

# THE WALL STREET JOURNAL.

DOW JONES | News Corp.

TUESDAY, APRIL 4, 2017 ~ VOL. XXXV NO. 46

WSJ.com

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## What's News

### Business & Finance

**Tesla has overtaken Ford** as the No. 2 U.S. auto maker by stock-market value, with a market cap of about \$47.5 billion. **A1**

◆ **North Korea was linked** to the hacking group blamed for a multimillion-dollar cyberattack on Bangladesh's central bank. **B1**

◆ **An Apple supplier** raised the prospect of a patent fight after Apple said it would stop using the British firm's technology. **B1**

◆ **France's Schneider** agreed to sell its DTN data-software unit to TBG, a Swiss private holding company, in a \$900 million deal. **B3**

◆ **Reckitt Benckiser** said it had started a strategic review of its French's food business, which could be valued at up to \$4 billion. **B3**

◆ **Deutsche Bank** is shuffling executives while it searches for a new CFO and reshapes its global businesses. **B5**

◆ **U.S. companies** are trying to stop employees from borrowing money from their retirement accounts. **B5**

◆ **Ultra Petroleum's CEO** is set to receive about \$35 million in stock when the firm emerges from bankruptcy. **B5**

◆ **German lender HSH** received offers from Apollo Global Management and China's HNA Group. **B7**

### World-Wide

◆ **Senate Democrats** have enough votes to mount a filibuster that would block consideration of Trump's Supreme Court nominee, setting up a fight over the chamber's rules. **A1**

◆ **A blast tore** through a subway train in the Russian city of St. Petersburg, killing 10 people and injuring dozens more. **A3**

◆ **Trump adviser Kushner** made a surprise visit to Baghdad to receive military briefings on the fight against Islamic State. **A3**

◆ **Trump can draw** money from his business empire as its trustees see fit without disclosing it publicly, according to his revised trust. **A6**

◆ **The Supreme Court** will consider whether firms can be sued by foreigners in U.S. courts for alleged violations of international law. **A7**

◆ **Trump welcomed** Egyptian leader Sisi, as the U.S. shifts the focus of its ties with Cairo from human rights to security matters. **A4**

◆ **A U.N. report blasted** Australia over its treatment of indigenous people, citing "deeply disturbing" levels of racism. **A4**

◆ **South Africa's** credit rating was downgraded to "junk" amid an accelerating drumbeat of calls for President Zuma to resign. **A4**

## Inside CAPITAL JOURNAL A2 Tribalism Spreads in D.C.

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€320; CHF550; £200;  
U.S. Military (Eur.) \$220



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## Blast in Russian Subway Kills 10



**EXPLOSION:** President Vladimir Putin said it was too early to identify the cause of the incident in St. Petersburg, but didn't rule out terrorism. **A3**

## Tesla Value Speeds by Ford

Electric-vehicle firm drives its market cap above Detroit maker's; an industry transition

By TIM HIGGINS  
AND CHRISTINA ROGERS

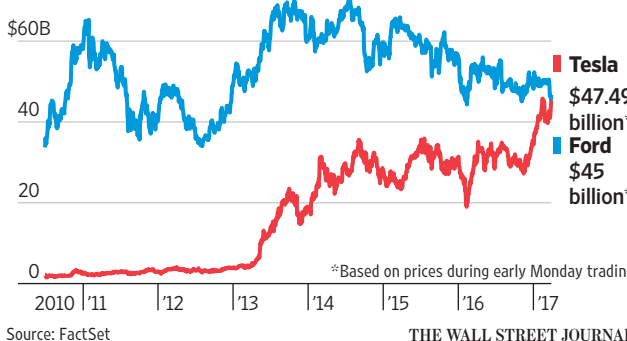
Elon Musk has steered past Henry Ford in the minds of investors, the latest sign that the auto industry is undergoing a seismic shift.

Tesla Inc., the upstart Silicon Valley electric-car maker run by Mr. Musk, has overtaken Ford Motor Co., the automotive pioneer that is exactly 100 years older, as the second-largest U.S. auto maker by stock-market value.

Tesla's market capitalization stood at \$47.49 billion at

### Electric Shock

Ford and Tesla market values since Tesla's IPO, in billions



midday, above the Michigan company's \$45 billion, according to FactSet. The next milestone for the California auto maker is General Motors Co., valued at roughly \$51 billion. Shares in Tesla rose 7.3 to

\$298.52 at 4 p.m.

The latest gains at Tesla were achieved as the broader auto industry delivered disappointing March sales results, reinforcing widespread investor concern that the profitable

U.S. market has plateaued after seven years of growth. Wall Street has soured on blue-chip auto stocks as discounts to sell cars soar and inventories balloon, fearful that established players are headed into prolonged downturns that have long plagued the boom-and-bust car business.

Tesla is among the few companies showing the potential to defy that cycle. Its sales of electric cars, while relatively modest, have skyrocketed in a period when low gasoline prices have sunk demand for other electric vehicles. On Sunday, the company said its global sales rose 69% in the first quarter, putting the car

◆ **Safer, high-tech cars** cost more to insure..... **B1**

## SEEKING MONEY WITHOUT INTERFERENCE

A shift to watered-down voting power at tech firms hurts shareholder democracy and leaves investors vulnerable, some say

By MAUREEN FARRELL

Companies that go public on the New York Stock Exchange usually celebrate by ringing the opening bell from a balcony crowded with executives and employees. Snap Inc. had only two: co-founders Evan Spiegel and Bobby Murphy, who control about 90% of the voting power in Snapchat's parent.

Snap was the first major company since at least 2000 to do an initial public offering in the U.S. that gave new shareholders no voting rights whatsoever, and earlier

investors got one vote for every 10 held by the two co-founders.

Their viselike grip on the disappearing-message app is an extreme example of a growing power grab by technology companies when they go public.

Those companies are structuring their IPOs so that founders and executives wind up with far more votes than actual shares. The exaggerated voting power gives those few shareholders dominance over all corporate decisions, ranging from the election of directors to whether to sell the company someday.

About 15% of the tech companies that went public in the U.S. between 2012 and 2016, including Facebook Inc., Fitbit Inc. and Twilio Inc., did so with at least two classes of stock, up from 8% between 2007 and 2011, according to data compiled by University of Florida finance professor Jay Ritter.

That ownership structure makes it possible for companies to assign different voting rights to different groups of shareholders, as Facebook did in its IPO in 2012. Class B shares held by Chief Executive Mark Zuckerberg and other early investors have

10 votes per share, while Class A shares sold to the public have one vote per share. Snap has three classes of shares.

The tech industry's use of so-called supervoting shares has climbed so much in the past five years that it is roughly in line with IPOs as a whole. The percentage of newly public tech companies with supervoting shares is likely to climb even higher if the market for new offerings continues to rebound and corporate executives are emboldened by the successful stock-market

Please see **TECH** page **A8**

## Braking Bad: Vandals Lay Waste To China's Share Bikes

Pranksters are having a free ride with bicycles that don't require docking stations

By TREFOR MOSS

SHANGHAI—They've been stripped bare, thrown in dumpsters, hung in trees, set on fire, wrenched out of shape, tossed in canals, flung under cars and piled in mangled heaps outside of town.

In one video, a young man trundles to the riverfront in the northern city of Tianjin and flips one casually into the water. In others, a pack of children vandalize them with delight, and an old woman bludgeons hers with a hammer.

The moral of this story: If you're somehow reincarnated as a share bike, pray you don't end up in China.

More than two dozen bike-share startups have put millions of cheery-hued yellow, blue, green or orange two-

wheelers on Chinese streets during the past year. The hugely popular bikes cost just a handful of U.S. cents to rent per hour after users sign up, usually putting down a deposit of between \$15 and \$45.

Unlike programs in the U.S. and Europe, however, these bikes don't have docking stations—bikes can be left anywhere and renters use smartphone apps to unlock their built-in locks.

London and New York, where bikes can be picked up or dropped off only at docking stations, have about 23,000 share

bikes between them. Shanghai alone has half a million—and the sheer number of bikes, their often isolated and haphazard parking locations, and the age-old scourges of thievery, petty vandalism and gen-

Please see **BIKES** page **A8**



## Crisis Deepens In South Africa

**DOWNGRADE:** South Africa's credit rating was cut to junk by S&P Global Ratings following the ouster of a popular finance minister, and amid growing calls for President Jacob Zuma to resign. Left, protesters in Pretoria rallying against government corruption. **A4**

## In Google Data Battle, Location Matters

By JACOB GERSHMAN

Google and the U.S. Justice Department are clashing in courtrooms across the country over the government's power to compel the company to turn over emails and other personal data sought in criminal probes.

The tensions deepened after a landmark court ruling last year declaring private online

communications stored overseas off-limits to prosecutors—even if there is probable cause to suspect the data contains evidence of a crime.

Law-enforcement authorities send Google thousands of requests a year for user data in probes ranging from investigations of human trafficking and child pornography to terrorism and white-collar cases. Google's

"legal investigations support" team is responsible for finding and disclosing matching records, often taking weeks to complete a single request, according to the company.

Until a few months ago, Google turned over data demanded in warrants regardless of where content was stored to comply with a 1986 federal

Please see **GOOGLE** page **A2**



WORLD NEWS

# Tribalism Spreads in Trump’s Washington



The problem in Washington is no longer simply paralyzing partisanship. The danger at the moment is that the capital could be sliding into a kind of tribalism. The fights over health care and a new Supreme Court justice suggest that the divides aren’t simply between Republicans and Democrats. Instead, there are schisms within the parties, and in some cases schisms within the schisms. The polarizing nature of President Donald Trump and his presidency is fueling this trend, though the roots run deeper. “Most of these fault lines, in my view, predate the

president,” says Republican Rep. Tom Cole of Oklahoma, a Washington veteran. “He didn’t create them. He walked into it.” Indeed, the divides may be signs of a political and ideological realignment under way. A new health-care bill was choked off by ideological divisions among Republicans, while Democrats are splitting over whether to force a blowup in the Senate rules in an attempt to stop Supreme Court nominee Neil Gorsuch. A similar fate may await coming efforts at tax reform and infrastructure spending unless the White House finds a way to blur the lines to form a governing coalition across them. For now, think of the capital as divided among five tribes: **The Trump Tribe.** This group is made up of the president, his advisers and his wider administration. The president is essentially an independent force who won office with limited support from his Republican Party’s leaders, and who now is surrounded in the White House largely by people with limited government experience. Administration officials’ loyalty is more to their president than to the party that runs Congress, and many Capitol Hill Republicans appear to feel limited loyalty in return. That was illustrated in the health debacle. Mr. Trump’s own loyalty is largely to his voters outside Washington. And those voters are standing with him. The Journal’s Dante Chinni

can get things done, even if that means accepting compromises. Mr. Cole estimates that, while this group had comprised about 70 of the House’s 237 Republicans, the health-bill episode actually has drawn in more members alarmed by that failure. He estimates its size now as 100 or more. This group also is well represented in the Senate. **Freedom Caucus Republicans.** This is a group that, at its core, consists of about 40 of the House’s most conservative Republicans. (The exact number isn’t clear and shifts around a bit.) They are the people who stood in the way of the bill to repeal and replace Obamacare because they thought it didn’t sufficiently adhere to their principles. The Freedom Caucus has in the past found sympathiz-

ers in the Senate: Ted Cruz, Mike Lee, Rand Paul. Mr. Trump has spent the past few days sniping at the Freedom Caucus, and its members are firing back in return. **Never-Trump Democrats.** On the other side of the aisle are some Democrats who appear determined not to cooperate with Mr. Trump on anything. The precise number is hard to tell, but Sen. Bernie Sanders often gives voice to the feelings of such Democrats; on Friday he defended Trump voters while calling the president a “fraud.” Intense anti-Trump feelings at the Democratic grass roots are fueling such inclinations. Republicans are pointing to a speech last week by new party Chairman Tom Perez in which he told a rally that Democratic protesters feel Mr. Trump “didn’t win the election.” **Maybe-Sometimes-Trump Democrats.** These are moderate to conservative Democrats, many from states the president won, who are willing to work with the Trump administration on selected issues.

Sens. Heidi Heitkamp of North Dakota, Joe Manchin of West Virginia and Joe Donnelly of Indiana, for example, have said they would back Judge Gorsuch for the Supreme Court, while a big majority of their colleagues go the other way. The chances of such Democrats working with the White House are “completely dependent on what the issue is,” says Ms. Heitkamp. “The question is whether the well is too poisoned to get anything done. I think the answer to that is no.” In fact, the Senate’s combination of governing Republicans and Democrats willing to work with them form the likeliest path to legislative achievement amid a tribal Washington. Democratic Sens. Heitkamp, Manchin, Mark Warner and Claire McCaskill, and Republicans Bob Corker, John McCain, Rob Portman and Lamar Alexander—they are the kinds of people who hold the key. It may be impossible for them to prevent a standoff over a Supreme Court nominee, but a tax overhaul looms as the next big test.

*The polarizing nature of Mr. Trump and his presidency is fueling this trend.*

## GOOGLE

*Continued from Page One* statute that created safeguards over electronic communications and established disclosure procedures. Google, a unit of Alphabet Inc., changed its policy last year when a New York federal appeals court became the highest judicial body to rule that data on foreign servers is beyond the reach of warrants. That case was brought by Microsoft Corp., which sought to quash a search warrant in a drug-trafficking probe seeking data in Ireland. Within hours after the ruling by the Second U.S. Circuit Court of Appeals, Google halted the processing of all search warrants. Coordinating with hundreds of employees, the company quickly developed tools to identify and filter out data stored overseas, Google said in court documents. Weeks later in August, Google lifted the moratorium. But it no longer discloses emails, videos, photos and other data that it believes are stored overseas. The company has the support of other technology companies, including Microsoft, Yahoo Inc., Apple Inc. and Amazon.com Inc. Google’s tighter lid on data has angered federal prosecutors, who say the tech company is impeding investigations. “When any provider refuses to follow court orders, investigations are jeopardized, and sometimes end unsuccessfully,” said Justice Department spokesman Peter Carr. “The Justice Department is holding Google to its legal obligation.” In at least one case, involving a warrant in a wire-fraud probe, the government has asked a court to hold Google in contempt. In January, prosecu-

tors told a U.S. magistrate judge in San Francisco that the company had wrongly withheld “volumes of data” and has “frustrated ongoing efforts to locate the perpetrators.” Google, in turn, asked the judge to quash the warrant and possibly “investigate the government’s conduct” in the dispute, saying it’s sought “diligently and in good faith” to comply with its obligations. The law in question is the Stored Communications Act, a pre-internet age statute authorizing the government to compel the disclosure of electronic records with a judge-approved warrant based on probable cause.

*The tensions deepened after a landmark court ruling last year.*

It is a fight Google says it tried to avoid. Court papers describe failed attempts at “constructive dialogue” with the Justice Department. In the wire-fraud case in San Francisco, Google said in court papers that its data-location tools enabled it to disclose more emails it could now confirm were domestically stored. Prosecutors say Google is still holding back email attachments, calendar data and photos that could be important evidence. There hasn’t been any ruling in this case yet. The fight in some ways echoes Apple’s confrontation with the Justice Department last year over whether the company could be forced to unlock a terrorist’s iPhone. The standoff ended after the government said it bought a phone-hacking tool to crack the

device without Apple’s help. While both disputes are examples of a major tech company throwing down the gauntlet to prosecutors, the privacy concerns in Google’s legal fight are more opaque, said American University law professor Jennifer Daskal, who specializes in national-security law. Google has likened the government’s demands to requiring a U.S.-based hotel chain to hand over a customer’s suitcase located in a foreign hotel. But Google’s customers don’t know where their data is stored, as a federal magistrate judge in Philadelphia observed. Data is dispersed across data centers. An email with an attachment can be located in the country and abroad simultaneously. That’s because, as Google’s lawyers said in court documents, a file can be split into “smaller chunks” and stored in separate servers. Lawyers for Google and other tech companies say it isn’t just customer privacy at issue. Turning over foreign data risks an intrusion upon foreign sovereignty that could provoke countermeasures, they have argued. In a brief supporting Google’s position, Microsoft and Apple said the government’s position “invites foreign nations to reciprocate by likewise demanding that local offices of U.S. technology companies turn over U.S. citizens’ private communications stored on U.S. soil.” The Justice Department, for its part, says Congress never intended to create such an investigative impediment. “Because Google’s data moves across its global network automatically and does not persist in any one geographic location,” the government told a Wisconsin federal court in March, “the Microsoft decision renders such data inaccessible.”

