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# Los Angeles Times

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Monday, January 26, 2004

latimes.com/business

| MICHAEL HILTZIK<br>GOLDEN STATE                    |  |  |  | Safeway<br>Rewards                                       |        |
|--|--|--|--|--|--------|
| Grocery Workers' Leader Paid Like a Corporate Boss |  |  |  |  |        |
| -  | n the same way that many This issue arises<br>people eventually come to eral disclosure form |  | try to save the grocery workers,<br>should probably ask Icaza to | AFL-CIO and its members,<br>whose dues provide the funds | 11 Ton |

resemble their dogs, adversaries in a long-running battle often assume elements of each other's personalities.

That might explain how the leaders of the supermarket workers' union have come to acquire one of the less savory characteristics of their corporate opponents in the current contract dispute - to wit, their penchant for being scandalously overpaid.

Washington by locals of the United Food and Commercial Workers union, which currently have 70,000 members striking or locked out at three major Southland grocery chains. Some of the union's top regional officials, whose strategic blunders have contributed to this costly, 15-week stalemate, are among the best-paid labor leaders in the state — nay, in

the country. Take Rick Icaza, the head of

Tech

Sales,

za earned \$273,404 in 2002, the latest period for which the figure is available. That was nearly a 10% raise over the prior year.

Icaza, 69, out-earned even John Sweeney, the national president of the AFL-CIO, the nation's largest labor organization. Sweeney earned a salary of \$247,500 that year. Richard Trumka, the AFL-CIO official who has just been assigned to craft a nationwide campaign to

pick up the tab if they dine out together. Icaza out-earned Trumka in 2002 by a comfortable margin of \$56,000.

The phenomenon of overripe compensation at the UFCW starts with International President Douglas Dority, whose \$329,792 made him the best-paid president among the AFL-CIO's 64 member unions in 2002. That's the case even though the UFCW is only the fifth-biggest union in the

for its lavish payroll, are generally part-time hourly workers in a low-paying industry.

The UFCW bureaucracy is so well-treated that Icaza, the top-earning local president among the seven Southland leaders involved in the supermarket dispute, collected a better salary in 2002 than did the international presidents of the United Auto Workers, United Steelworkers, Communications [See Hiltzik, Page C5]



The vice presidents get stock grants and options worth millions. The move draws fire from labor leaders, others.

By MELINDA FULMER AND KATHY M. KRISTOF Times Staff Writers

Safeway Inc. recently awarded 11 senior and executive vice presidents millions of dollars in stock grants and options under a new compensation plan that is drawing fire from labor leaders and others.

The plan came together in the wake of four high-profile corporate defections last year, including that of the chief financial officer, Vasant Prabhu, who left to join Starwood Hotels & Resorts Worldwide. A Safeway spokesman said the stock and options awards were necessary because after two years of wage freezes and undersized bonuses, it was becoming difficult to attract and keep talent.

There have been questions about the timing and the appropriateness of the move to reward upper management, given the company's declining profitability and its demand that the next contract with workers in Central and Southern California institute a new tier of lower wages and less attractive benefits for new hires. "I think it's wrong as a matter of substance and appearance," said Nell Minow, editor of the Corporate Library, which tracks executive compensation. "Why is anyone getting a bonus? The company's performance has been poor for some time." Officials of the United Food and Commercial Workers union, [See Safeway, Page C5]

# WGA Moves to Resolve Concerns

As studio contract talks near, the writers' union is beset with questions about its leadership and demands for reform.

By JAMES BATES AND MICHAEL CIEPLY Times Staff Writers

'Our goal for capital investment is to allow the people we have to do more.' Jeff Knight, First Trust Corp. vice president of technology



Bedeviled by unexpected plot twists, the union representing Hollywood TV and film scribes is trying to write an ending to its leadership problems as studio contract talks near.

The board of the Writers Guild of America, West, is scheduled to meet today to discuss complaints that it mishandled the removal of Victoria Riskin as guild president this month. Riskin resigned after an independent hearing officer ruled that she hadn't done enough writing to be eligible to run for reelection in September.

