to end its occupation of the West Bank and Gaza Strip, and backet "achievement of Palestinian political ri thts." (Story on Page A24)

Mubarak dismissed Shamir's pro-posed for Palestinian elections in the occup ed territories to choose representatives for talks with Israel.

#### WI:IGHT HAS RECEIVED substantial 'gifts." a special counsel said.

Th: House ethics committee was told by the special counsel investigating Speaker Wright that many of the benefits received by the Texas Democrat and his wife from busin ssman George Mallick amount to substanti d "gifts," estimated at \$100,000. It would violate House rules if Wright accepted gifts · alued at more than \$100 a year from any person with "a direct interest in legisla-tion." Deliberations on the case are to resume tomorrow. (Story on Page A24)
The panel appears to be focusing not

only on a car and apartment made available to Wright and his wife but also on i er salary from Mallick businesses.

### GC RBACHEV AND CASTRO HELD day-

long discussions in Havana.

A Soviet spokesman said the Kremiin leade, and the Cuban president talked about the "inormous debt plundering the economies' of Latin American nations. Gorbachev, on his first visit to Moscow's Caribbean ally, also reported on the Soviet Union's recent muiticandidate parliamentary elections. Castro has openly criticized Gorbachev's program of political, economic and social restructuring for borrowing too much from the capitalist world.

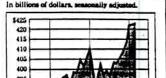
Corbachev and Castro becan their talks after a wreath-laying ceremony at the nonument to Jose Marti, Cuba's nation il independence hero.

#### Re sel soldiers in Halti occupied the airport cutside Port-au-Prince and demanded the release of their commander, one of four military officers accused of leading an unsuccessful coup over the weekend. The troops, members of the elite Leopards Bat-talion threatened to reduce the capital "to ashes ' unless their demand was met.

Black nationalist guerrillas battled South African-led security forces along a 180-mile front n northern Namibia in a third consecutive lay of fighting that threatens to undermine a U.N. peace plan. Nearly 150 people have seen reported killed. Both sides called on U.I. Secretary General Perez de Cuellar to tal e action to end the violence.

Ali ska sald it will object to a Coast Guart plan that could allow tanker traffic to return to normal as early as Thursday at a termi tal near the site of a massive oil spill. Mean vhile, a lawyer for the tanker captain being sought on charges related to the Marci. 24 accident began negotiating his client's surrender. (Story on Page A3)

#### Construction Spending



SPENDING for construction rose in February to a seasonally adjusted annua rate of \$423 billion from a revised \$422.8 billion in January, the Commerce Department reports. (See story on page A2)

### That Thingamajig In the Bath Means You Have Arrived

At \$300 a Day and Higher, Luxury Hotels Provide Bidets and Much More

#### By Joan Lebow

Staff Reporter of THE WALL STREET JOURNAL NEW YORK-On the corner of Fifth enue and 55th Street, strategically centered between the Museum of Modern Art and Tiffany's, on land leased for close to \$5 million a year, stands the new and still-obscure Peninsula Hotel.

Best bring money. This is luxury class. Rooms go from \$210 a day for a single to \$325 for a smallish double and \$2,300 for the fanciest suite.

You will check in at a leather-trimmed writing desk and never set eyes on anything so crass as a cash register or a mail slot. Your bathroom will have a bidet. Telephone messages will be brought to your room on a silver platter by a beliman wearing white gloves and a pillbox cap. At breakfast you will descend a curved lobby staircase past four marble walls to a rosehued dining room overlooking the Avenue; even a lowly basket of bran muffins is served by a waiter in tails.

#### Wacky Economics

The little touches mean a lot in luxury hotels like the 248-room Peninsula, where the goal is to pamper you endiessly at premium prices. But don't conclude that the Peninsula is profiteering. Far from it. The place cost its owners \$127 million-or \$512. 000 a room-to buy last fall. Its occupancy rate is only 50%. Hotel and real-estate economists figure it needs to fill 70% of its rooms at an average daily charge of more than \$400 to break even. You are being subsidized.

Thanks in part to Donald Trump and the Sultan of Brunel, the economics of the grand-hotel business have turned a little wacky. "Luxury hotels don't make sense economically," says J. Paul DeMyer, a ho-tel consultant for the Los Angeles accounting firm of Kenneth Leventhal & Co. and a frequent guest at luxury hotels.

For years, hotel buyers were guided by this rule of thumb: The purchase price per

#### Luxury Hotels

while, a lawyer for the tanker cap sought on charges related to	rtein /	TOP RATE	
. 24 accident began negotiating his	cli- Plaza Athenee (New York)	\$375	
surrender. (Story on Page A3)	Walderf Towers (New York)	370	
t that pare Co	mles   7.11. 1 1me   1	200	

#### Labor Letter

#### A Special News Report on People And Their Jobs in Offices. Fields and Factories

WHY DO Japanese bosses share blame while Americans hang tough?