## TESLA

*Continued from Page One* maker on the path to meet its goal of 50,000 deliveries in the first half. GM launched its Chevrolet Bolt in January with none of the fanfare Tesla’s coming Model 3 received; and the 3,000 Bolts sold through March indicate that the battery-powered Chevrolet will struggle to be more than a niche car. Tesla shares, which had already received a vote of confidence last week with Chinese tech company Tencent Holdings Ltd. revealing it had taken a 5% stake, were boosted by the auto maker’s vehicle sales record. The changing of the guard reflects a growing belief that internal-combustion engines will eventually be replaced by electric motors as the primary power source for automobiles. It is the latest threat to Detroit’s once-dominant stranglehold on personal transportation, a role that was diminished by Japanese car companies in the 1980s and is now being challenged by Silicon Valley’s technological might. While Mr. Ford’s Model T ushered in a wave of affordable mobility for the middle class, Mr. Musk is promising the same with the coming Model 3. It is a sleek, computerized \$35,000 sedan that can drive nearly the distance from New York City to Washington, D.C., on a single charge. Tesla is a bet that Mr. Musk—who is 45 years old, the same age as Mr. Ford was in 1908 when he released the Model T—can reshape transportation not only with electric vehicles, but with cars that drive themselves. Some investors believe Tesla is better positioned than auto makers and tech giants by taking bold steps to bring advanced self-driving technology to the roadway. “Other auto makers really have to make this transition to electric and autonomous, and it’s almost like twice as hard for them to get there than it is for Tesla,” said Tasha Keeney, an analyst for ARK Invest, which owns shares in Tesla, GM and Toyota Motor Corp. Tesla remains a shaky bet. The 13-year-old company is unprofitable, deeply indebted and delivered just 76,000 cars last year. Its Autopilot mode is untested as a fully autonomous feature and has raised safety concerns.



A Tesla Model S 90D at a showroom in South Korea.

Ford has over 20 times the annual revenue, billions of dollars in profit and sells millions of cars each year. It isn’t standing still under Chief Executive Mark Fields, promising to deliver self-driving cars by 2021. It is buying and investing in tech startups: It invested \$1 billion in Argo AI, a company consisting of engineers from the autonomous-vehicle programs of Uber Technologies Inc. and Alphabet Inc. Ford is coming off one of its most profitable periods in history, after a restructuring effort led by former Chief Executive Alan Mulally that eliminated brands, closed plants and streamlined the company’s global operations. Under Mr. Fields, who took over Ford in 2014, the company has benefited from strong truck demand but struggled to persuade investors that brighter days are ahead, particularly as important markets plateau. He has proposed a number of ways to reshape Ford, but his vision is weighed down by a century-old business model that will be expensive to reshape. Ford is forecasting leaner results for 2017, further confirming Wall Street’s view that traditional car makers are still too exposed to the auto industry’s boom-bust cycles. “We do not run our business based on day-to-day stock changes,” Ford said Monday. “What we are doing is focusing our business on what drives value creation, which is profitable growth, minimizing risk and delivering strong returns.” Ford’s market value is roughly the same as it was in late 2010, when a newly public Tesla was valued at less than \$2 billion. Ford’s stock has fluctuated since then, while Tesla’s has risen steadily and

has surged more than 50% since the company acquired SolarCity Corp. in November. The acquisition was part of Mr. Musk’s vision to have under one roof a company that could offer customers solar roof panels, battery storage units and electric-powered cars. It is a vision he highlighted in February when he removed the word “Motors” from Tesla’s official name. Mr. Musk is betting that a less-expensive Model 3 will help Tesla evolve from a luxury-car maker into one with mass-market appeal. He is aiming to make 500,000 vehicles next year, a projection doubted by some of his biggest supporters. Still, Morgan Stanley autos analyst Adam Jonas has a price target of \$305 a share for Tesla, estimating the added value could come from a ride-hailing service that Mr. Musk has hinted will work with future vehicles. “Tesla is distinctively positioned to commercialize an app-based, on-demand mobility service,” Mr. Jonas wrote in a note to investors. Some old-timers disagree. “Its market cap is based on hype and promises versus substance,” said David Cole, an outspoken supporter and investor in Detroit auto makers, and chairman emeritus of the Center for Automotive Research in Ann Arbor, Mich.

## New Airline Employees Are Set for Takeoff



MASS MEETING: More than 1,600 new Japan Airlines employees attended a company entrance ceremony at a maintenance hangar in Tokyo on Monday.

## CORRECTIONS & AMPLIFICATIONS

**Xiaomi Inc. co-founder** Lei Jun met with Elon Musk in Silicon Valley in 2013. The China Circuit column in the Friday-Sunday edition about Tencent’s investment in Tesla Inc. incorrectly said the meeting took place in 2014.

**In a photo** in the Friday-Sunday edition of three Beijing-bound passengers with a World News article about the

end of a diplomatic rift between North Korea and Malaysia, only the men on the left and right of the photo—not the man in the middle—were identified in Asian media as people sought for questioning by Malaysian police. The photo caption incorrectly implied that all three men were identified in Asian media as people Malaysian police wanted to question.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).

**THE WALL STREET JOURNAL.**  
Europe Edition ISSN 0921-99  
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London, SE1 9GF

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Frankfurt: 49 69 29725390; London: 44 207  
842 9600; Paris: 33 1 40 17 17 01;  
New York: 1-212-659-2176

Printers: France: POP La Courmeuve; Germany:  
Dogan Media Group/Hannover A.S. Branch; Italy:  
Qualiprinters s.r.l.; United Kingdom: Newsprinters  
(Brixbourne) Limited, Great Cambridge Road,  
Waltham Cross, EN8 8DY

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Editor responsible: Thorold Barker M-17936-  
2003. Registered address: Avenue de Cortenbergh  
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## WORLD NEWS

# Blast in St. Petersburg Subway Kills 10

One explosive device disarmed at another station; Putin considers terrorism 'above all'

By NATHAN HODGE  
AND JAMES MARSON

MOSCOW—Russian officials opened a criminal probe into what they said was a terrorist attack Monday, after a blast on a St. Petersburg subway train killed 10 people and injured dozens more, and another explosive device was disarmed.

“Naturally, we always consider all options—both domestic and criminal, and above all actions of a terrorist nature,” said Russian President Vladimir Putin, who was in St. Petersburg to attend a media forum.

Russia’s Investigative Committee, the main federal investigative authority, said it had opened a criminal probe.

The blast early afternoon Monday stunned the normally peaceful city, the country’s second-largest with around five million inhabitants. St. Petersburg, known as the country’s cultural capital, is considered its most European city for its elegant facades and relaxed atmosphere.

State television showed first responders arriving on the platform at Technology Institute station and treating apparent victims. Videos posted on social media and broadcast on television showed smoke inside the station and the doors



Blast victims lying near a subway train hit by an explosion at the Technology Institute station in St. Petersburg, Russia, on Monday.

of a subway train bent outward by the blast.

Seven people died at the scene, one in an ambulance and two on arrival at the hospital, Russian Health Minister Veronika Skvortsova said in televised comments. She said 47 people had been injured, six of whom are in serious condition.

Unnamed witnesses on state television described a bright flash followed by smoke and a smell of burning. One said he crawled out of the window of the subway car.

Officials said an explosive device was found and disarmed at a separate subway station.

U.S. President Donald Trump, commenting on the blast, said: “Terrible. Terrible thing. Happening all over the world. Absolutely a terrible thing.” Mr. Trump made the remarks to reporters in response to a question at the start of a meeting in the White House’s State Dining Room in Washington.

State Department spokesman Mark Toner later said the

U.S. condemned “today’s reprehensible attack.”

Authorities closed down all St. Petersburg’s subway stations after the blast. Officials said more than three dozen ambulances raced to help victims after the blast, which occurred between Sennaya Ploshchad, or Haymarket Square, a busy downtown subway station that connects three lines, and Technology Institute station.

The subway driver carried on to Technology Institute station, preventing a greater number of casualties by allow-

ing the wounded to be treated and evacuated quickly, said a spokeswoman for the Investigative Committee. Subway service was partially restarted late on Monday evening.

Much of Russia’s elite, including Mr. Putin, hails from St. Petersburg.

The former czarist capital was a site of terror attacks more than a century ago, including the assassination of Czar Alexander II. But the 300-year-old city, popular with tourists for its architecture, theaters and museums,

has been spared the large-scale terror attacks that have hit Moscow in the past two decades.

Russia faces a simmering insurgency in the volatile North Caucasus region, although terror attacks have become less common in the rest of Russia. Security officials have warned of the danger of thousands of Russian citizens fighting in the Middle East on the side of Islamic State. Russia sent its military into Syria in fall 2015 in support of President Bashar al-Assad, helping to turn the tide in a conflict that has now raged for six years.

In 2015, a bomb brought down a Russian passenger jet bound for St. Petersburg in Egypt. An affiliate of **Islamic State** claimed credit for the attack.

Twin attacks hit a train station and a bus in the southern city of Volgograd in December 2012, killing more than 30 people. The attacks were the deadliest Russia had seen since a suicide attack in the arrival hall of Moscow’s Domodedovo International Airport killed 37 people in January 2011.

Moscow’s subway system has been a target twice in recent years. In 2010, suicide bombers, one of them the teenage widow of an Islamist leader from the North Caucasus, killed 40 and wounded 90 in the Moscow metro. In 2004, an explosion in the Moscow subway killed 40 people and wounded 134.

# Trump Son-in-Law Visits Iraq for Anti-ISIS Briefing

By GORDON LUBOLD

BAGHDAD—President Donald Trump’s senior adviser and son-in-law Jared Kushner made a surprise visit to Baghdad on Monday to meet U.S. and Iraqi officials and to receive military briefings on the fight against Islamic State.

Mr. Kushner is the first member of Mr. Trump’s inner circle to visit Iraq, currently engaged in a fight to drive the militant group from Mosul and other areas. He was invited here by the chairman of the U.S. Joint Chiefs of Staff, Gen. Joe Dunford, who is meeting with U.S. and Iraqi commanders and troops.

The visit comes as the Trump administration is assessing the U.S. strategy to combat Islamic State in Iraq, Syria and elsewhere.

Mr. Kushner, 36, a newcomer to foreign-policy issues, has taken an active role as an adviser to Mr. Trump on national security and foreign policy.

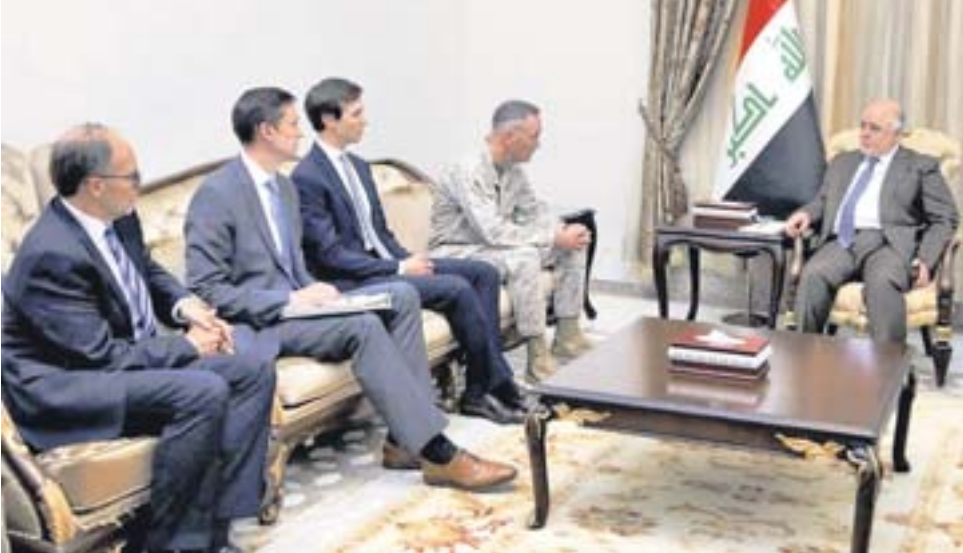
Last month, Mr. Kushner made, for a White House official, a rare appearance at the Pentagon, where he met Saudi Arabia’s Deputy Crown Prince and Minister of Defense Mohammed bin Salman during his meeting with Defense Secretary Jim Mattis.

He has also been influential with his father-in-law on issues pertaining to Mexico and other countries, and he has been given broad authority by his father-in-law to attempt to broker a peace deal between Israel and the Palestinians.

Mr. Kushner, a multimillionaire businessman and developer interested in how technology can reform organizations, launched an innovation office for the White House last week that intends to help reform government.

Mr. Kushner didn’t speak with reporters on the trip to Iraq, his first ever here, which was preceded by an overnight stay at a U.S. military base in Germany.

He is accompanied by Tom



Prime Minister Haider al-Abadi, far right, meets with a delegation including Gen. Joe Dunford, chairman of the Joint Chiefs of Staff, center, and Jared Kushner, to his right.

Bossert, a former administration official under President George W. Bush who is serving as Mr. Trump’s homeland security adviser.

Mr. Mattis and Gen. Dunford are completing a review

of the strategy to fight the group. Mr. Trump signaled during the campaign and since assuming office that he had a plan to accelerate the fight against Islamic State, offering no details about

what it might be.

No plan has emerged, and it now falls to Mr. Mattis and Gen. Dunford to come up with a new strategy. Gen. Dunford declined to discuss what the new strategy would look like.

But, according to numerous U.S. officials, the strategy may largely resemble the old one, initiated under President Barack Obama, with tweaks and additions in the margins, U.S. officials said.

Gen. Dunford said he invited Messrs. Kushner and Bossert to join him on the trip some weeks ago so they could see the work troops are doing here, since they will be part of the decision on strategy.

“I think anyone who’s involved in the discussion on where we go strategically—having good situational awareness about what’s happening tactically and hear it first hand and unfiltered, how our advisers assess the Iraqi security forces, both the opportunities and the challenges—will feed into somebody’s strategic view,” Gen. Dunford told reporters traveling with him on a military jet.

The new strategy, or a refinement of it, may include additional U.S. troops for both Iraq and Syria.



## ICONIC

# THE NAVITIMER

SINCE 1952



## BREITLING

1884



WORLD NEWS

# South Africa Credit Rating Sinks to Junk

S&P move comes as calls mount for Zuma to step down amid outcry over shake-up

By GABRIELE STEINHAUSER

JOHANNESBURG—South Africa's credit rating was downgraded to junk status for the first time in almost two decades amid an accelerating drumbeat of calls for President Jacob Zuma to step down.

S&P Global Ratings on Monday cut South Africa's foreign-currency credit rating by one notch, to double-B-plus, becoming the first major ratings firm since 2000 to determine that the debt of Africa's most-developed economy was no longer investment grade. The firm also lowered its local-currency rating to triple-B-minus from triple-B.

The downgrades up the ante for Friday, when Moody's Investors Service, which currently rates South Africa two notches above junk, is expected to release its assessment of country's creditworthiness.

They are also a rebuke to the new finance minister, Malusi Gigaba, who hours before S&P's statement was released insisted the government would continue

to reduce its deficit. Friday's dismissal of Mr. Gigaba's predecessor, Pravin Gordhan, prompted a revolt in the ruling African National Congress and a selloff in the rand currency as well as South African banking stocks.

"We are not a bunch of wild gunmen running amok, gung-ho into Treasury to do different things. We are going to maintain the programs that are being implemented," Mr. Gigaba told reporters.

These assurances appeared to have little impact on S&P's assessment.

"Divisions in the ANC-led government that have led to changes in the executive leadership, including the finance minister, have put policy continuity at risk," the agency said. "This has increased the likelihood that economic growth and fiscal outcomes could suffer."