The board also is expected to discuss with the new president, Charles Holland, a recent article in which The Times said it found public records that were at odds with his assertions that he served as an elite Green Beret military intelligence officer and attended college on a football scholarship.

Directors contacted by The Times said the board wanted to support Holland, but added that he needed to adequately explain to them and to WGA members the discrepancies between records and his statements about his background.

"Whether he is telling the truth or not, my own feeling is I will respect what he has to say to us about it," board member Lisa Seidman said.

Seidman added that she isn't

Companies are buying more PCs, servers and software than in the last three years. In the past that would have spelled a boost in employment.

Surging

### By ALEX PHAM Times Staff Writer

The recent upswing in corporate technology spending owes its existence to people like Jeff Knight.

The vice president of technology at First Trust Corp. in Denver recently purchased four Hewlett-Packard Co. server computers that will reduce the time it takes to crank out a complex financial report to 90 minutes from 25 hours, and he plans to buy 10 more this year. The investment, he believes, will boost productivity at the company, which administers more than 217,000 IRAs and business retirement plans.

But is First Trust planning to hire new people to tend to the new machines?

"No," Knight said last week. The 900member workforce "will stay the same."

Technology managers at companies across the U.S. economy are loosening their purse strings after three years of tight budgets. The increase in spending on PCs, server computers, software and other gear has boosted quarterly earnings at bellwethers like chip leader **Intel** Corp., computer giant **IBM** Corp. and software powerhouse **Microsoft** Corp.

Before the last recession, expenditures on information technology were eventually followed by upticks in employment. But if First Trust is any indication, the job picture in the U.S. will be different this time around. A primary reason First Trust bought the new servers was to boost the productivity of workers already drawing paychecks. "Our goal for capital investment is to allow the people we have to do more," Knight said.

Bloomberg News **UPGRADE:** Sears is buying more than 30,000 new cash registers from IBM to

integrate its inventory system. The retailer isn't hiring, despite the deal.



MARK WILSON Getty Images **INTERNAL SHIFT:** Verizon is transferring workers from its phone business in a \$3-billion upgrade of its wireless and fiber-optic networks.

more than 30,000 new cash registers from IBM. The idea was to integrate the inven-

maintain the computerized registers. The Hoffman Estates, Ill.-based company will pay IBM to do that. For its part, Big Blue plans to add about 5,000 people to its U.S. payroll this year.

At phone giant Verizon Communications Inc., the decision to spend \$3 billion over the next two years to upgrade its wireless and fiber-optic networks means the New York company will be able to keep all its 220,000 employees busy and won't have to contemplate layoffs.

It doesn't mean Verizon will be taking applications. Instead, the company is moving workers from its traditional phone business, which is shrinking, to its wireless and Internet access divisions, which are growing.

"We don't need to hire at this point," said Verizon Chairman and Chief Executive Ivan Seidenberg. The uptick in technology spending doesn't spell universally bad news for job seekers, economists say. Even as the added technology eliminates the need for companies to hire new workers, it has a way of creating enough new jobs to offset losses and then some. In the 1990s, for instance, thousands [See Technology, Page C4]

Film Charity Pulls Out as Beneficiary ofGala

Authorities are looking into an unregistered fundraiser's annual Oscar-night event.

By MICHAEL CIEPLY AND JAMES BATES Times Staff Writers

especially bothered by the discrepancies: "We're storytellers. It's what we do for a living."

Also on the agenda for the meeting today is a set of demands from Ron Parker, a guild member who filed the protest that led to Riskin's removal, and Eric Hughes, the candidate who was defeated by Riskin last September.

[See Writers, Page C6]

That was the aim at **Sears**, **Roebuck** & Co. too when it inked a deal to buy

tory management system at the retailer's 2,700 stores in North America with the software that keeps track of purchases for its website, said Sears spokesman Chris Brathwaite.

"We're looking at ways of using our resources more effectively," Brathwaite said.

In fact, the upgrade won't require Sears to hire more workers to install or

A long-running Oscar-night charity gala suffered a blow last week when movie director Martin Scorsese's Film Foundation abruptly pulled out as the beneficiary after being questioned about the event by California law enforcement officials.