Haruo Yamaguchi, president of Nippon Telegraph & Telephone Corp., typifies the Japanese response when companies are embarrassed by public scandals: He cut his own pay, even though he wasn't at fault. In the U.S., by contrast, collective guilt is an alien notion, declares Joe O'Donnell, chair man of Campbell-Mithune-Esty Advertising Inc. "Our culture is based on the acts o individuals," he says: Management's role 'Is to explain what is acceptable and wha is not," he asserts; when someone strays

only the guilty pays.

Bruce Wilkinson, president of CRS Sir rine Inc., thinks we're actually toughe here; "we tend to throw them out." Bu John Peterson of recruiter Russell Reynoid Associates says "it's unfortunate" bu Americans don't believe in sharing blame "People here don't have that kind of commitment to an employer," he states.

Some executives deride corporate guilt. Will "the paper atone for every typo?" a Chevron spokesman sniffs.

#### CORPORATE RECRUITING is brisk o college campu

At Wayne State University, 260 compa nies set interviews, up 27% from 1988. Ge eral Motors Corp. is there for the first tim in five years. The University of Iowa fine companies are "coming earlier and it's more intensive effort." Iowa, too, sees son old faces. John Deere & Co., which had be absent for years because of the farm slum looks now for marketing majors.

Reflecting the more intensive search some areas. Pall Corp. in New York invit 60 colleges to a recruiting conference, quaruple the invites of last year. North of C cago, Lake Forest College says it gets mo recruiters because companies are starti to look at small schools. Northwestern U versity, which surveys employers annual says companies nationally will boost hir of fresh baccalaureates by 8% this ye: starting salaries will be up 4.6%.

#### DADDIES, TOO, have needs that com nies fail to answer, researchers say. With more dual-career families, me

roles are changing just as much as wome: roles, contend Douglas Hall and Kat Kram, professors of organizational behavi at Boston University School of Manageme As a result, they say, many male exec tives—even some on a recognized it track—are trying to establish a balance their lives: leaving work earlier, shunn travel and spurning promotions that manacceptable demands on family time.

Felice Schwartz, president of Cataly which seeks to foster careers for wom stirred up a storm recently by suggest that companies recognize separate car paths for women who want to comb ker for "multiple choices," Ms. Kram mains. And companies have generally fa to recognize this need because, says Hall, "it isn't considered legitimate for a to talk about family concerns."

A corporate culture that says exec tives must give their all or nothing ridiculous." Mr. Hall insists.

ONE IN FOUR companies lets work tailor their own benefit packages, and tally will grow to one in three by year consultant A. Foster Higgins & Co. say

## Luxury Hotels A14 THE WALL STREET JOURNAL TUESDAY, APRIL 4, 1989

#### DOUBLE ROOM Plaza Athenee (New York) \$375 Walderf Towers (New York) 370 Bel-Air (Los Angeles) 360 Ritz Carlion (Boston) 335 Peninsula (New York) 325 Mandarin Oriental (San Francisco 310 Beverly Hills Hotel (Los Angeles) 305 Carlyle (New York) First class business hotel

room should be no more than 1,000 times the average daily room rental realized by the hotel. By this measure, the 263-room Beverly Hills Hotel in Lis Angeles would have to rent its rooms for an average of 3757 a day to justify the \$200 million, or \$757,000 a room, that the Sultan of Brunei paid for it in 1937. The top rate for a double room at the Beverly Hills is now \$305.

Mr. Trump bought the aging Plaza Hotel in New York last year for about \$400 million, or \$520,000 a room. He concedes that the price was high, Yet prices.on, other hotels are rising even higher. The intimate and prestigious 92-room Bel-Air in Los Angeles, now on the market, is expected to fetch close to \$1 million a room, in 1982 it was sold for \$22.7 million to Texas oil heiress Caroline Hunt, who out-bid Ivan Boesky.

Some of the newcomers to the luxury hotel business, says William S. Bahrenburg Please Turn to Page A14. Column 1

### That Thingamajig In the Bath Means You Have Arrived

Continued From First Page
Jr., chairman of Morgan Stanley & Co.'s
real-estate subsidiar; "get a return on
ego. It's like art collecting. These buyers
have more money than they know what to
do with, so they buy a hotel."

The Peninsula, by contrast, was bought by an experienced international chain, Hongkong & Shanghai Hotels Ltd. The company's other grard hotels are the Manila Peninsula in the Philippines, the Garden Hotel in Guangznou, China, and the Peninsula and Kowl on Hotel in Hong Kong.

The Peninsula's not in New York is going to be tough to crack. The city has a batch of better-known luxury hotels already. In addition to ordinary operating expenses, real-estate taxes and its mortgage payments, the company must pay its \$5 million a year in rent to an estate that retains the land bendath the hotel. New York real-estate spec alists say that combined expense will make it practically impossible to earn a profit for years, if

"If this were owned by an American corporation, the CEO and CFO would be fired tomorrow," says New York hotel consultant Stephen W. Brener. But the Hong Kong owners are taking the long view, he says, looking for payoffs 15 to 20 years from now.