The ANC did little Monday to hide the divisions cited by S&P. Kgalema Motlanthe, who was South Africa's president from September 2008 to May 2009, became the latest senior party official to demand Mr. Zuma resign.

"He doesn't come across as someone who thinks about what is in the national interests or what is in the organi-



Protesters rallied against President Jacob Zuma and his cabinet shuffle outside the South African National Treasury in Pretoria on Monday.

zational interests, but seems to be driven by an agenda based on vested interests," Mr. Motlanthe told Bloomberg News.

Hours earlier, the recording of a speech by Deputy President Cyril Ramaphosa was leaked to the media, in which he lashed out against Mr. Gordhan's dismissal and promised to turn around Africa's most prominent liberation movement.

"This is a task that we intend to take forward this year...as we seek to unite the African National Congress

around...values of leaders who will not be greedy and try to rob the people of this country, or leaders who will not be corrupt," Mr. Ramaphosa could be heard telling attendees of a charity event on Saturday.

The remarks differed widely from those published on the official government website. A spokesman for Mr. Ramaphosa didn't comment on the speech, but pointed to a statement of the event's organizers that confirmed its authenticity.

While Mr. Ramaphosa's remarks were making the rounds on social media, the deputy

president remained holed up with Mr. Zuma and the rest of the ANC leadership at the party's headquarters in Johannesburg. Since Friday's cabinet shuffle, the party has failed to reach consensus on the president's future.

The opposition was quick to react to S&P's ratings action. "This downgrade will result in higher government borrowing costs, less money for basic services, and less job creating investment," said Mmusi Maimane, leader of the Democratic Alliance.

Also on Monday, the DA and

five other opposition parties called on their supporters to take to the streets on Friday in protest against Mr. Zuma. They said they would take legal action against the speaker of Parliament should she refuse to convene a special session to consider a no-confidence motion against the president. The National Assembly is on recess until early May.

"Opposition party leaders are united in their call for Zuma to go," they said. "The choice South Africans must make is: Zuma or South Africa. The two cannot coexist."

# For Black Boxes, a Holding Pattern

By ANDY PASZTOR

Three years after Malaysia Airlines Flight 370's unresolved disappearance sparked efforts to implement new flight-data recorder technology, the global aviation community is deadlocked over the best way to ensure investigators will have timely access to vital clues in future crashes.

Technical, marketing and jurisdictional disputes—pitting Boeing Co. and U.S. regulators against Airbus SE and European authorities—have blocked consensus over prospective changes to today's black boxes that help unravel accidents.

The most prominent disagreement involves deployable recorders, devices designed to capture real-time flight data and cockpit conversations, just as damage-resistant black-box recorders do.

But while conventional black boxes are intended to be recovered from wreckage, the alternative devices, already used in a broad range of military jets and helicopters world-wide, are designed to be jettisoned automatically before impact and to float.

Airbus and other proponents say that supplementing current systems with deployable technology would lead to easier searches, with features including built-in emergency transmitters that can pinpoint locations on the surface of water.

In the opposing camp, Boeing's position is that the deployable technology is unnecessary partly because there are so few crashes of big jets, and the recorders are expensive to maintain and potentially hazardous if ejected by mistake. The disagreement has played out in various forums, both in public and private. Federal Aviation Administration officials say it is hard to justify the costs of deployable recorders versus the safety benefits.



Malaysia Airlines ground staff worked on aircraft at Kuala Lumpur International Airport in January.

Progress in adopting deployable systems has been slow, with U.S. and European regulators watching to see whether the other side takes action to benefit either Boeing or Airbus at the other's expense. Equipment changes will take at least several years to show up, and they are expected to affect only new jetliners rolling off assembly lines.

The rivals say they don't compete on safety matters, but, in this instance, each company has quietly pressured suppliers and government agencies to embrace their view, people familiar with the details said. The result, these people say, has impeded the initial sense of urgency among regulators.

"Governments and international organizations are moving mighty slowly," said Alan Diehl, a former military and commercial accident investigator. "The public perception is, 'Why can't we have the solution now?'"

Historically, the FAA consid-

ered status-quo black-box technology as acceptable. Agency officials point out that in nearly every jetliner accident stretching back decades, including the 2009 midocean crash of an Air France Airbus A330 that killed 228 people, conventional black boxes ultimately were recovered.

Supporters of deployable devices counter that those searches were often protracted affairs.

Airbus, which considers deployable recorders a marketing advantage, intends eventually to install them widely on newly manufactured jets. Outside experts said continued maneuvering over the issue has complicated those plans.

The standoff wasn't what was envisioned after the predawn tragedy of March 8, 2014, when Flight 370 and the 239 people on board bound for Beijing from Kuala Lumpur dropped off radar and continued flying for hours without any communication from the cockpit.

Airline trade groups, regulators and leaders of the United Nations agency that sets global-safety standards, the International Civil Aviation Organization, worked to overcome public concerns. Acknowledging that new options were essential, experts spelled out various potential solutions, publicly debated their merits and tried to persuade plane makers and equipment suppliers to embrace them.

After some hiccups, industry and the ICAO agreed on steps to track aircraft more closely, especially when they fly over large expanses of water or remote polar regions.

But to help future investigators, industry and government officials world-wide are considering a different option, which doesn't involve hunting for and retrieving recorders: streaming some flight data to the ground via satellites.

—Robert Wall contributed to this article.

# U.N. Slams Australia On Indigenous Rights

By ROB TAYLOR

CANBERRA, Australia—The top United Nations envoy on indigenous rights criticized Australia for "deeply disturbing" levels of racism and urged the country to embrace a treaty that would recognize its indigenous people as its first inhabitants, a move she said would help combat prejudice.

Australia's indigenous people make up less than 3% of the 24 million population, but suffer higher rates of imprisonment, domestic violence and unemployment, according to government data.

"I have found the prevalence of racism against Aboriginal and Torres Strait Islander Peoples deeply disturbing," Victoria Tauli-Corpuz, the U.N. special rapporteur on indigenous rights, said in a report ending her 15-day visit. "This manifests itself in different ways, ranging from public stereotyped portrayals of them as violent criminals, welfare profiteers and poor parents and to discrimination in the administration of justice."

One in four prison inmates is of indigenous heritage, a statistic Ms. Tauli-Corpuz said was "simply astounding."

In a February report to Parliament, Prime Minister Malcolm Turnbull said his government was failing to close the gap between indigenous and other Australians in six of seven priority areas, including health and unemployment.

Community leaders for Australia's 460,000 Aboriginal and Torres Strait Islander people have for years called for constitutional recognition and a treaty to reduce discrimination.

While the Australian government has supported a referendum on a constitutional change to recognize its indigenous people, it hasn't backed a formal treaty over concerns it could open up legal challenges over compensation and property rights. Mr. Turnbull has said a formal treaty could further stoke divisions over reconciliation and make constitutional change even harder.

Australia is the only former British colony not to have a formal treaty with indigenous inhabitants.



Protesters at an indigenous rally in Brisbane in January.

## WORLD WATCH

### EGYPT

#### Trump Welcomes Sisi As U.S. Resets Ties

President Donald Trump welcomed visiting Egyptian President Abdel Fattah Al Sisi to the White House, as the administration shifts the focus of its relationship with Cairo away from human rights and toward security.

"We agree on so many things," Mr. Trump said during the Egyptian leader's first official visit to Washington. "You have a great friend and ally in the United States and in me." Mr. Sisi said Egypt will be a "strong partner" in confronting terrorism.

Mr. Trump is seeking to boost the Pentagon's budget while cutting State Department spending.

Egypt is one of the largest recipients of U.S. military and foreign aid, getting about \$15 billion a year. The U.S. budget blueprint doesn't guarantee aid to Egypt, and State Department officials have said aid to every country, except Israel, is under review.

—Felicia Schwartz

### JAPAN

#### Tokyo's Ambassador To Return to Seoul

Japan's ambassador to South Korea, withdrawn three months

ago amid a dispute over the countries' wartime past, will return to Seoul Tuesday to bolster coordination in dealing with North Korea, Japan said.

Japanese Foreign Minister Fumio Kishida said Tokyo is also sending its ambassador back to prepare for a new government in South Korea.

Tokyo and Seoul frequently clash over the legacies of Japan's 35-year colonization of the Korean Peninsula through 1945. One of the most contentious issues is the use of Korean women by the Japanese military as forced sex workers during that time.

In late 2015, the two countries reached a deal that both

sides said would end a dispute over Japan's atonement for the so-called comfort-women system. The deal became unpopular in South Korea.

Following the deal, Japan said it expected South Korea to remove a statue of a comfort woman built by a civic group outside the Japanese Embassy in Seoul in 2011. However, that statue remains in place, and at the end of 2016, activists built an identical statue outside the Japanese consulate in South Korea's second city of Busan.

Japan recalled its ambassador, Yasumasa Nagamine, in early January, saying the installation of the Busan statue was a violation

of the 2015 agreement.

—Alastair Gale

### EUROZONE

#### Italy, Spain Help Drive Improved Jobs Picture

Declines in the number of people without work in Italy and Spain drove a drop in the eurozone's unemployment rate in February.

The European Union's statistics agency said the unemployment rate fell to 9.5% from 9.6% in January, its lowest level since May 2009. The number of people without work fell by 140,000, as the figure for Italians dropped to 2.98 million from 3.06 million

and for jobless Spanish to 4.09 million from 4.13 million.

—Paul Hannon

### OLYMPICS

#### NHL Pulls Out

The National Hockey League won't play in the Winter Olympics in Pyeongchang, South Korea next year, league officials said. After months of negotiations with the International Olympic Committee, the league said because most of its clubs oppose taking a break from the season to participate in the Games, it will not release its players for the tournament.

—Matthew Futterman





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## U.S. NEWS

# Why Trump Spared Iraq From Travel Ban

Pressed by Baghdad, U.S. security officials moved president to override his instincts

President Donald Trump's national-security team had many reasons to be wary of his travel ban aimed at seven majority-Muslim nations, even though it followed through on a signature campaign pledge.

By Tamer El-Ghobashy, Peter Nicholas, Felicia Schwartz and Ben Kesling

They had been left out of the deliberations; there were concerns the executive order couldn't pass muster legally; and they disagreed with some of its provisions—above all the inclusion of Iraq, a key ally in the fight against Islamic State, among countries whose citizens were temporarily denied entry in a bid to prevent terrorists from coming to the U.S.

When federal-court rulings put the executive order on hold in February, the national-security team saw an opportunity to test their collective clout, and Iraq's leaders to make their case.

In meetings in Baghdad, Washington and Munich, officials including Defense Secretary Jim Mattis, Secretary of State Rex Tillerson and Homeland Security Secretary John Kelly talked through the travel ban and laid down arguments for a significantly revised one that could address Mr. Trump's terrorism concerns but align better with national-security strategy and stand up in court.

Throughout the process, they kept private their discussions, both with Iraqi leaders and with the mercurial new president, so as not to ratchet up public pressure on Mr.



Mr. Trump with Mr. Abadi. The first ban halted travel to the U.S. by Iraqi interpreters, whose safety was crucial to the U.S. military.

Trump while they prodded him toward action.

Ultimately, Mr. Trump accepted changes to his travel order, including leaving Iraq out of it. For the first time in his short period in office, Mr. Trump moved from his preferred option to something less sweeping. Yet he immediately complained to his staff that a replacement order was "watered down."

One of many unknowns of the Trump administration is how a president with no governing experience, and in particular no military or foreign-affairs experience, would interact with advisers steeped in such matters. The story of the travel ban shows a presi-

dent who proved willing to listen, even defer, to advisers pushing a different line, yet one who remained confident in his own instincts.

Mr. Trump signed the executive order just one week into his presidency. It barred Syrian refugees indefinitely and suspended all immigration for 90 days from "terror prone" Iran, Iraq, Yemen, Somalia, Sudan, Libya, and Syria. The seven had been singled out for special treatment by Congress and the Obama administration, imposing stricter rules on certain foreigners looking to come to the U.S.

U.S. Ambassador to Iraq Douglas Silliman spent hours on the phone with Iraqi Prime

Minister Haider al-Abadi the next day, while also struggling to learn the full scope of the ban.

"The impact of the Executive Order will be felt disproportionately here," Mr. Silliman cabled the State Department. He said Iraqi legislators and military officers were baffled by the inclusion of Iraq, and warned "it would increase resentment of the U.S. throughout the Muslim world."

A week after the signing, the federal district judge in a Washington state suit blocked implementation of the order nationwide. About a week later, a federal appeals-court panel in San Francisco de-

clined to overrule him and reinstate the ban.

The day of the appellate ruling, Messrs. Trump and Abadi spoke by phone for about 15 minutes. Mr. Abadi brought up the executive order at the end of the conversation, according to a person familiar with the call, telling Mr. Trump the restriction on travel by Iraqis would undermine the shared goal of a secure and prosperous Iraq.

A spokesman for Iraqi Foreign Minister Ibrahim Jaffari said Mr. Jaffari told the U.S. ambassador shortly after the travel order that Iraq "does not understand the reason behind such a decision, and Iraqis are victims of terrorism,

not perpetrators of it." The spokesman, Ahmed Jamal, said conversations with other U.S. officials over Iraq's inclusion in the ban continued for weeks.

Mr. Trump's national-security team mostly stayed out of the headlines, but Messrs. Tillerson, Mattis and Kelly all were frequent visitors to the Oval Office. Each made his case to the president for re-vamping the travel ban.

Mr. Tillerson, in other discussions, and others argued that Iraq didn't belong on the list chiefly because it wasn't a state sponsor of terror, it had a functioning U.S. embassy and it had been routinely sharing security intelligence with the U.S. since 2008.

In addition, Mr. Trump's rationale for the ban was to allow time to upgrade the vetting of travelers, but Iraqis were already relatively easy to authenticate because they had to submit to biometric documentation to get passports.

The proposed new travel ban omitted Iraq, although Baghdad agreed to implement enhanced travel documents and accept the return of any citizens deported from the U.S.

Mr. Trump wasn't happy with the idea of changing the order. The day before he agreed to it, he had a heated conversation with his general counsel, Don McGahn, in the Oval Office over what the president saw as a watering down of his order, according to people familiar with the matter.

Mr. Trump signed the revised order in the Oval Office on March 6. There were no reporters present. The only photo documenting the moment was taken by press secretary Sean Spicer.

—Laura Meckler, Aruna Viswanatha, Michael C. Bender and Gordon Lubold contributed to this article.



Supreme Court nominee Neil Gorsuch at a Senate hearing on March 22.

## COURT

Continued from Page One wouldn't block consideration of his home-state judge but hasn't said how he would vote on the nomination itself.

The Republican majority has the power to change the Senate rules to eliminate the 60-vote requirement on Supreme Court nominees—a rule change known in the Senate as the "nuclear option."

Longtime senators of both parties decried what they saw as an inevitable move toward a rules change, even if they disagreed with the events leading up it.

Democrats say that in refusing last year to even consider Judge Merrick Garland, former President Barack Obama's pick for the current court vacancy, Republicans hit a new low in obstructionism and violated the clear intent of the Constitution, which gives presidents the right to pick Supreme Court justices.

Republicans have said Democrats opened the door to ending the filibuster for Supreme Court picks when they ended it for cabinet appointees and lower-court nominations in 2013.

In the meantime, Democrats are under intense pressure from liberal activists not to yield on any of Mr. Trump's agenda, while Republicans are eager to deliver a win for the new president.

"This will be the last person that will be subject to a filibuster," said Sen. Lindsey Graham, a South Carolina Republican, at Monday's hearing. "The Senate traditions are going to change over this man."

More than a decade ago,

Mr. Graham was part of a group of senators who brokered a deal to avert a similar showdown over court nominees. Then, like now, Senate Republicans were threatening to change the Senate rules, in that case to confirm former President George W. Bush's judicial nominees.

But the 14 senators—seven from each party—reached an agreement under which some of Mr. Bush's nominees were confirmed with Democratic support in exchange for a promise to avoid future rules changes.

Democrats portrayed their stance against Judge Gorsuch as a matter of principle, saying too much was at stake in his nomination to vote for him.