The "Night of 100 Stars," in its 14th year, is set for Feb. 29 at the Beverly Hills Hotel. The black-



tie gala, organized by former sports agent Norby Walters, has become popular stop secondfor celebritier ties. A spokeswoman for the Scorsese foundation declined to

# Bronfman, Buying Warner Music, Names U.S. Chief

Lyor Cohen's hiring could spark a shake-up that would force out some veteran executives of the record label.

#### By JEFF LEEDS Times Staff Writer

When Warner Music Group executives sit down at Manhattan's Citarella restaurant tonight with the investors who will soon own the company, they'll probably be joined by someone who only recently made the guest list: their new boss.

Lyor Cohen, chief of Universal Music's Island Def Jam label, has been hired to take the reins of

Warner Music's U.S. recordedmusic business, in the first major move by Edgar Bronfman Jr., head of the team buying the company. Bronfman made the Cohen announcement Sunday, the day before several Warner Music executives were to discuss their labels' operations with the Bronfman-led group, which includes private equity firms Thomas H. Lee Partners, Bain **Capital** and **Providence Equity** Partners.

Cohen's decision to bolt Universal Music, which is owned by Vivendi Universal, has inflamed speculation about the ranks at his new and former employers. At Warner Music, his appointment as chairman and chief executive of the U.S. unit could spark an executive shuffle forcing several top veterans out the door.

It would be just the latest shock for Warner Music, which spent much of last year in a dizzying dance with suitors before **Time Warner** Inc. decided to sell the unit to the Bronfman team for \$2.6 billion in cash.

The purchase of the company is expected to be finalized within 10 days, and sources close to the team say the new owners are expected to cut about \$250 million in costs, resulting in hundreds of layoffs.

It's unclear whether Roger Ames, chairman of Warner Music under Time Warner, will have a role in the company. One person close to the situation said it appeared that Cohen would report to Bronfman. A spokes-

woman for Bronfman said the chain of command hadn't been established.

An exit by Ames would be a twist: As head of former music giant PolyGram, Ames helped strike a deal to buy a stake in what was then called Def Jam. More recently, Ames had himself tried to recruit Cohen to Warner Music before Time Warner put the company on the block.

Ames sounded an upbeat note on Sunday, saying, "I'm excited about this. I think it'll be a great thing to work with Lyor again."

For Cohen, 44, the new job will cap a tumultuous year during which he was found liable in a fraud lawsuit against Island Def Jam and ordered to pay millions [See Warner, Page C4]

# INSIDE

### **Staubach Division to Join Cresa Partners**

Owner of the real estate firm's O.C. corporate services unit calls the parting amicable. C2

### Google, Yahoo to **Compete With Ads**

The Web search rivals are rolling out services providing local data on businesses. C2

### Self-Reliance Key to Japan's Tech Strategy

Consumer electronics firms are succeeding on their ability to develop vital components. C3

# Fighting Cronyism

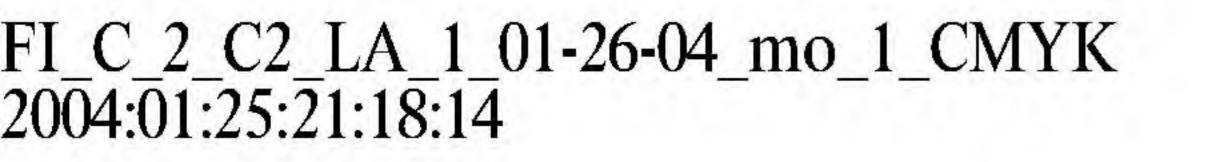
Malaysian Premier Abdullah Ahmad Badawi promises public bidding for contracts. C3

Norby Walters

give a reason for its withdrawal from the gala after six years of involvement but said foundation officials had recently been questioned about the event by representatives of the California attorney general's office, which oversees fundraising in the state. The spokeswoman said the foundation had only recently learned details of the benefit's finances.

A spokesman for Atty. Gen. Bill Lockyer said Sunday that the office was "reviewing the event" but wouldn't elaborate.