Manfred Timmel the Peninsula's Swiss-born general manager, insists that "we will make an operating profit." But he concedes that it depends on raising the occupancy rate to at least 65% this year. The average for all New York City hotels is currently about 79%. 4

The Peninsula had faltered under less-experienced management groups, first as the Gotham and later is Maxim's Hotel de Paris. The Gotham closed in 1983 and was boarded up like an arandoned tenement. New owners turned the place into a minimuseum of the Belle Epoque, reopened it as Maxim's Hotel de Priris in 1987, and less than a year later sold it to the Hong Kong chain.

The opulence remai is. Dark wood cabinets with swirly detail; contain television sets. Balloon shades gover the windows. Cherubs and flowers guriand the lamps.

The prospect of a long-term payoff appears to motivate some buyers of luxury hotels. The appreciatio 1 in prices promises large capital gains. Me unwhile, the owners must justify their primium room rates with the kind of elegance that attracts free-spending business travelers-entrepreneurs, entertainers and foreigners for whom dollars are cheap.

"These are travelers, who like to experiment wherever they go, and who aren't price-sensitive." says I jorn Hanson, a hotel specialist for Laventhol & Horwath, an accounting firm based in Philadelphia that makes a specialty of lotels.

One such traveler is Mike Segal, a Los Angeles real-estate invistor, who says the prices charged by luxury hotels aren't so much greater than those charged by ordinary hotels. So why not pay the difference for the superior service? On a recent stay at the Peninsula, he says, he lost a button and tore a belt loop. "When you travel, you want everything easy," he says. "Housekeeping came up and fixed it right away."

During his stay, however, Mr. DeMyer of Kenneth Leventhal was underwhelmed by the Peninsula. His room had none of the fresh flowers or fruit that were delivered to other rooms. One evening he was locked out of his room by a glitch in the computer keycard system. He found only skirt hangers in the closet. He says the shower head was uncomfortably low.

"The hangers problem is inexcusable," says Mr. Timmel, the manager. "We know about it and have dealt with it. Fruit and flowers are designated for a few VIP guests. We are not perfect yet, but we are getting as close to perfection as possible."

Fashion designer Oleg Cassini, who has stayed in the Peninsula Hong Kong, the Beverly Hills and the Dorchester in London, among others, is the archtypical luxury-hotel guest. In his line of work, he says, "There's this phony thing that goes on with the impression you have to give. You have to stay in a place that shows you're not economizing. I represent my trademark and have to appear on the top of the game."

Mr. Cassin's employees stay at lesser hotels. "They just need a nice place that's comfortable," he says.

Besides their decor and spaciousness,

Besides their decor and spaciousness, the hotels employ a wide variety of luxurious gimmickry. At \$310 a day, the Mandarin Rooms of San Francisco's Mandarin Oriental Hotel offer panoramic views of the city's skyline—from their bathtubs; the Mandarin serves arriving guests a spot of jasmine tea in their rooms. Cabana users at the Beveriy Hills Hotel get fancy flipflops with palm-tree designs.

For \$275, a one-day stay at the Four Seasons Hotel in Los Angeles gives a guest two tlokets and limousine service to a Georgia O'Keefe exhibit. At the Four Seasons chain's Clift House in San Francisco, returning guests find a welcome-back note from the management. Besides its other amenities, the Peninsula in New York sets out Lanvin tolletries on white china trays. It is building a three-story health club for guests to work off their \$20 terrines of duck foie gras and \$7 apples feuillettes.

In a few years the Peninsula and New York's other luxury hotels will face a new competitor, the Regent. Construction on the \$400 million hotel is expected to begin this year. The Regent expects to charge rates averaging \$400 a day. Its rooms, of 570 square feet to 600 square feet, will be larger than most. The 120-square-foot batherooms will have sunken marble tubs. The owners are EIE International, a Tokyo development company. Regent International Hotels, Hong Kong, will manage the hotel.

You could call the Regent yupscale. "There's an age group that's now between 25 and 43 that's moving up," says Robert Burns, president of Regent International. "As they age, their taste improves. It's happened in Europe. . . . It's happening in Asia, and it will happen here."

#### Coleco industries inc.

#### Toy Maker's 4th-Period Loss Narrowed to \$13.6 Million

Coleco Industries Inc., which is trying to trim operations under bankruptcy court protection, reported a \$13.6 million loss for the fourth quarter of 1988.

The loss, which included a \$15.4 million charge related to its restructuring efforts and bankruptcy administrative costs, compares with a \$98.8 million loss in the 1987 fourth quarter.

Sales dipped to \$66.6 million from \$69 million.



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