"I cannot vote solely to protect an institution when the rights of hardworking Americans are at risk. Because I fear that the Senate I would be defending no longer exists," said Sen. Patrick Leahy, a Vermont Democrat and a 42-year veteran of the Senate.

A procedural vote on Judge Gorsuch is expected on Thursday, and if he fails to get the 60 votes to advance, Republicans are expected to seek to vote to change Senate rules, a move that requires 51 votes, and advance the nomination that way. A final vote in the Senate to confirm the nominee is expected Friday.

"What I can tell you is that Neil Gorsuch will be confirmed this week. How that happens really depends on our Democratic friends," said Senate Republican leader Mitch McConnell on Sunday on NBC.

Both parties say they don't want to tamper with the traditional use of filibuster in legislation in the Senate—though a similar rules change could be employed at some point.

## President Can Tap His Trust Privately

By REBECCA BALLHAUS

President Donald Trump can draw money from his business empire as its trustees see fit without disclosing it publicly, according to a revised version of his trust, a change that ethics experts said blurs the lines between the **Trump Organization** and his administration.

Mr. Trump said before his inauguration that he would put his assets into a trust and relinquish control of his businesses to his two adult sons, in an effort to avoid conflicts of interest during his presidency. Ethics experts criticized the arrangement, in which Mr. Trump would retain ownership of the business, arguing the nation's first purely private-sector president hadn't taken adequate steps to distance himself from his company.

According to a revised version of the trust released by the General Services Administration, "The Trustees shall distribute net income or prin-

cipal to Donald J. Trump at his request, as the Trustees deem necessary for his maintenance, support or uninsured medical expenses, or as the Trustees otherwise deem appropriate."

The trustees who would be responsible for making those decisions are Donald Trump Jr., the president's eldest son, and Allen Weisselberg, the longtime chief financial officer of the Trump Organization.

The trust doesn't require that any such transfer of funds be publicly disclosed. While such a transfer likely would show up on Mr. Trump's personal financial disclosure, he doesn't have to release one until 2018 and the White House hasn't said whether he will do so in his first year in office, as recent past presidents have done. Also, transfers likely would show up in aggregate form, obscuring the timing of the cash influx.

Ethics experts said the new provision in the trust raises questions about conflicts of

interest surrounding the president and his business.

"It removes one safeguard from there being a disbursement to the president that could coincide with or be related to something that he does in his official capacity as the president of the United

*The trust doesn't require that any such transfer of funds be publicly disclosed.*

States," said Bryson Morgan, a political law attorney with Caplin and Drysdale.

The Trump Organization didn't respond to requests to comment on the changes, which were reported Monday by ProPublica.

In Monday's briefing, White House press secretary Sean Spicer said he was unsure

whether Mr. Trump had withdrawn money from his trust and didn't respond to a question about whether the president would disclose such transfers.

"The entire point of setting it up is that somebody can withdraw money," Mr. Spicer said.

The trust document, signed Feb. 10, also stipulates that the trustees won't report to the president any details about the trust's "holdings and sources of income." But the president's other adult son, Eric Trump, who serves as an adviser to the trust though not a trustee, told Forbes in an interview last month that he would provide periodic updates to his father on "the bottom line, profitability reports and stuff like that."

When the president announced his plan to place his assets in a trust in January, he said his adult sons would run his business and that "they're not going to discuss it with me."

## Across America, It's Time to Play Ball



OPENING DAY: Members of the Boston Red Sox stand for the national anthem before their opener against the Pittsburgh Pirates at Boston's Fenway Park. The major-league season began with three games on Sunday; the first traditional slate of games was Monday.



U.S. NEWS

# Justices to Weigh Foreigners’ Suits Against Firms

By BRENT KENDALL

WASHINGTON—The Supreme Court agreed to consider whether corporations can be sued by foreign individuals in U.S. courts for alleged violations of international law, including giving aid to terrorists.

The high court on Monday said it would review an appeal by citizens of Israel and other nations who filed U.S. lawsuits against Jordan-based **Arab Bank**, alleging it provided financial services to terrorist organizations and terrorist front groups posing as charities.

The plaintiffs are victims who were injured or captured in attacks, or family members of victims who were injured or killed. They are seeking damages for attacks that took place in the West Bank and Gaza during a 10-year span beginning in 1995. They say the case has connections to the U.S. because Arab Bank operated a branch in New York that was accused of knowingly processing transactions in aid of terrorists.

The victims brought claims under the federal Alien Tort Statute, a 1789 law passed by the first U.S. Congress. The law allows foreign citizens to file U.S. lawsuits based on alleged violations of “the law of nations or a treaty of the United States.”

A federal appeals court, however, ruled in 2015 that the bank couldn’t be sued because corporations can’t be held liable under the statute.

The Supreme Court will review that ruling.

Arab Bank said it had been a constructive partner with the U.S. in preventing terrorist financing.

“The bank did not cause plaintiffs’ injuries, and there is no basis under international law or the Supreme Court’s [Alien Tort Statute] decisions to reinstate these dismissed claims,” the bank said in a statement.

The high court has waded into the same issue previously but never has fully resolved legal questions about corporate liability.

In a 2013 ruling that threw out international-law claims against Royal Dutch Shell PLC, the Supreme Court sharply limited lawsuits against companies under the Alien Tort Statute, but it didn’t foreclose corporate liability altogether.

Lawyers for the plaintiffs in the Arab Bank case said they are representing about 6,000 people affected by terrorist attacks in Israel and the Palestinian territories.

“This decision has important implications for the fight against global terrorism. Disarming clients from their right to bring civil lawsuits is a victory for terrorist financiers,” said Michael Elsner of the law firm Motley Rice, one of the lawyers for the victims.

The justices will hear the case in their new term, which begins in October. It will likely be among the early notable business cases for Judge Neil Gorsuch, President Donald Trump’s Supreme Court nominee, who is expected to receive Senate confirmation later this week.



The Supreme Court agrees to consider whether citizens of Israel and other nations can sue Jordan-based Arab Bank in the U.S.

## U.S. WATCH

WASHINGTON

### What Ivanka Trump, Kushner Pay for Rent

Ivanka Trump and Jared Kushner, President Donald Trump’s daughter and her White House adviser husband, are paying \$15,000 a month to rent their new home in Washington’s fashionable Kalorama neighborhood from its billionaire owner, according to newly filed documents.

The documents, filed by the landlord with the District of Columbia housing department, present the first concrete financial information about the rental agreement between the couple and the home’s owner, a Chilean magnate whose company is embroiled in a dispute with the U.S. government over a mine potentially worth billions of dollars.

The rent is in line with that paid for similar luxury properties in the area, according to local brokers. The owner, Andrés Lukic, bought the house after the November election and paid \$55 million for the six-bedroom property. “This was an arm’s-length transaction at a market price,” said Hope Hicks, a spokeswoman for the White House, Ms. Trump and Mr. Kushner.

—Mark Maremont and James V. Grimaldi

ECONOMY

### Student Debt Damps Homeownership Rates

Americans continue to default on student loans at a “stub-

bornly high” rate, and a small share of borrowers are unable to buy homes due to high levels of student debt, according to a new report from the Federal Reserve Bank of New York.

The report offers a mixed assessment on the effect of student debt on the economy. Student debt, which has more than doubled over the past decade to \$1.3 trillion, has risen partly due to an increase in the number of Americans attending college. That has led to higher incomes and, in turn, positioned many Americans to buy homes.

But a significant minority of borrowers are defaulting on their student loans and in turn harming their credit and ability to purchase homes, the report shows.

—Josh Mitchell

CALIFORNIA

### Wildlife Managers Reduce Abalone Catch

California wildlife managers have sharply reduced the amount of red abalone that divers can catch this year because ocean conditions have prompted extensive starvation in abalone stocks. April and November have been removed from this year’s fishing calendar for the mollusks.

Red abalone is highly sought after by California divers allowed to catch for sport only in waters north of San Francisco.

The annual abalone catch allowed per diver will be reduced to 12 from 18 to reduce this year’s harvest by 25%.

—Associated Press

# Rift Over Confederate Icons

Moves to eliminate symbols marking Civil War’s losing side meet growing resistance

By CAMERON McWHIRTER

In the recent battles over Civil War iconography, supporters of Confederate monuments, statues and flags are fighting back.

After the city council in Charlottesville, Va., voted 3-2 in February to remove an equestrian statue of Confederate Gen. Robert E. Lee, preservationist groups and individuals filed a complaint in circuit court in March saying the city violated state law and seeking an injunction to block the statue being moved. It is the latest fight in an increasingly contentious struggle in Southern communities over whether symbols of the region’s secessionist past should stay or go.

“You can’t erase history,” said Thomas Strain Jr., national commander-in-chief of the Sons of Confederate Veterans, a national heritage group with about 33,000 members, that had its Virginia chapter join the legal challenge. “At some point, the citizens are going to stand up.”

So far this year, controversies have continued—or new ones have erupted—in all 11 former Confederate states over how to remember the Civil War’s losing side. These days, removal efforts are meeting stiff resistance in city halls, legislatures and courtrooms from groups arguing the Confederate flags, markers and emblems honor the South’s past, not racism, segregation or slavery.

“Momentum slowed and it’s moving forward in a very localized way now, in college towns and large cities,” said Ethan Kytle, an associate professor at Fresno State University who researches Confederate remembrance in Charleston, S.C., and elsewhere.

During the Jim Crow era, Confederate statues and monuments were put up across the South. Streets were named for rebel generals and the familiar Confederate battle emblem—the “Southern Cross”—was placed on several state flags.

But beginning with the civil-rights movement, Confederate imagery—especially the battle emblem, which was used by segregationists as a rallying banner—has been challenged. In diverse urban areas of the South like Atlanta, many Confederate street names have disappeared and rebel flags are rarely seen.

In other areas, however, support for Confederate symbols remains strong.

In 2015, removing rebel symbols from public spaces gained traction following the shooting of nine African-American churchgoers in Charleston, S.C., by a white supremacist who ex-



A statue of Confederate Gen. Robert E. Lee in Charlottesville, Va.

alted Confederate flags. The massacre launched efforts by politicians and activists against the flag with retailers like Wal-Mart Stores Inc. and Amazon.com Inc. stopping the sale of merchandise depicting the rebels’ battle emblem. South Carolina’s then Republican Gov. Nikki Haley, now U.S. ambassador to the United Nations, worked with the state legislature to have a Confederate battle flag flying in front of the state capitol taken down.

statue of Confederate Lt. Gen. Nathan Bedford Forrest, the onetime grand wizard of the Ku Klux Klan, as well as the graves of the general and his wife, from a city park.

“People are realizing it’s just part of history and should be left alone,” said Lee Millar, regional spokesman for the Tennessee Sons of Confederate Veterans in the Memphis area.

In Alabama, the state Senate in March passed a bill called the Alabama Memorial Preservation

## Struggle over symbols of South’s secessionist past grows increasingly contentious.

But since then, supporters of Confederate imagery have been countering such moves with increasing success by pushing for monument protections in conservative-dominated legislatures and filing challenges in court. They lobbied successfully in the Mississippi legislature against efforts to remove the Confederate battle emblem from the state flag.

In Tennessee, a state historical commission in October rejected an attempt by the Memphis city council to move the

Act that would prohibit moving or changing monuments or public markers that have stood for over 20 years. The state House is considering the measure.

Having introduced a similar bill last year, state Sen. Gerald Allen, a Republican from Tuscaloosa, said this year it appears headed for passage. Confederate monuments might offend some people, but “you can’t whitewash history,” he said.

Democratic state Sen. Hank Sanders, who opposed the measure, said that he believes all

Confederate monuments should be removed from public land.

Not all efforts to remove Confederate imagery have failed. Last year, Louisville, Ky., after a brief legal challenge, moved a 70-foot-tall Confederate monument near the University of Louisville to the small town of Brandenburg, Ky., about 45 miles to the southeast.

New Orleans Mayor Mitch Landrieu is preparing to remove three rebel monuments, including one to Gen. Lee, as soon as possible, after overcoming legal challenges. The city prevailed most recently in March, when the U.S. Fifth Circuit Court of Appeals in New Orleans ruled it has authority to remove monuments. Opponents have vowed to appeal and pursue other legal challenges, and a state legislator has introduced a bill to prohibit removing such monuments.

Meanwhile, in Charlottesville, home to the University of Virginia, the city council and its opponents are preparing for a long legal fight.

“We have to come to grips with our past,” said Kathy Galvin, a councilwoman who voted against removing the statue, but supported a move to drop the names of Confederate leaders from two city parks.

# Manufacturing Maintains Momentum

By BEN LEUBSDORF

Activity in the U.S. manufacturing sector expanded at a healthy pace in March, while factories are facing rising raw-material costs that could lift broader inflation.

The Institute for Supply Management on Monday said its index of factory activity fell to 57.2 in March from 57.7 in February, which had been the strongest reading since August 2014. Despite the downshift, the gauge marked a seventh consecutive month of industrial expansion.

“It’s often all about attitude rather than fundamentals,” said Bradley Holcomb, who oversees the ISM survey. “The prospects of lower tax rates and reduced encumbrances from regulation are helping to drive this system.”

One highlight in Monday’s report: The index tracking prices paid by companies for their raw materials rose to its highest level since May 2011. Broad U.S. inflation gauges have firmed in recent months, and the Federal Reserve’s preferred price gauge in February exceeded the central bank’s 2% annual target for the first time in nearly five years.

More than has been the norm in recent years, “companies are seemingly feeling they can pass prices along” to their customers, Mr. Holcomb said. He added, “We’ll watch and



An employee worked at Pewag Inc.’s chain-manufacturing facility in Pueblo, Colo., last month.

see, but people are commenting on it for sure.”

Other details were upbeat. While indexes for new orders and production pulled back in March, the employment index rose to its highest level since June 2011. The index tracking new export orders hit its highest level since November 2013, signaling stronger global growth.

Among 18 industries tracked in Monday’s report, 17 reported growth during March and one said there was no change in conditions.

The U.S. factory sector has been on the upswing after a rough patch in 2015 and early 2016, when falling oil prices squeezed energy firms and a strong dollar depressed demand for U.S. products by making them more expensive for foreign customers.

The rebound in actual production has been less dramatic than the surge in sentiment. Manufacturing production was up 1.3% in February from a year earlier, according to Federal Reserve data.

Total industrial production,

including output from utilities and mines, rose 0.4% on the year in February.

More broadly, data on U.S. consumer and business confidence has outpaced hard data on economic activity in recent months.

Some forecasters expect stronger growth because of tax cuts and other policy changes under the Trump administration, but the timing and details remain uncertain.

The government will release its initial estimate of first-quarter GDP on April 28.



IN DEPTH

TECH

Continued from Page One  
debuts so far this year, including Snap.

Investment bankers and lawyers expect that the vast majority of the highest-valued companies that are now private would use some form of dual-class structure if they decide to go public. The most valuable companies include Uber Technologies Inc., Palantir Technologies Inc. and Airbnb Inc.

On Friday, Snap shares closed at \$22.53, up a third from their \$17-a-share offering price March 1, valuing the five-year-old company at about \$27 billion. Snap raised \$3.9 billion in the IPO, according to Dealogic. Snap declined to comment on why Messrs. Spiegel and Murphy were the only employees on the NYSE balcony when the stock began trading.

In the first quarter, there were 29 IPOs of U.S.-listed companies, up from nine a year earlier. Just four of the IPOs in the latest quarter were by tech companies, according to Dealogic, and 2016 was the slowest year for tech IPOs since the financial crisis.

Since Snap's stock sale, though, investment bankers and lawyers who work with tech companies said they have been fielding phone calls from closely held companies that are considering going public and are eager to explore similar share-class structures.

Watered down

The shift troubles some investors, corporate-governance advocates and even Silicon Valley executives. They said watered-down voting power hurts shareholder democracy and leaves those investors vulnerable.

"It reduces the role of a board member to that of an adviser who works at the behest or pleasure of the founder," said Mark Lonergan, founder and managing partner of executive-search firm Lonergan Partners in Redwood City, Calif.