[See Charity, Page C2]



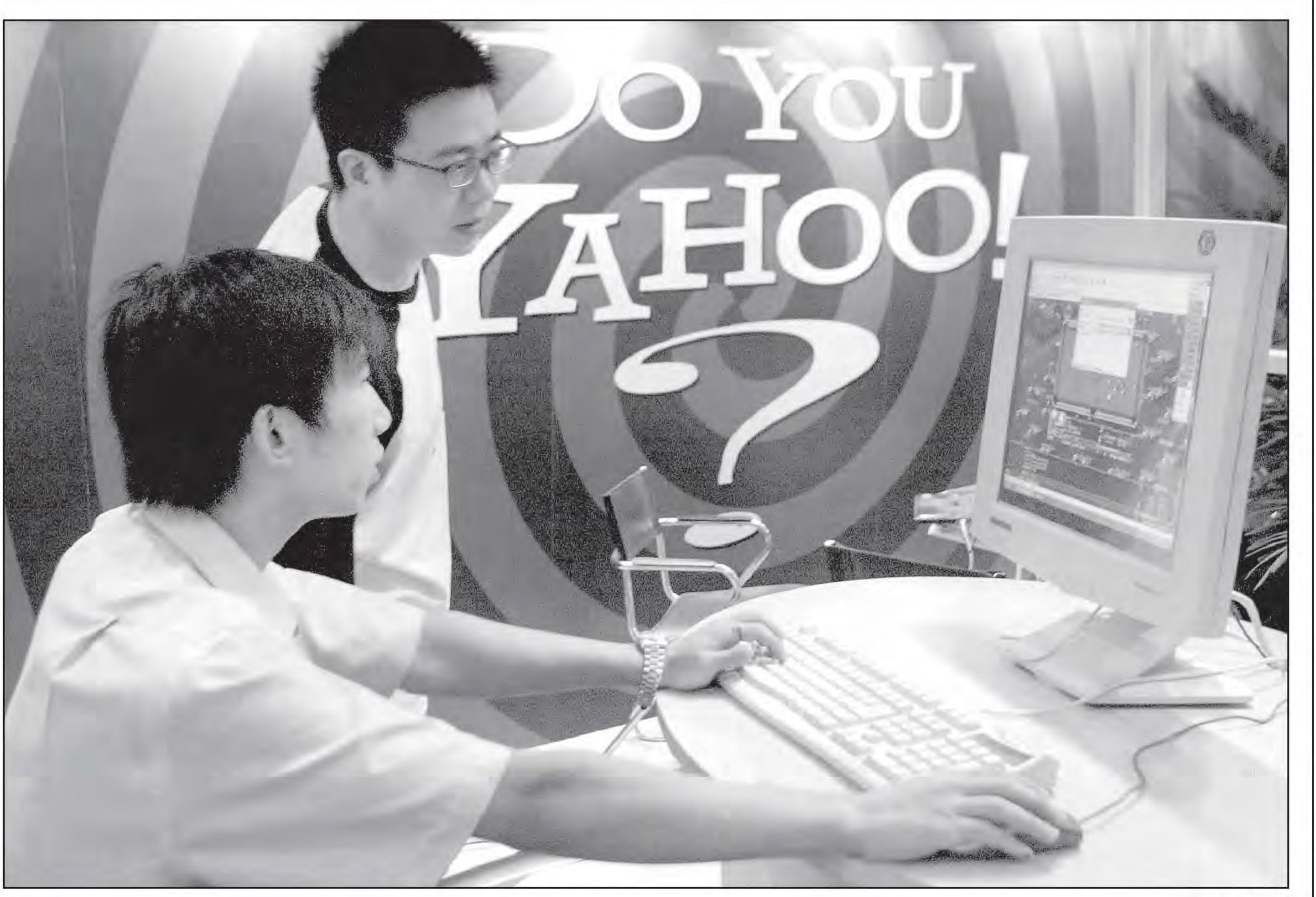
C2 MONDAY, JANUARY 26, 2004

LOS ANGELES TIMES

California

Google, Yahoo Face Off Over Ads

The rival Web search giants say they are close to rolling



Staubach Division to Join Cresa Partners

BUSINESS

Owner of the real estate firm's O.C. corporate services unit calls the parting amicable.