The Council of Institutional Investors, which represents large pension funds and other shareholders, has proposed barring Snap from stock-market indexes such as the S&P 500 because the company's structure "will undermine the quality and confidence of public shareholders in the market."

Snap could become eligible to join the S&P 500 after the company is profitable for four quarters in a row. Analysts and investors don't expect that to happen for at least two years.

Officials at S&P Dow Jones Indices, which manages the stock benchmark, have said they would consider Snap's corporate governance as part of their overall review.

Matt MacInnis, chief executive of Inking Systems Inc., based in San Francisco, has qualms about creating two classes of stock but wouldn't rule it out if the labor-management software company eventually decides to go public. In-



klings has raised \$95 million from venture-capital investors since its launch in 2009.

"There's an element of: 'We'll take money from common shareholders, but we're not accountable to them,'" Mr. MacInnis said.

It is hard for investors to resist promising tech IPOs even if that means they will wind up with little or no voice at the company. "As a firm, we much prefer shareholder-friendly management teams and boards with good corporate governance," said Dan Ernst, a senior analyst at asset manager Welch Capital Partners LLC in New York. "But if you're dogmatic, you won't get a chance to participate in Facebook or Google."

Winner-take-all culture

Vivek Wadhwa, a distinguished fellow at Carnegie Mellon University's College of Engineering, said the "winner-take-all" culture in which a few tech companies emerge as hugely profitable from among a far-larger number that fail encourages investors to give tech executives more leeway.

As a result, "CEOs in Silicon Valley now have God complexes," he said.

Google parent Alphabet Inc. and Facebook have gained nearly \$800 billion in combined stock-market value since their initial public offerings. Alphabet shares are up nearly 1,900% since their debut in 2004, while Facebook is up nearly 300%, trouncing the overall stock market.

When Google went public, co-founders Sergey Brin and Larry Page and CEO Eric Schmidt held 33% of the internet search giant's shares and 38% of the voting power. Mr. Brin is now Alphabet's president, Mr. Page is chief executive and Mr. Schmidt is executive chairman.

Facebook's Mr. Zuckerberg held 28% of the shares and 58% of the voting power at the time of the social-networking com-

pany's IPO in 2012.

Google now sells a nonvoting class of stock, and Facebook plans to issue nonvoting stock. The companies have said different types of stock help executives manage for the long run, rather than worry about appeasing investors who are fixated on short-term gains.

Spencer Rascoff, chief executive of Zillow Group Inc., which has three classes of stock, wrote in a LinkedIn post in 2015 that supervoting shares should assuage private-company CEOs who are wary about going public. "There is a way to have the benefits of being public while keeping a company quick to move and focused on the long term," he wrote.

Numerous academic studies show no statistical difference between the stock-price performance of companies with supervoting shares and those without, according to Mr. Ritter, the Florida finance professor. His own study came to a similar conclusion.

Zynga Inc. founder Mark Pincus held a class of shares with 70 votes per share when the videogame company went public in 2011. Its share price fell from \$10 to about \$3 as Zynga's user base declined.

Mr. Pincus is Zynga's chairman and has been its chief executive twice. He still holds

70% of the total voting power.

Some investors have complained that his huge voting stake has made it difficult for another leader to emerge and take Zynga in a new direction.

Frank Gibeau, Zynga's chief executive since March 2016, said in February that the company has "made significant progress this year in our turnaround."

News Corp., the owner of The Wall Street Journal's parent, Dow Jones & Co., has two classes of shares, which allow Executive Chairman Rupert Murdoch and his family to maintain greater influence over the media company.

Class A shares that make up about two-thirds of News Corp's equity base have no voting power, while Mr. Murdoch and his family trust hold about 39% of the Class B voting shares.

A century of supervotes

Supervoting shares have been around for more than a century and began to proliferate in the 1920s. Dodge Brothers Inc., the auto maker that later became part of Chrysler, raised more than \$100 million in an offering that limited the voting power of new investors.

More Controlling

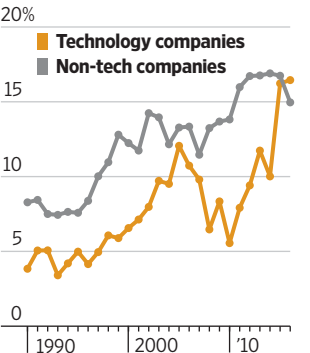
Snap's largest shareholders have far more voting power than those at Facebook and Google's parent, Alphabet.

Company / Founders and/or executives	Year of IPO	Percentage of votes held		Change since IPO: Stock price S&P 500
		Percentage of votes held	Percentage of shares held	
Snap Evan Spiegel, Bobby Murphy	2017	90.5		33%
		38.4		-1%
Facebook Mark Zuckerberg	2012	57.6		274%
		27.6		81%
Alphabet Sergey Brin, Larry Page, Eric Schmidt	2004	37.6		1,893%
		33.3		117%

Note: Percentage changes in stock prices and S&P 500 are as of Friday's close.  
Sources: the companies (votes, shares); FactSet (change) THE WALL STREET JOURNAL.

Doubling Up

Percentage of companies that went public with more than one class of shares



Note: Figures are five-year rolling averages  
Source: University of Florida Prof. Jay Ritter  
THE WALL STREET JOURNAL.

Evan Spiegel, chief executive of Snap Inc., center, and Bobby Murphy, the firm's chief technology officer, left, ring the opening bell at the New York Stock Exchange during the company's initial public offering last month.

and Murphy also don't want to be pushed to accept a takeover offer, which would eliminate the chance to build Snap for the long term.

In mid-October, Snap officials held a meeting to initiate the IPO process, the people said. Snap's investment bankers, from securities firms that included Morgan Stanley and Goldman Sachs Group Inc., were told to arrive at one of Snap's warehouses in Venice, Calif., in any vehicle but a black car and without suits to ensure that word of the meeting wouldn't leak.

No one says no to Snap

Snap told the dozens of investment bankers at the meeting that it wanted the IPO to include only nonvoting shares, people familiar with the meeting said. No one raised objections or questions about the plan, a sign that the bankers believed few prospective investors would balk.

At a lunch meeting with potential IPO investors in New York in late February, Mr. Spiegel and Snap's chief financial officer and chief strategy officer were asked mostly about the company's growth prospects and ability to ward off competition, according to people who went to the meeting.

Snap's near-absolute control by Messrs. Spiegel and Murphy and their decision to sell shares with no voting power came up only in a small number of private meetings with potential investors, the people said.

A person familiar with the initial public offering said he knows of only one investment fund that could have bought Snap shares but decided not to because of the 90.5% voting stake held by the two co-founders, who hold 38.4% of the company's shares.

Snap got orders for more than 10 times as many shares as the number that were for sale in the IPO.

BIKES

Continued from Page One  
eral mischief-making have led many to meet grisly fates.

The abuse has become so widespread that several hundred Good Samaritans across the country have taken up the cause. "I can't bear to see this behavior," said 26-year-old Sun Shiyue, who works for a unit of Coca-Cola Co. in Shanghai by day, and patrols his neighborhood by night with a flashlight looking for damaged or misused bikes from Mobike, one of China's largest bike-share programs.

He reports problems via the Mobike app, moves badly parked bikes and tapes a small notice—which he made himself—to the bike's saddle rebuking the previous user for irresponsible behavior.

"They are the prey, and I am the hunter," he said of the saboteurs.

Before China began opening up in the late 1970s, bicycles conferred prestige. They were one of the four status symbols Chinese newlyweds aspired to own—the others being a watch, a radio and a sewing machine. Bicycles lost their glow to cars as China's economy took off, but as traffic and congestion became a problem, bikes became trendy again.

In recent months, investors have plowed \$1 billion into Chinese bike-share companies.

The bright yellow, single-gear bikes from Ofo, another of the nation's largest operators, cost under \$60 apiece, making them relatively unattractive to thieves, said Chief Operating Officer Zhang Yanqi. But their locks are simple and security is rudimentary, a strategy Mr. Zhang said helps keep costs low. Users receive a code for a bike's combination lock after inputting the bike's ID number into the Ofo app.

Ofo has lost 1% of its bikes since it launched in September 2015—a small share but still a large number; Ofo is set to have 20 million bikes on the street by the end of 2017, Mr. Zhang said.

Mobike, Ofo's orange rival, has taken a different tack: Its higher-end bicycles cost up to

\$400 each to build; users unlock them by scanning a QR code on the bike with their smartphone. They are bristling with security measures, including GPS tracking and an alarm system. That makes Mobike's loss rate "negligible," said spokesman Martin Reidy.

Nevertheless, tech-savvy thieves have begun producing fake QR codes for Mobikes and sticking them over the genuine codes. When users scan the bogus codes they end up, in some cases, transferring money to the scammers. Two men in the coastal cities of Ningbo and Fuzhou were charged with committing such a fraud in March, state media reported.

Bikes stolen from various programs—and repainted—have turned up for sale in

countryside shops.

A man in Chengdu was arrested last month after being caught red-handed, surrounded by the dismantled parts of numerous shared bikes. Stealing the bikes and reselling them whole was too subtle, the man told police, local media said, so he was breaking the bikes down and jumbling the parts together to form new ones.

Some people are so fond of the bikes they have taken to hoarding them, so one is always handy. It is common to see bikes stashed inside offices, or cached in stairwells. In February, two Beijing nurses were arrested for allegedly locking up shared bikes with their own locks, for which they spent five days locked up themselves, lo-

cal media reported.

In January, hundreds of shared bikes were found dumped in a huge pile in the southern city of Shenzhen by unknown saboteurs. In other locations, ranks of bikes have had their brake lines severed. Vandals have also taken to scratching off Ofo bikes' ID codes, making locked bikes unusable.

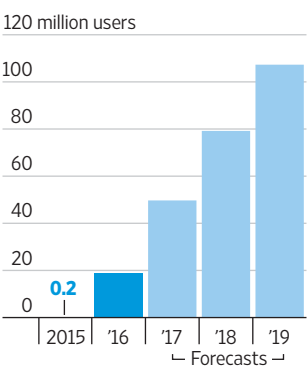
Some of the vandalism is just old-fashioned mischief. Li, a 12-year-old Shanghai middle-school student, and his friends have a game: seeing how many Ofo bikes they can unlock by exploiting a weakness in the company's system. People often neglect to jumble up the lock's combination at the end of their ride, enabling someone to flip open the lock



A mass of sabotaged shared bikes near a park in Shenzhen in southern China.

Biking Bonanza

Use of China's shared bike services is growing fast.



Source: BigData Research  
THE WALL STREET JOURNAL.

free of charge.

"It's a lot of fun," Li said. Sometimes they mix it up by locking bikes together, Li said, or by removing locks and swapping them, baffling the next user when the code they are given doesn't work.

Authorities, until now generally supportive of the programs, are starting to get fed up with the snarls of parked share bikes blocking streets and intersections.

A vendor at Beijing's Bawangfen long-distance bus station said thousands of shared bikes routinely block buses from entering or leaving the station. "It causes arguments and even fights," said the vendor, who gave only his surname, Yan. "The city sent a guy to maintain order, but he does nothing."

Some local governments have impounded thousands of bikes, and Shanghai authorities warned bike companies not to put any more on the streets. Mobike and Ofo both said they are working with authorities to iron out these troubles.

Mr. Sun, the Good Samaritan, said bike sharing had brought too big an improvement to urban China to be fatally punctured by crooks or vandals. He said he thinks China will eventually learn to love its bikes once more, adding, "Mobike is part of my life now."

—Junya Qian and Kersten Zhang  
contributed to this article.



# LIFE & ARTS

## FAMILY

# When Can My Child Mow the Lawn?

Chores boost confidence and teach many lessons; a guide to appropriate tasks children can master by age

BY ELLEN BYRON

**CAN YOUR 8-YEAR-OLD** vacuum yet?

Assigning new jobs for children as they mature will develop their work ethic, says Gregg Murset, chief executive of BusyKid, a chore and allowance tracking app based in Scottsdale, Ariz. “The most important thing is to challenge them,” he says. “Once they have some proficiency you need to make them stretch to do the next job.”

Mr. Murset, a father of six children ages 10 to 20, believes parents should teach children to do housework when they’re young, no matter if it yields imperfect results. “Even though it’s easier to just clean the toilet by yourself and be done with it, you have to take the long view and realize that these fundamental life skills are so important,” he says.

Michael Eisenberg, a financial advisor in Encino, Calif., and member of the American Institute of CPA’s National Financial Literacy Commission, recommends attaching an allowance. “At earlier ages, it instills within children the reality that you do something and you get paid for it,” he says.

Here are some housework and personal-finance matters that children can master, by age.

### 5 and Under: Grasp the Basics

Parents should teach children to pick up their toys and clean their bedroom. Hygiene rituals, including brushing teeth and combing hair, can also be assigned as daily jobs. “You need to get young children started on these basics so they will be able to graduate to more important tasks,” says Mr. Murset.

Instead of an allowance at this age, show children how to put coins into a piggy bank.

### 6 to 9: Find New Challenges

Assigning essential tasks like filling the dog bowls with food and water and operating household appliances like the vacuum and dishwasher help build maturity, responsibility and motor skills.

Families should introduce an allowance at this stage and visit a bank together. “Let them watch a teller take the money, do a deposit and see how much they have in their account,” says Mr. Eisenberg. Parents can also offer to match a child’s savings to help reach a goal, like buying a toy. The incentive mirrors adult retirement savings programs.

### 10 to 12: Offer Choices

Chores that let children make



For age 5 and under, pick up the toys, clean the bedroom and comb their hair.



Teens, 13 to 15, can wash the windows, clean the garage and mow the lawn.

their own decisions are effective confidence boosters, Mr. Murset says. Taking out the trash and walking the garbage and recycling cans to and from the curb require manipulating awkward items and offer a taste of independence, he says. So does making their school lunches. “They can decide what’s in their lunch, and figure out when and how to get it done,” he says.

As chores increase in sophistication and are completed successfully, allowances should rise, too, Mr. Eisenberg says. Parents should help children designate their earnings between spending, savings

and even investing. Children can buy a few shares of companies that make products they’re interested in, such as toy, candy or entertainment companies.

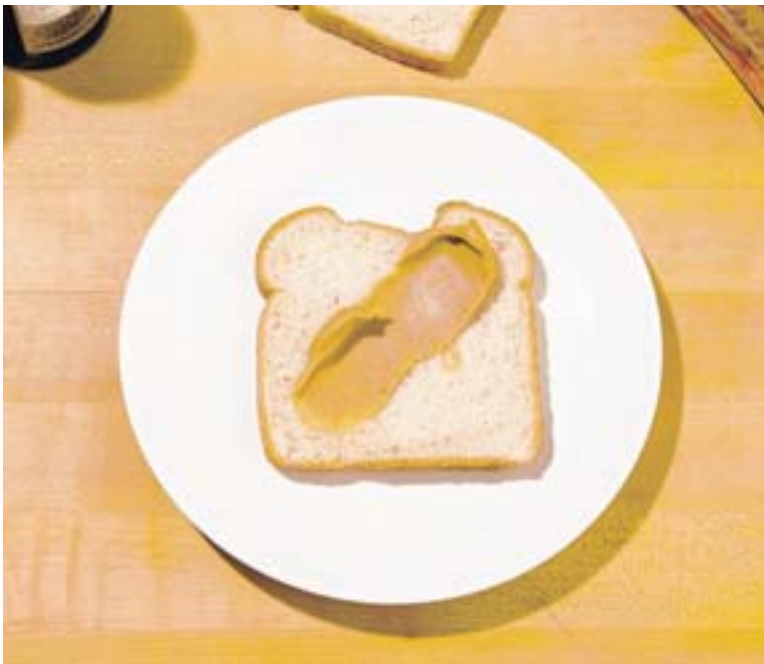
### 13 to 15: Build Ambition

“Teens now need to do the big stuff, like mow the lawn and wash the windows and cars, making sure there are no spots on them,” says Mr. Murset. “The ability to get a job done all the way is a really good skill to have.”

New and more challenging tasks help keep teenagers motivated, he says. “A work ethic has to be developed over time, and as you get



By age 16 to 18, teens can do laundry, grocery shop and car maintenance.



Chores for ages 10 to 12 include making lunch and taking out the trash.

harder tasks, you’re becoming better adept taking on those challenges and accomplishing them—that’s the character development piece.”

Given the rise of electronic banking, few children will grow up watching their parents tackle bills each month with a stack of paper statements and a checkbook. Sitting with your teenager as you pay bills online introduces how households manage finances, and how much everything costs, Mr. Eisenberg says.

### 16 to 18: Time to Grow Up

“This is when you start piling on

the stuff that they’re actually going to need in the next few years of their life, when they’re adults,” says Mr. Murset. “Have them do their own laundry and cook their own dinner once a week.”

Other adult errands, like grocery shopping and taking the car for an oil change or emissions testing, help them better articulate their needs to strangers, he says. “And if you have a teen with an attitude problem, send them to the DMV, that’s even better,” Mr. Murset says.

At this stage, Mr. Eisenberg wants teenagers to get a summer job outside the home.

## YOUR HEALTH | By Sumathi Reddy

# A PUSH TO ENCOURAGE SCANS FOR SKIN CANCER

**BEVERLY MCCORMICK** gets a full-body exam for skin cancer every six months. With blond hair, freckles and light skin, she’s not taking any chances.

Ms. McCormick, a 64-year-old manager in the financial-services department at the Christ Hospital in Cincinnati, says that over the years her dermatologist has removed a squamous cell carcinoma—a type of skin cancer—as well as numerous precancerous lesions.

“This isn’t one of those preventive services like mammograms or pap smears that are always covered by insurance,” she said. Most of the cost goes toward her high-deductible insurance plan.

Melanoma accounts for the majority of skin cancer-related deaths and is the fifth most common invasive cancer in men and the seventh in women. In the U.S., there is no national consensus on who should be screened for melanoma or how often, so insurance coverage varies.

Currently, most patients who get regular exams, like Ms. McCormick, consult a dermatologist on their own initiative. But some experts say screening for melanoma should be more widespread and accessible. In a perspective piece published last week in the journal *Melanoma Management*, more than 50 dermatologists and skin-cancer experts called for uniform



Some doctors say individuals at high risk for skin cancer should have one head-to-toe exam a year.

guidelines to help individuals determine whether they should get regular total-body skin exams.

Such tests usually entail a 10-to-20-minute head-to-toe examination in which a health professional studies the size, shape, color and borders of moles, including in hard-to-spot places such as the scalp, under fingernails, behind the ears and even in the iris of the eyes. Any suspicious-looking moles

often will be tested for skin cancer.

In the *Melanoma Management* article, the experts recommend an annual total body skin exam for people between the ages of 35 and 75 with one or more risk factors. Such factors include previous cases of melanoma, a mutation in a melanoma gene or a compromised immune system. Other risk factors: a family history of mela-

noma or a history of indoor tanning and blistering sunburns. Finally, an annual exam is recommended for individuals with a broad array of physical features, such as light skin; blonde or red hair; lots of freckles; severely sun-damaged skin; 40 or more moles; or two or more atypical moles.

“It’s probably one of the most cost-effective screenings you can think about,” said Sancy Leach-

man, director of the melanoma research program at Oregon Health & Science University’s Knight Cancer Institute in Portland.

Dr. Leachman was one of the two first authors on the perspective piece. Because there isn’t a high concentration of dermatologists in every part of the country, she said, it makes sense for primary-care physicians also to perform exams. But to do so, insurance coverage is necessary, she said.

Some experts say the criteria set forth in the *Melanoma Management* article don’t go far enough.

“I recommend that every adult have an annual skin examination,” said Elizabeth Hale, a clinical associate professor of dermatology at New York University Langone Medical Center and senior vice president of the Skin Cancer Foundation, which also recommends annual screenings for everyone.

Dr. Hale recommends that individuals with risk factors such as indoor tanning, light skin, freckles or atypical moles get two scans a year. “What makes skin cancer so unique is early detection is possible and so critical,” she said.

The average five-year survival rate is as high as 98% for melanoma caught at an early stage, but drops to about 18% once it is stage four, or has spread to other organs.



OPINION

REVIEW & OUTLOOK

The Other French Radical

You wouldn't know from the heavy media coverage of Marine Le Pen, but the National Front leader isn't the only radical outsider threatening the French political establishment in this month's presidential election campaign. The other is independent hard-left candidate Jean-Luc Mélenchon, who over the weekend overtook the center-left Socialists in the polls.

Socialist voters are abandoning the party for a hard-left alternative.

Mr. Mélenchon is in striking distance of displacing the center-right's François Fillon in third place, not far behind the two frontrunners, Ms. Le Pen and the independent centrist Emmanuel Macron. If enough Socialist voters abandon their party's candidate, Benoît Hamon, Mr. Mélenchon might make it to the second round in May.

The 65-year-old spent 35 years in the Socialist Party before leaving in 2008 to launch his own movement, which he calls "Unbowed France." Mr. Mélenchon makes Bernie Sanders look like American Senator Ted Cruz, and his campaign platform would undo even the modest pro-growth reforms enacted in France over the past decade while adding a raft of new statist measures.

These include raising the minimum wage by 15% to €1,300 (\$1,386) a month after taxes; shortening the workweek to 32 hours from 35, and lowering the retirement age to 60 from 62. Mr. Mélenchon would slap a 100% tax on anyone earning 20 times the median income, or about €33,000 a month. For bad measure, he vows a €273 billion splurge in stimulus spending, public works and "green" projects.

Mr. Hamon, his rival for the left-wing vote, calls these proposals irresponsible. But Mr. Hamon, a former education minister, isn't all that moderate himself. He won the Socialist nomination after thumping the party's reform wing, led by former Prime Minister Manuel Valls. Mr. Hamon would also shorten the work-week, and he wants to fund a universal basic in-

come by taxing firms that employ robots.

The problem for Mr. Hamon is that voters associate him with President François Hollande's disastrous tenure, which began in 2012 with a march to the hard left and ended with modest attempts at pro-growth reforms. Socialist voters who liked the reform half are now supporting Mr. Macron, while the party's base sees Mr. Mélenchon as the authentic voice of the left. Why support Mélenchon-lite in Mr. Hamon if you can get the real thing?

France's leftist grandees are urging the two men to merge campaigns in the hope of making it to the runoff, likely against Ms. Le Pen, but Mr. Mélenchon has so far resisted. It isn't clear whom his voters would support in case Mr. Mélenchon is eliminated in the first round. Mr. Mélenchon so loathes Ms. Le Pen that he refuses to mention her by name, yet the two see eye-to-eye on many economic questions.

Like Ms. Le Pen, Mr. Mélenchon wants to see Paris form an alliance with Vladimir Putin and Bashar Assad. He wants to pull the country out of NATO, and he views the European Union as a "neoliberal" vehicle designed to oppress French workers. Voters who back such a platform might prefer to hold their noses and vote for Ms. Le Pen in a runoff instead of supporting a reformer like Mr. Macron.

France isn't the only country where the traditional center-left party is either jumping further to the left or falling off a political cliff, or both. Support for Britain's Labour Party has plummeted under the leadership of '60s-style radical Jeremy Corbyn, and the center-left Labor Party fell apart in last month's election in the Netherlands, supplanted by the Greens and the far-left D66 party.

The collapse of Europe's center-left is as important a story as the rise of the far-right. In France it is another reason not to rule out a Le Pen victory next month.

The U.K. Boom That Debt Built

Britain's financial watchdog on Monday proposed new regulations on credit-card issuers to bail out overindebted consumers. No prizes for guessing how successful more rules will prove in rowing against the current of Britain's monetary policy.

Now regulators worry about the effects of growth bought on credit.

The Financial Conduct Authority (FCA) wants to require banks to waive fees and interest for household borrowers overwhelmed by credit-card debt. Around 3.3 million Brits have gone 18 months paying more interest and fees than principal on their credit-card balances, according to the FCA's new definition of "persistent debt." The FCA wants card issuers to prod such debtors to repay faster, or ultimately give them a break on their repayments.

Think of this as an attempt to treat Britain's debt hangover before the patient has stopped drinking. Over the past year the growth rates

in overall personal debt and credit-card debt have hit levels not seen since 2005—more than 10% on a rolling 12-month basis each month

for the former and nearly 10% for the latter. Household consumption has pumped up economic growth since last year's Brexit vote despite skittish business investment. Consumption is crucial to

growth but it's only sustainable when it's part of a virtuous circle of business investment and rising wages, not merely rising debt.

This isn't the kind of economic "recovery" Britain's central bankers thought they'd get when they spent a decade trying to prop up business investment with ultralow interest rates. And no one should think that rules to ease the burden on Britain's most heavily indebted households will make the economy any safer if a bout of rising unemployment or slower wage growth hits.

The Truth About the China Trade Shock

When President Trump hosts Chinese President Xi Jinping this week at Mar-a-Lago, trade will be high on the agenda. If Mr. Trump hopes to come away a winner, he'll need the right objectives. That means focusing on China's mercantilist practices without jeopardizing the benefits of mutual trade and investment.

New evidence shows that imports made firms and workers more competitive.

Support for this policy comes from two recent economic studies that debunk the claim that imports from China—particularly after its accession to the World Trade Organization (WTO) in 2001—have hollowed out large areas of the U.S. and made Americans worse off.

The two new papers address the work of MIT economist David Autor and co-authors David Dorn and Gordon Hanson, who have published several papers on Chinese imports. Their much-quoted study, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," looked at 722 geographic areas from 1990-2000 and 2000-2007. It found that "rising imports cause higher unemployment, lower labor force participation, and reduced wages in local labor markets that house import-competing manufacturing industries."

Jonathan Rothwell, senior economist at Gallup and a visiting scholar at George Washington University Institute of Public Policy, studied the effects of China trade on the same areas during the same two time periods. His findings, published in "Cutting the Losses: Reassessing the Costs of Import Competition to Workers and Communities," are different because his methodology is different.

The Autor team compared changes across the two time periods, but Mr. Rothwell analyzed the two time periods separately. He did this to account for macroeconomic trends, which were not the same in both times for all places. For example, the dot.com boom followed by a bust in places like San Jose, California shows a downturn in the second period compared to the first but that had little to do with China.

Mr. Rothwell's results show that foreign competition did not affect workers in manufacturing any more than domestic factors like automation, bad management or right-to-work, low-tax states. The economist finds "the risk of layoff and unemployment to workers in trade-

exposed sectors is comparable—or even lower—than the risk to workers in non-traded sectors and that these risks have not increased during the period of more intense competition with Chinese imports."

A second recent study—"Firm Reorganization, Chinese Imports, and US Manufacturing Employment" by Columbia Ph.D. candidate Ildikó Magyar—looks at the impact of Chinese imports on U.S. companies. It finds that trade with China reduced costs and allowed firms to expand "their total manufacturing employment in industries in which the US has a comparative advantage relative to China, even as specific" parts of the same company got smaller.

Although Chinese imports may mean job losses in one part of the company, Mr. Magyar writes, "these losses were more than offset by gains in employment within the same firms. Contrary to conventional wisdom, firms exposed to greater Chinese imports created more manufacturing and nonmanufacturing jobs than non-exposed firms." Somewhere David Ricardo is smiling.

Both studies conclude that competition from China increased the value of U.S. workers. As Ms. Magyar notes, using Census Bureau data, companies that faced competition and reorganized, expanded employment "by 2 percent more per year as they hired more (i) production workers in manufacturing, whom they paid higher wages, and (ii) in services complementary to high-skilled and high-tech manufacturing, such as R&D, design, engineering, and headquarters services."

An import surge does hurt some workers in some industries, and the Chinese surge after its entry into the World Trade Organization was bigger than most. But the evidence suggests that its impact was also a net benefit to many U.S. workers and firms, and that's without taking into account the benefit to consumers from lower prices for clothing and other daily goods. In any event that surge is now over and the U.S. economy has adjusted.

Mr. Trump is right to press Mr. Xi on intellectual property and cyber theft, high tariffs, favoritism to "national champions" and other bad practices. He shouldn't worry about trade in general or the size of the trade deficit.

In France, Extreme Is the New Mainstream



EYE ON EUROPE  
By John Vinocur

France's weakness against challenges to its democratic instincts is being exposed as the country wobbles toward the first round of its presidential election on April 23.

The latest evidence for concern came last week when far-left candidate Jean-Luc Mélenchon finished first in a poll to find the politician the French would most desire "to play an important role in the future." He leaped ahead of Emmanuel Macron, the clear favorite in general polls on the presidential race, and widely distanced Marine Le Pen of the extreme right.

At age 65, Mr. Mélenchon has built a career out of continued excess and rage. He wants France out of NATO and out of the European Union. He prefers a partnership with Russia and a French constitution rewritten exclusively by people who have never held national office. Writ smaller, Mr. Mélenchon makes Big Rock Candy Mountain promises of a sixth week of annual vacation and limiting work on Sundays.

At the same time, there is no current public-opinion survey that doesn't project Mr. Macron, a former Socialist economics minister and self-proclaimed "progressive," as the expected victor against Ms. Le Pen in the final round of voting May 7.

Friends of France grasp the trouble. As Italy's former prime minister, Romano Prodi, commented last month: "You often ask yourself—where has France gone?"

To a considerable measure, the answer is into an imploding, grotesque political universe. The country's extremist candidates at the right and left now outweigh the combined voter projections for the mainstream Gaullists and Socialists, which have provided France with presidents since 1981.

A poll over the weekend found that Mr. Mélenchon (15%) and Ms. Le Pen (24%)—extremists with no use for each other—would notionally outrun by a 39 to 30.5 margin the combined first-round score of the Socialist Benoît Hamon (11.5%) and the Republican François Fillon (19%).

Alain Minc, an advisor to presidents and now a Macron-backer, dismisses the Mélenchon factor as "talent, showmanship—nothing to do with basics." Still, a poll last week showed the French believing that Mr. Mélenchon is the candidate most likely to increase, without specifying how, their buying power.

These scores ultimately emphasize how the extreme left and right, moving into terrain formerly occupied by the traditional parties, have been legitimized since the last presidential election in 2012. The causes? Scandal, loss of identity, economic failure, and the weak responses to terrorism and Islamic radicalism at home that have characterized politics in François Hollande's France.

Alongside her visceral contempt for immigrants, Ms. Le Pen's Mélenchon-like allegiance to Vladimir Putin and campaign to get France out of the EU are well known. At full blast, Mr. Mélenchon reviles money, finance, America and Angela Merkel. He insists French workers are treated like "parasitic encumbrances" and has accused workers migrating to France of trying to "steal their bread."

Together, the two extremist leaders do not form an axis but a notional Rejection Front that melds class warfare, prejudice and anti-Western instincts. Even assuming they are shut out of the presidency, there is a symbiosis in their attitudes that would underpin the French staple of antireformist street warfare certain to greet a Macron presidency—and its planned changes in labor-market and education policies. Such demonstrations are fertile ground for anarchistic gangs, some with ties to extremism, and the violence they often bring.

Voters head to the left and right fringes as scandal and economic malaise sap support for centrists.

Some critics see the hardline candidates sharpening their vocabularies. In February, a major Jewish organization refused to invite either Ms. Le Pen or Mr. Mélenchon to its annual dinner, a national political event, saying the two "convey hatred."

Last week, a reporter in a televised face-to-face with Ms. Le Pen asked her if there wasn't a foul odor escaping from under the detoxified, "polished surface of the National Front."

He referred to four incidents, including one involving a National Front municipal councilman. In his town, home to many Roma, the councilman said their unpaid rent could be offset by hiring dentists "who would recuperate their gold teeth and replace them with metal ones."

After calling the reporter "a hoodlum," Ms. Le Pen told the TV audience that a local party disciplinary body would review the remark. The town's mayor soon announced he had turned the incident over to the regional state prosecutor's office.

Mr. Mélenchon increasingly sees himself as making it to the presidential runoff round. Rather than as a candidate of fear and disruption—a weekend poll said 63% of the French were scared of him—he insisted, "I'm becoming a reassuring figure."

Reality makes that an awful but unnerving joke. In a country gripped by multiple tensions, and uncertain prospects for relieving them, the leaders of the far right and left are tightening France's confrontational screws, and with that, providing a threat of violence from its extremes.