By ROGER VINCENT Times Staff Writer

Brokers Orange the County branch of Staubach Co., the commercial real estate company founded by football legend Roger Staubach, are changing teams. Staubach's corporate services division in the Newport Beach office will become part of New York-based Cresa Partners next month, said Kevin Hayes, president and owner of Staubach Co. West. With 21 brokers and five construction professionals, the Staubach office is the largest brokerage firm that specializes in office tenant representation in Orange County, said Hayes, who will hold the title of chairman of the board of Cresa's Orange County office. The parting with Dallasbased Staubach after 18 years with the firm is amicable, Hayes said. He called the chairman and former Cowboy quarterback "a leader, mentor and friend" with whom he would continue to do business. "We just have different visions of growth in Southern California," said Hayes, who said he intended to expand the office. Financial terms of the deal with Cresa were not disclosed, but under the agreement 12 brokers in the Newport Beach office will become equity-sharing partners in the firm. Cresa has a branch in Los Angeles and a small office in Newport Beach. The Newport Beach office will be merged with Staubach's former staff, said Cresa Los Angeles office President Jerry Porter, who is not related to wide receiver Jerry Porter of the Oakland Raiders. Robert Chavez, president and chief executive of Staubach Los Angeles, said he had been told that there were "management differences" between Staubach and Hayes. "We'll know more in February," he said. Staubach has an office with 18 brokers in West Los Angeles and recently hired broker Dan O'Neil from CB Richard Ellis to open a Staubach office downtown, Chavez said. Staubach's brokerage division in Newport Beach that services the retail industry will stay with the firm.

## out services providing local data on businesses such as restaurants and dry cleaners.

#### By LESLIE WALKER Washington Post

The hot Internet fight of 2004 is likely to be the slugfest over advertising dollars between **Google** Inc. and **Yahoo** Inc., which plan to push the Internet search frontier into new territory, including the untapped market for local ads.

The two have emerged as the heavyweights of Web searches, doing the best job of extracting profits from the tiny boxes where people type keyword queries. Their software shows ads not only on their own sites but also under license to other Web portals, including rivals America Online and **Microsoft** Corp.'s MSN.

Microsoft and AOL, owned by **Time Warner** Inc., were slow to recognize the value of searching the Web. Not Yahoo. It woke up after Chief Executive Terry Semel came on board in 2001 and led a technology acquisition binge, snapping up the search businesses of Inktomi, AltaVista and Fast Search & Transfer.

Yahoo, based in Sunnyvale, Calif., paid more than \$1.6 billion last year for Overture Services Inc., which pioneered the model of charging advertisers only when Web searchers clicked on their links. And last week, Yahoo executives announced that in the first quarter of this year they would replace the Web search results Yahoo currently licenses from Google with those generated by Inktomi.

Yahoo's desire to wrestle the search championship away from rival Google was on display again this week with the creation of Yahoo Research Labs (*labs.yahoo.com*), a knockoff of a similar group at Google called Google Labs (labs.google.com). Both are charged with inventing and testing new technologies. Named to head Yahoo's lab was the company's principal scientist, Gary Flake, who has considerable expertise in Web search formulas and a doctorate in computer science from the University of Maryland. Flake said the lab would do research in a wide range of areas, including personalizing data and improving Yahoo's design to make it easier to use. "We are trying to not just do better Web search, but to create a better Web experience," he said.

Associated Press

**NEW OUTPUT:** Yahoo plans to start showing Web search results using the algorithms of its Inktomi unit, replacing technology licensed from Google. Above, two men surf the Internet in Beijing with a Yahoo ad in the background.



Bloomberg News

**PUBLIC PROTOTYPE:** Google is testing a "search by location" feature on the company's website. But the service seems to generate many irrelevant results.

Flake ran a similar effort for Overture last year, developing technologies analogous to features that Google is testing publicly. Both companies, for instance, are researching how to deliver local data to folks hunting for restaurants, car repair shops and other local businesses. Overture has since taken down its local search box, but Google's "search by location" feature remains online, offering users two query boxes side by side, one for keywords such as "plastic surgeon" and the other for entering a location such as "Bethesda MD." So far, Google's location searches seem to generate many irrelevant matches.

said in an interview last week. He said Yahoo was trying to deliver more personalized search results across its network, partly by drawing inferences based on where users were and what they were doing.

Internet search companies are gearing up to woo local advertisers because they know mom-and-pop shops generate tens of billions of dollars a year in revenue for print Yellow Pages, newspapers, radio and TV stations. The Kelsey Group, a market research company focused on advertising, estimates at least 1.5 million local businesses stand to gain customers by advertising on Web search sites. But a major problem has been that Web search services lack ready access to the names and addresses of local businesses in a searchable format. They also lack local sales forces to sell ads to mom-and-pop firms. Yellow Pages publishers, however, have both and are starting to license their local databases to Web search firms in return for a share of ad dollars.

march online, however, until someone figures out how to display local data on the Web in ways that make finding companies as easy as browsing the print Yellow Pages. Web portals are experimenting with new ways to display local data, but it's far from clear that local ad-targeting will solve the problem anytime soon.

Flake said he believed the next few years would produce changes in Web design and breakthroughs in online data mining that could help solve the local search challenge. Matching websites and ads, for that matter - to relevant queries is a statistical challenge requiring computer firepower as well as human ingenuity. Future systems might consider more than just the search query and content of Web pages; they might also consult profiles of Web searchers. Amazon.com does this now, in effect compiling and consulting shopping profiles of registered users to determine what to show them.

Data mining — the scanning of massive amounts of information in search of patterns — will be a key part of work done at Yahoo Research Labs, Flake said, because the company is interested in figuring out smart ways to mine the huge amounts of data generated by Yahoo's 263 million users.

Google also has been testing a regional ad-targeting program that guesses searchers' offline locations from their Internet addresses. Participating advertisers can choose in which regions of the country their Google ads will be shown.

Executives at both Google and Yahoo said they were close to rolling out new local search ad services.

"Local is high on our priority list and an area of great opportunity," Semel

Local advertisers aren't likely to

"We are at the beginning of another wave in the evolution of search engines," he said.

Advances in data storage capabilities helped fuel the first wave, and plummeting prices of computer processors helped the second. Now, falling memory prices are making it economical to run more elaborate formulas against larger sets of data.

"An entirely different set of algorithms becomes feasible," Flake said. "Over the next five years we will see dramatic changes in the algorithms that are put under the hood."

# Fundraiser Says His Gala Will Go On Without a Beneficiary

#### [Charity, from Page C1]

Since 1998, the "Night of 100 Stars" has raised a total of about \$400,000 for the Film Foundation, a New York-based philanthropy headed by Scorsese and a board that includes Steven Spielberg, George Lucas, Francis Ford Coppola, Sydney Pollack, Robert Redford and others. Past attendees at the Academy Awards-night event have included Judd Nelson, Tom Arnold, Harry Hamlin, Bridget Fonda, David Hasselhoff and Anna Nicole Smith. spokeswoman, who stressed that the foundation itself wasn't the subject of any of the questions by state officials, said it appeared that neither Scorsese nor any of the foundation's directors had ever attended the event.

According to the spokeswoman, Walters had recently informed the group that he compensated himself by keeping the difference between what it costs to put the benefit on and the payments he receives from the event's underwriters, with the foundation getting proceeds from ticket sales. This year's solicitation card identifies the underwriters as Chicago-based Driehaus Capital Management Inc. and Valencia-based DVD maker Future Media Productions Inc. Walters estimated their total contribution this year at \$150,000. In financial statements filed with the city of Beverly Hills, Walters reported paying himself a fee of \$10,000 in 2002; a similar fee was recorded for an unnamed person on last year's statement. Lockyer's spokesman said Walters hadn't registered with the state as a fundraiser for hire, but declined to say whether officials believed he was obligated to do so. State law generally requires those who raise charitable funds for compensation to register and file reports with the at-

torney general.

A review of financial statements filed by Walters with the city of Beverly Hills shows that in past years, as many as 90% of the gala's guests have attended for free. In 2000, for instance, Walters gave 400 complimentary tickets to actors and their guests and 80 to the press. Just 72 people paid the average ticket price of \$650, yielding a relatively modest \$47,000 in donations.