LETTERS TO THE EDITOR

Should We Tax Robots as We Do Workers?

Regarding Andy Kessler's "Bill Gates vs. the Robots" (op-ed, March 28): Bill Gates has suggested that we tax the robots in proportion to the jobs they displace. It isn't clear if this is intended to compensate for the lost income taxes no longer paid by the workers who were replaced or to discourage the use of robots. Given the consistency of robots' output and their ability to function in dangerous and unpleasant environments, they may still be a better choice in many circumstances. The calculation of a "robot tax" will be complex and will constantly change as the robots take on more and more functions. Likely a whole new Washington building will be needed, filled with bureaucrats calculating the robot tax and imposing more regulations on American industry. Some categories of employment will increase. How far will this go? What about washing machines and dishwashers? Those jobs used to be done by humans.

Rather than making American industry more competitive by reducing business- and corporate-income taxes and regulations, this approach

imposes more taxes and regulations. This will drive out still more manufacturers and further reduce factory employment. This demonstrates the heavy propensity to use taxation and tax breaks as a solution to too many problems while remaining blind to the damage caused. All too often higher taxes lead to lower tax revenue as business and industry are demotivated.

WALTER S. CICIORA, PH.D.  
Southport, Conn.

Mr. Kessler rallies around the blessing of robotics in the form of computers, the internet and Microsoft. And so it should be. But robotics have a downside in human impact that Mr. Kessler skims over. Robotics has led to much of the unemployment in the Rust Belt. Donald Trump campaigned to restore the Rust Belt and to "bring back the jobs." But the robots have the jobs. What does that mean for the people who are no longer useful? They are in need, and America's Republican president has come to help those people.

LINDSAY RALPHS  
Oakland, Calif.

Dutch Face a More Universal Refugee Concern

Leon de Winter's suggestion that Dutch citizens want "immigrants [to] practice tolerance, work and study hard, and teach their children to be proud and contributing members of this society" seems like a reasonable set of expectations for their newly arrived neighbors ("Immigration, Welfare and the Nervous Dutch," op-ed, March 14).

The question is what should governments do when immigrants arrive from war-torn countries that are breeding grounds for terrorists, and European host countries begin to pay a heavy price for those who choose not to assimilate and in some cases bite the generous hand that feeds them.

Thanks to the collapse of American influence in stabilizing the Middle East and the subsequent refugee crisis that resulted, we may soon find out how much that tolerance has frayed, not only in the Netherlands but throughout Europe.

TOM O'HARE  
Charlestown, R.I.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsjltrs@wsj.com](mailto:wsjltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.



OPINION

# How to Make U.S. Tax Reform Bipartisan

By Jason Furman

The implosion of the Republican health-care bill shows the limits of what one party alone can do in Washington. Tax reform will be even trickier, since it touches a larger fraction of the economy and threatens more powerful vested interests. The only hope for seriously revamping America’s inefficient business-tax system to unlock stronger economic growth is a bipartisan approach, but it will require a course correction by President Trump. Here are five important steps to building a sensible tax reform:

## Focus on fixing the badly broken corporate-tax system, and commit to no loss of revenue.

- *Commit to revenue neutrality and distributional neutrality, as in the 1986 tax reform.* In other words, a bipartisan plan would focus on making the tax system more efficient, without cutting the revenue raised or shifting the burden in any direction. This would not require a change in rhetoric. House Speaker Paul Ryan has already said tax reform should be revenue-neutral, and Treasury Secretary Steven Mnuchin has said that there will be “no absolute tax cut for the upper class.” Any specific legislation should be judged against these benchmarks by the nonpartisan analysts at the Joint Committee on Taxation, a group that incidentally

now uses dynamic scoring in assessing major tax changes. But the frameworks put out last year by the Trump campaign and House Republicans do not pass the test. They would add trillions of dollars to the deficit while providing, respectively, 50.8% and 99.6% of their benefits to the top 1%, according to the Tax Policy Center.

- *Focus on business taxes only.* This is where the largest economic gains from tax reform can be found. In part that’s because companies can and do move across borders in search of lower taxes, while individuals are much less likely to do so.

For a reformed system to work, all large companies should have to file under the corporate tax code, as President George W. Bush’s tax-reform commission proposed. Small businesses should have their rates left alone but could be helped in other ways—for instance, with more-generous tax breaks for research or employer benefits.

- *For overseas business income, adopt something like a “minimum tax.”* The current system, which taxes American companies on their repatriated earnings at the regular rate of 35%, is badly broken. It raises little or no revenue while imposing substantial distortions, such as giving firms an incentive to stash money overseas permanently.

A minimum tax instead would apply to all overseas earnings at some intermediate rate—President Obama proposed 19% and Republican Sen. Rob Portman supported a lower rate. Earnings could then be repatriated tax-free. A minimum tax would not apply to invest-



ments in countries like Germany or the U.K., which already tax American companies doing business there at over 19%. But on investments in low-tax countries like Ireland, which has a corporate rate of 12.5%, American firms would pay the difference. Profits reported in tax havens like the Cayman Islands could end up facing nearly the full 19%.

This is a less elegant solution to taxing international income than the House Republican plan of shifting to a territorial system with a border adjustment. But the GOP proposal comes with serious side effects: large movements in the currency, shifts in asset prices, and the potential to start a trade war. A minimum tax would avoid all of those.

- *For domestic business income, adopt something along the lines of the House Republican proposal.* Shift from taxing profits to taxing

cash flow. This would allow businesses to expense their investments fully while disallowing interest deductions—effectively like a consumption tax. At the same time, eliminate as many loopholes as possible and lower the tax rate as far as possible. These reforms would make the tax system neutral toward investing in different types of assets, as well as neutral between financing with debt or with equity.

How low could rates drop? Closing loopholes and moving to an international minimum tax would provide some revenue. If the goal is revenue neutrality, then getting the rate down to 28% might be possible. But the 15% or 20% rate proposed by the Trump campaign and House Republicans, respectively, would be impossible without massively raising the deficit.

- *Incorporate into the bill a real plan for public infrastructure*

spending. The goal should be to expand investment meaningfully in America’s roads, bridges, railways and airports. It could be funded with a mandatory one-time tax—say, of 15%—on unrepatriated foreign earnings as part of the transition to the new international tax system. Both tax reform and infrastructure would be good for growth—and pairing them has been a staple of Democratic and Republican proposals alike in recent years.

Following these five steps is the way to enact genuine, durable tax reform. If Republicans work alone, they might be able to pass a temporary tax cut through the reconciliation process, which requires only 51 votes in the Senate. But the rules of reconciliation mean that the tax cut would sunset after a decade. That would only add a new layer of uncertainty on top of America’s inefficient tax system, while swelling the budget deficit.

Real tax reform would create winners and losers, making it almost impossible to pass with only one party. Republican majorities are relatively slim, and vested interests trying to sink the legislation would need to pick off only three GOP senators or 22 representatives. An easier path would be to write a bipartisan bill and aim for the support of 30 Democrats in the Senate and 100 in the House. That could be doable, but only if President Trump is open to changing his approach.

*Mr. Furman, a senior fellow at the Peterson Institute for International Economics, was chairman of the White House Council of Economic Advisers, 2013-17.*

# Who Wins When Foreign Firms Comply With U.S. Tax Laws?

By Nigel Green

Recently I launched the Campaign to Repeal Fatca—the Foreign Account Tax Compliance Act. The 2010 law, which purports to track down tax cheats hiding money abroad, forces foreign banks and other financial institutions to disclose Americans’ accounts to the Internal Revenue Service.

Threatened with U.S. sanctions if they don’t comply, banks around the world have rushed to submit to Fatca. Foreign governments have hastened to abrogate their domestic privacy laws. Fatca, it seems, has been a big success. But who really benefits?

Not the U.S. budget. The IRS claimed last October that Fatca has helped it to collect \$10 billion since 2009 from “taxpayers coming back into compliance.” But that figure lumps in penalties for filing deficiencies and money from all offshore enforcement programs. William A. Byrnes, a law professor at Texas A&M, believes the actual net recovery attributable to Fatca

(subtracting IRS enforcement costs) may be closer to \$200 million a year and possibly as low as \$100 million.

That isn’t enough to fund the federal government for more than half an hour. It is far less than was expected at Fatca’s enactment, since the law was scored as bringing in \$800 million a year. Excepting penalties, writes Mr. Byrnes, Fatca could “soon cost more money than it brings in.”

That meager gain must be weighed against the law’s costs. Fatca adds one more onerous and expensive reporting obligation for American taxpayers who hold any asset abroad. It largely duplicates existing mandates, notably the Report of Foreign Banks and Foreign Accounts, and the penalties for error are draconian. The Tax Foundation estimated in 2016 that complying with Fatca each year takes almost 4.5 million hours and costs \$166 million.

But the really big boondoggle goes to the accounting, law and software firms that help foreign financial institutions sift through millions of

client accounts looking for American “indicia.” Although there is no official figure for the cumulative world-wide cost, the magnitude can be extrapolated from piecemeal disclosures by banks and the companies selling them services. These expenses, as Mr. Byrnes writes, are “staggering.”

## Soon the Foreign Account Tax Compliance Act will cost more to enforce than it recovers in taxes.

In 2014 Thomson Reuters surveyed some 300 financial institutions, 27% of which expected their annual Fatca compliance costs of between \$100,000 and \$1 million. The same year, The Wall Street Journal reported that Canada’s five biggest banks collectively had spent about 750 million Canadian dollars (US\$693.5 million) on initial Fatca compliance expenses. That included some C\$100 million

spent by Bank of Nova Scotia alone as of 2013.

Mr. Byrnes cites KPMG and Deloitte estimates that more than 250,000 foreign financial institutions are affected by Fatca, with costs for some of the larger ones reaching more than \$200 million. The representative of Banco Bilbao Vizcaya Argentaria, a large Spanish bank, said in a paper released in 2014 that compliance costs could range from \$8.5 million for a local entity to \$850 million for a global one. The British government estimated the aggregate initial costs to U.K. financial institutions at \$1.1 billion to \$1.9 billion, with a continuing cost of \$60 million to \$100 million a year.

Thus there are plausible projections that the law’s aggregate global cost is anywhere from \$60 billion to \$170 billion. That money comes out of the pockets of consumers, depositors and perhaps shareholders.

There’s no question where this money goes—not to the U.S. government but to the bottom line of the vendors. Fatca had barely

passed when massive compliance practices sprang up, offering their services and advising that repeal of the law wasn’t in the cards. “Fatca is here to stay,” experts from KPMG, Deloitte, Ernst & Young and PricewaterhouseCoopers rushed to pontificate.

As a businessman, I have no objection to anyone offering professional expertise. But non-Americans accountants who pooh-pooh the notion that Fatca could be repealed often have little insight into American politics. What lies behind the smug posture of inevitability other than making sure vulnerable clients maintain a proper Stockholm syndrome docility?

Fatca was not subjected to a cost-benefit analysis before it was enacted, but the results are now in. As a revenue tool for the public purse, the law is a failure. Instead it offers a windfall of corporate welfare for the compliance industries. That’s no reason to keep it.

*Mr. Green is founder and CEO of deVere Group, a world-wide financial consultancy.*

# President Trump and the Plutocrat’s Hubris

By Joseph Epstein

In the petit-bourgeois, confidently philistine milieu in which I grew up, plutocratic values held a firm purchase. When the men gathered in the living room after dinner, money talked—those who had found the greatest financial success tended to dominate the conversation. Since Lou Riskin had made a killing in the mail-order business, the assumption was that he had penetrating things to say on the subject of urban renewal. Saul Levine had run the most successful Buick agency in the city, therefore definitely worth listening to him hold forth on welfare.

When I hear Donald Trump talk, I think of how much at home he would have felt in those living rooms. The guy’s a multibillionaire,

cleaned up in real estate, so why shouldn’t he know about health care, immigration, life in the inner cities? Or if he doesn’t know, no reason why with a bit of quick study he can’t find out enough to put everything in order.

My father was a moderately successful businessman—for a kid who never finished high school, an immensely successful one—but too well-mannered to wish to dominate these living-room discussions. Yet he had no argument with the underlying rules of the game. As an adolescent, I heard several of his business homilies: If you work for a man for a dollar an hour, always give him two dollars worth of effort; you make your money not in selling, but in buying right; you can’t argue with success.

That last bit was the only one

that, as I grew older, began to get on my nerves. What, I would ask my father, is better to argue with? How the success was achieved, what went into it, who suffered because of it? By success my father meant financial success. The money game was the real one, and not the least satisfying thing about it was the tidy means of keeping score: How much, in hard cash, did one come out with in the end?

I am someone who finds it difficult to think about money for more than two minutes at a time. I rather envy those who have earned enough money to sit out forever from the financial wars, but I don’t envy them sufficiently to drop the things that interest me more in order to emulate them. Moneymaking seems a useful skill, but not much more. I’ve known too many ninnyes who seem to have mastered it to be in thrall myself.

A strong argument can be made that, contra Trump, success in business is too narrow to transfer to other realms. Orderly thought is needed for success of any kind. So, too, the clarity to get outside oneself to grasp the larger forces in-

involved in any complicated transaction. Confidence helps, to be sure. But making a wad in real estate, mail order or auto sales doesn’t impart any special advantage in understanding the complexities of health care, African-American culture or foreign policy—as Mr. Trump and his billionaire-laden cabinet are discovering.

## It’s now obvious financial success does not easily transfer into other realms.

President Trump’s first weeks in office demonstrate the hubris of the plutocrat. The defeats began with his releasing an immigration order neither well thought out nor even quite legal. He obviously didn’t investigate thoroughly the men he hired for key positions in his campaign (Paul Manafort) or his administration (Mike Flynn). On health care, he evidently had no notion of the variety of views within his newly adopted party.

I’ve not read “The Art of the

Deal,” nor do I plan to do so during this life, but I should imagine that the heart of any effective negotiation is finding common interests among those at the bargaining table. In business, the paramount common interest is obvious: money, profit all round. In politics, it turns out, much more is usually entailed.

In government, unlike business, many things cannot be delegated. Careful study may be sufficient for determining where to build a new hotel, but an understanding of varied, often subtle human motives is required to compose and pass a complex piece of legislation.

That financial success doesn’t easily, or always, transfer into other realms is now obvious. Let’s hope that the evidence on display during the early days of his administration will soon humble even so arrogant a man as America’s new president. Donald Trump and those who support him ought to think about arguing with success, at least as the plutocrats construe it.

*Mr. Epstein’s books include “Frozen in Time: Twenty Stories” and “Wind Sprints: Shorter Essays.”*

# Notable & Quotable: Russia and the West

*Open Russia coordinator Vladimir Kara-Murza in “Answering the Kremlin’s Challenge,” an essay from the coming World Affairs book:*

There is a growing appreciation in capitals around the globe...that nothing will change until Mr. Putin’s regime is replaced by a democratic government.

That task, of course, must be undertaken by Russian citizens alone.

Yet, while outsiders should not attempt to shape political events inside Russia, neither should they enable Mr. Putin and his kleptocrats by providing safe harbor for their illicit gains. For the many striking parallels between the Soviet system and the current regime in Russia—from political prisoners to media censorship—there is also a crucial difference: while they were persecuting dissenters and engaging in anti-

Western propaganda, members of the Soviet Politburo did not store their money in Western banks, send their children to Western schools, or invest in luxurious real estate in Western countries. Those who rule Russia today treat their citizens in ways expected of third-world dictators, but choose the freedoms and protections of the West when it comes to their own families and their ill-gotten money.



LIFE & ARTS

BOOKS

# The Improbable Prince

A new biography reveals unexpected quirks; from a passion for Monty Python to the game-changing role of Camilla

BY BRENDA CRONIN

**VISITING THE WHITE HOUSE** in 1970, Prince Charles met with President Richard Nixon in the Oval Office. Nixon’s advice to wait watchfully in the wings before becoming king didn’t sit well with the 21-year-old heir apparent. “To be just a presence would be fatal,” Charles wrote in his diary, railing at the notion of “saying meaningless niceties.”