Hollywood philanthropy has come under increased scrutiny in the last year after state and federal officials filed a civil complaint and criminal charges against charity promoter Aaron Tonken. Speaking on Sunday, Walters acknowledged making a modest profit from his own annual gala in most years.

"I don't have a problem being compensated," Walters said. "The money that goes to me is whatever might be left over. From \$8,000 to \$14,000."

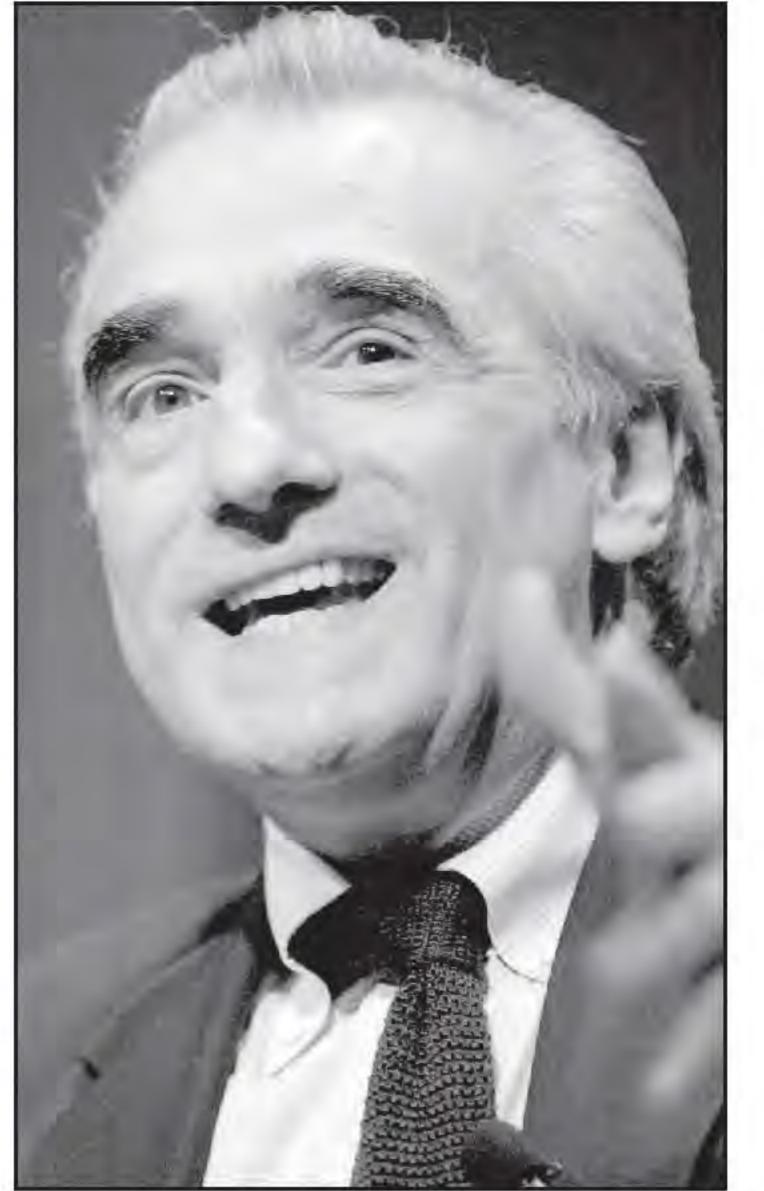
Walters confirmed that he wasn't registered with the state as a charitable fundraiser, but said he filed annual financial statements with the city of Beverly Hills.

After last year's party, Scorsese personally thanked Walters for his long support of the foundation. In an April 1 letter, the filmmaker wrote of the previous month's gala, which yielded more than \$140,000 in donations: "I heard it was a wonderful event and was astounded to hear how much money you raised." In a brief letter faxed to Walters on Friday evening, foundation Executive Director Margaret Bodde said, "After careful consideration, the Film Foundation has decided not to be a beneficiary from this year's Night of 100 Stars." The letter asked Walters to stop using its name on invitations and other promotional materials. On Sunday, Walters said he would ask the foundation to return to buyers of tickets for this year's event about \$10,000 he had already sent to the foundation, and that he planned to return to donors \$13,000 in checks that he hadn't yet forwarded. Walters, 71, was one of two figures embroiled in a major college sports scandal in the late 1980s. He was convicted in 1989 of mail fraud and racketeering, and sentenced to five years in prison. But the conviction was reversed on appeal and he served no prison time. Authorities had alleged that he secretly signed dozens of college athletes to contracts before their college eligibility was up with the National Collegiate Ath-

letic Assn. It also alleged that he and partner Lloyd Bloom used money and threats of violence to keep athletes in their fold.

"It was all tossed," Walters said Sunday of the case against him. Bloom, whose convictions also were overturned, was found shot to death in his Malibu home in 1993.

The Film Foundation spokeswoman said the organization became involved with the "Night of 100 Stars" when Walters called and offered to make the foundation the evening's primary ben-



Walters said Sunday that he planned to go forward with "Night of 100 Stars" as a private party, with no money going to charity.

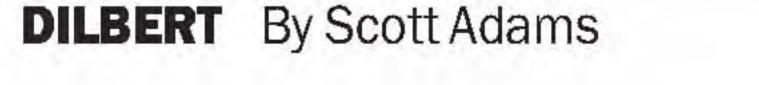
"The show goes on," he said. "I'm going to invite everybody for free. This is my party for 150 actors."

Walters said the Film Foundation, dedicated to film preservation and artists' rights, hadn't explained why it had decided to stop participating. "I can't figure it out," he said. The promoter said foundation officials had recently asked him for financial details but said he wasn't aware of the state probe.

Scorsese is named on a solicitation card for the \$1,000-perticket event and was prominently featured on its website until last week. The foundation Tonken pleaded guilty in December to defrauding charities and is awaiting sentencing.

Lockyer has said he planned to propose an overhaul of state laws governing charity events, hoping to curb gifts to stars and other practices that surfaced in the Tonken investigation.

A onetime friend of Tonken's, Walters sometimes assisted Tonken — and occasionally lectured him on the uses of star power. "You, better than anyone understand the power of stars & celebrities," Walters once counseled Tonken in a nine-page, handwritten memo. "Whether you net \$100,000 or \$1 million, YOUR party is YOUR party."





eficiary.

The spokeswoman said Walters handled the event arrangements and ticket sales and the foundation's involvement was limited to receiving funds from ticket sales.

Attempts to reach Scorsese on Sunday weren't successful.

A current listing in the Los Angeles Master Planner, a trade publication for event organizers, lists the "100 Stars" event as "Honoring Martin Scorsese." But the foundation spokeswoman said the event never had an honoree during the years of the group's involvement.

A spokesman for Richard H. Driehaus, founder of Driehaus Capital, said the financier had committed \$75,000 to the event. "Richard is very well known for his philanthropic efforts, and this is very much in keeping with his support of the arts, in view of the event's connection with the Oscars," the spokesman said in an interview before the Scorsese group pulled out.

Future Media President Alex Sandel, also reached before the Film Foundation's withdrawal, declined to discuss his company's contribution. Neither the Driehaus spokesman nor Sandel could be reached over the weekend.

Walters said Sandel had assured him he would continue to underwrite the event, and he believed Driehaus would do the

Associated Press **PULLING OUT:** Martin Scorsese's charity says it learned only recently about the finances of "100 Stars."

#### same.

Players on Hollywood's charity scene said they were surprised at the high number of free tickets doled out for the "100 Stars" event. Alexandra Grane, spokeswoman for the Elton John AIDS Foundation, said that that charity does not give away any tickets to its annual Oscar night fundraiser, which similarly attracts a large roster of stars for an awards viewing party.

At last year's "100 Stars" gala, two-thirds of the evening's 575 guests received free tickets, according to a financial statement filed by Walters with Beverly Hills.

In 2002, according to a city filing, 75% of the gala's 600 guests attended for free, while ticket sales to the rest yielded \$112,500 for the foundation.

A representative of the Beverly Hills Police Department's Solicitations Advisory Commission said it didn't have any record of a permit application or financial statement from Walters for the 2001 gala.