The account, from a biography out April 4, reveals a young man “who didn’t want to spend his life cutting ribbons,” says the author, Sally Bedell Smith. Although the Prince of Wales has devoted considerable time to fox hunting, gardening and painting watercolors, he “is absolutely driven by this sense that he has to accomplish all sorts of things,” Mrs. Smith says.

In “Prince Charles: The Passions and Paradoxes of an Improbable Life,” Mrs. Smith decodes a very private public figure whose decades of philanthropy have received less tabloid coverage than his romances and occasional gaffes. Overshadowed by his dazzling first wife, Lady Diana Spencer, Charles ultimately was redeemed by his second, Camilla Parker Bowles, whom he wed in 2005. “The game-changer in his life was marrying Camilla,” Mrs. Smith says.

Paradoxes dot the life of a man who moves in rarified circles but is most at ease in the countryside, where he spends hours weeding and tending to hedges. If he hadn’t been born into the royal family, “he would have been a farmer,” Mrs. Smith says.

In the early 1990s, Charles advocated to “radically modernize” the monarchy, in part by slimming down the royal payroll. But the fervent modernizer also is an unapologetic luddite, who bought property in Romania’s Transylvania in part to experience life in



conditions before the Industrial Revolution. Charles doesn’t like computers and replies to emails with fountain-penned energetic scrawls known in England as his “black spider” memos.

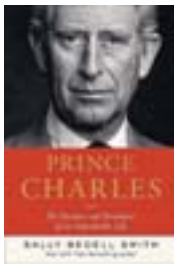
The 68-year-old prince does know how to use a smart phone and to text, Mrs. Smith says, a concession largely to communicate with his staff. There has been churn among employees because the energetic royal “wears people

out,” she says, citing one person who served Charles’s mother, Queen Elizabeth II, for almost 20 years before going to work for the Prince of Wales. The employee found the shift “a total shock to the system,” according to Mrs. Smith. “He said, ‘In the whole time I worked for the Queen, she never called me on the weekend. And the first weekend I worked for Prince Charles, he called me five times.’ ”

The exacting prince can seem



The book reveals the prince was pressured to marry Diana, left with princes William and Harry, by his father. Above, author Sally Bedell Smith.



paralyzed by indecision—and impervious to advice. “Probably one flaw is his unwillingness to listen to other points of view,” Mrs. Smith says. “He’s very stubborn when it comes to pushing his point of view.”

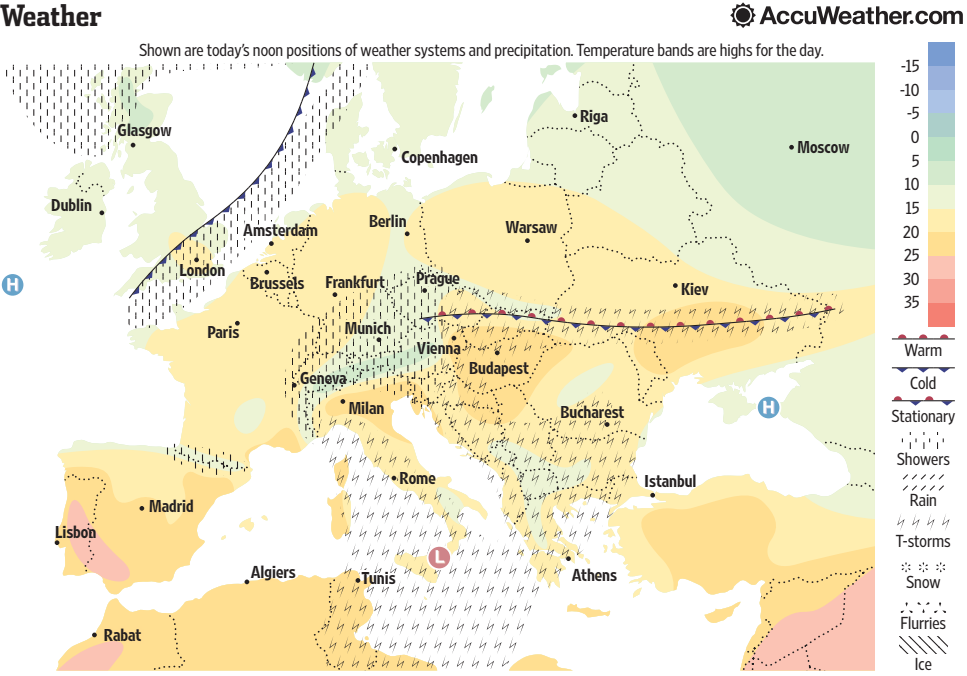
Mrs. Smith first crossed paths with Prince Charles in 1991 at a polo match in England. Among the seven biographies she has written are lives of Queen Elizabeth II, as well as Diana, the Princess of Wales, who died in 1997.

Charles’s life is improbable, Mrs. Smith says, because it follows a jagged arc compared with his mother’s smooth grooming for the throne. Charles “was caught between the modern world and the world of his parents, his mother in particular,” she says. With his par-

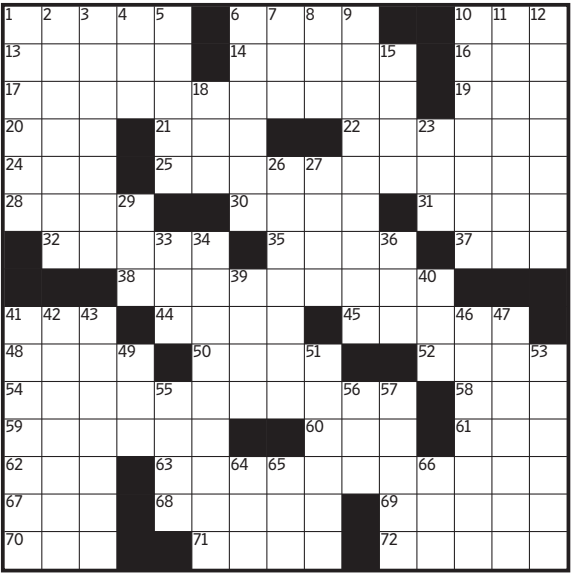
ents preoccupied by their duties, Charles turned to his grandmother for affection. “The first part of his life was completely dictated by” Charles’s father, Prince Philip, Mrs. Smith says. “He went to schools that he hated and went into the Navy as he was commanded to do.”

Although a stickler for protocol with a sharp temper, Charles has mellowed over time, Mrs. Smith says. A Monty Python fan, he has a self-deprecating sense of humor and sustains a good-natured rivalry with his sister Anne, the Princess Royal, to tally the most appearances every year.

The heir apparent since the age of three, Charles has waited a record stretch of time to become king. Queen Elizabeth, who will be 91 this month, is Britain’s longest-reigning sovereign. Mrs. Smith describes how as a boy, Charles watched his 27-year-old mother practice for her coronation, walking around the nursery wearing a bejeweled crown.



## The WSJ Daily Crossword | Edited by Mike Shenk



### STICK TO YOUR GUNS | By Daniel Hamm

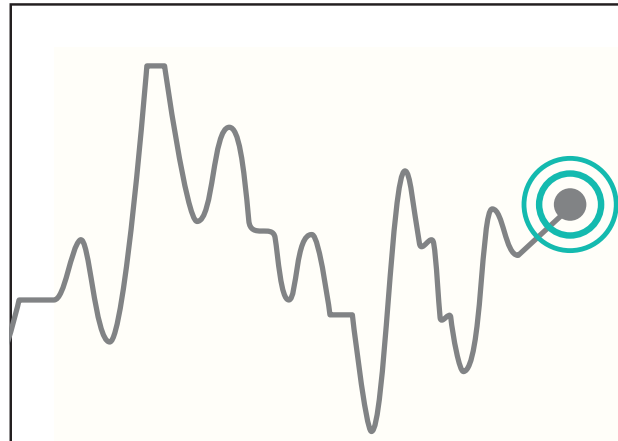
- |                                     |   |  |
|-------------------------------------|---|--|
| <b>Across</b>                       | 31 ___ avis                                   | 58 Position on the fairway                               |
| 1 Mexican moolah                    | 32 Police trap                                | 59 "Hamilton" prop                                       |
| 6 Funny folks                       | 35 Place for a circuit board                  | 60 Put a bow in  |
| 10 Place for a price                | 37 Stop indicator                             | 61 Curry of TV news                                      |
| 13 Crowd scene participant          | 38 Rural property                             | 62 Singer DiFranco                                       |
| 14 App stand-ins                    | 41 Oomph                                      | 63 Ready for battle, like the other long Across answers? |
| 16 Feel sorry about                 | 44 Haleakala National Park location           | 67 Horror director Craven                                |
| 17 Institution with Post graduates? | 45 Dill pickle quarter                        | 68 Embarrassment for a fielder                           |
| 19 Believer's suffix                | 48 Away from the wind                         | 69 Aquarium buildup                                      |
| 20 Major retail jeweler             | 50 Car freshener scent                        | 70 Booming jet of the past                               |
| 21 Pen name                         | 52 Right away, to a nurse                     | 71 Long-haired terrier breed                             |
| 22 Belt settings                    | 54 Georgia site of FDR's "Little White House" | 72 Property claims                                       |
| 24 Some CTA trains                  |   |  |
| 25 Burglar deterrent                |   |  |
| 28 Out of juice                     |   |  |
| 30 Builder of 64-Down               |   |  |

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

- |                                     |  |
|-------------------------------------|--|
| <b>Down</b>                         | 34 Wrestling match participants                        |
| 1 Worked for chicken feed           | 36 Pub fixture   |
| 2 Sighs, e.g.                       | 39 Sierra Club founder                                 |
| 3 Visits overnight                  | 40 ___ Plains  |
| 4 NHL great Bobby                   | 41 Fleishy yellowish fruits                            |
| 5 Ballroom dance from Brazil        | 42 Popular Upper East Side restaurant closed in 2011   |
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#### Previous Puzzle's Solution

CHAT	LEAPS	FELT
ROSE	AGREE	EVER
TWINE	ENGINE	PLANE
SLATED		DAINTY
	PLOTS	BINS
REDON	NOISE	LEVEL
EVILL	PRODS	LIRE
GORE	POLLS	CLOG
LIKE	DEFIOE	ALDA
SECRET	FILE	REEL
	TEND	NYMPH
SAIDSO		BOOZES
CLOSE	ORDIER	DRILL
AONE	ROOMY	NOLA
MEISA	SEETO	SINAP



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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, April 4, 2017 | B1

Euro vs. Dollar 1.0664 ▲ 0.08%      FTSE100 7282.69 ▼ 0.55%      Gold 1250.80 ▲ 0.28%      WTI crude 50.24 ▼ 0.71%      German Bund yield 0.278%      10-Year Treasury yield 2.351%

## North Korean Link Found to Theft

Digital records show link to a computer with North Korean internet address

By ROBERT McMILLAN

A newly discovered digital clue links the hacking group blamed for a multimillion-dollar cyberattack on Bangladesh's central bank to a computer in North Korea, according to the Russian cybersecurity company Kaspersky Lab ZAO.

Kaspersky announced Monday at its security conference on the Caribbean island of St. Maarten that its researchers had obtained digital records showing a European server used by the group to launch its attacks exchanged data in January with a computer that had

an internet address belonging to North Korea's state-owned internet service provider.

Security experts have long suspected the hacking group, known as Lazarus, was backed by North Korea, but that assessment hinged on a 2014 Federal Bureau of Investigation claim that one Lazarus hack—the compromise of Sony Pictures Entertainment in 2014—was conducted by North Korea.

Although The Wall Street Journal reported last month that the FBI is pursuing a criminal case linking North Korea to Lazarus's activity, the agency hasn't provided any public evidence to substantiate the alleged North Korean link.

Multiple calls to the North Korean mission to the United Nations went unanswered.

The newly discovered evidence came from a rare technical error by the Lazarus hack-

ers, according to Kaspersky.

The hackers failed to remove computer-log files on a server used by the group, and these digital records show the server briefly connecting to another computer in North Korea, said Vitaly Kamluk, a researcher with Kaspersky.

North Korea has "very little presence on the internet, and the chances that this is just a random connection are extremely small," Mr. Kamluk said.

As with most developments in the shadowy world of computer intrusions, this latest piece of evidence isn't conclusive. It is technically possible, for example, for someone to hack the North Korean computer and connect it to the Lazarus server to throw off investigators, Mr. Kamluk said.

Although the attacks against Sony and Bangladesh Bank occurred in 2014 and 2016, re-



Bangladesh Bank's account at the New York Fed was attacked.

spectively, the Lazarus group has been active since at least 2009 and recently has targeted banks in Europe and the U.S., Mr. Kamluk said. Lazarus is a name given to a group of the hackers by security researchers. Often, as with the Bangladesh central-bank hack, the Lazarus hackers quietly break

into computer networks and lurk undetected for months before attacking, the security experts said. The Lazarus group is suspected of stealing \$81 million from Bangladesh Bank's account at the Federal Reserve Bank of New York last year after initiating fraudulent orders asking for nearly \$1 billion.

## The Dollar Gets Its Flow Back—Almost

A global shortage of dollars that distorted the money markets for the past two years is easing, even as the Federal Reserve is trying to tighten monetary policy.

The money markets are the plumbing of the financial system, and they sprang a leak in 2015 when banks began to limit balance sheet-intensive activities to satisfy new regulatory requirements. The shortage of

dollars was made even worse by restrictions introduced last fall on money-market funds, as these "shadow banks" are used by Japanese and European banks to finance themselves overnight in dollars.

Dollar shortages are now going away, helped by expectations that U.S. regulation will be relaxed, the success of overseas banks in finding alternative sources of finance and greater appetite from investors to pick up what looks like free money left lying around by the global financial system.

The lack of stress in the dollar money markets was evident Friday when the quarter ended: More or less nothing happened.

Contrast that with December, when there was a rush for dollars as foreign banks tried to dress up their balance sheets to meet regulatory demands, and the cost of the standard hedging instrument, the cross-currency basis swap, soared. The extra payment—on top of already stressed levels—meant those willing to supply dollars could earn much more by holding Japanese T-bills and hedging the yen risk than by buying U.S. T-bills, even though Japanese interest rates are negative.

The easing of money-market stress this year has almost halved the cost of cross-currency basis for Japanese borrowers of dollars, and the change at quarter-end on Friday was minuscule.

The Bank of Japan's decision to soak up some excess yen liquidity helped, reducing the pressure on Japanese banks to find yield in the U.S.

But the flow of dollars around the system is working better elsewhere, too. The cross-currency basis against euros has also almost halved, taking it back to where it was a year ago. The extra cost over Treasury yields of swapping fixed for

Please see STREET page B2



Housing crowds the shoreline in Clovelly, a suburb of Sydney, Australia, where the median home price reached \$821,000 last year.

## Housing Bubbles Resist Controls

By ROB TAYLOR AND RACHEL PANNETT

SYDNEY—From Australia to Canada, authorities are learning a hard lesson in their efforts to curb the foreign money flooding their property markets: Deterrents quickly lose their punch.

In recent years, regulators in several countries have raised taxes on residential real-estate purchases, required banks to demand bigger down payments and taxed empty homes—to little long-term avail.

Now they are trying again.

Australian regulators on Friday ordered banks to limit the flow of interest-only loans—a villain in the U.S. subprime mortgage crisis—to 30% of new loans from about 40% now and to restrict loans to people making small down payments. The country's corporate regulator said on Monday it was investigating whether lenders and mort-

### Raising the Roof

Home prices are soaring again in Australia's capital cities...

Residential property price index, change from a year earlier



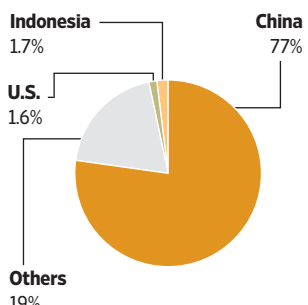
\*October 2016-January 2017. Figures don't add up to 100 because of rounding. Sydney is the capital of New South Wales. Sources: Australian Bureau of Statistics (index); Credit Suisse (foreign buyers)

gage brokers were inappropriately promoting interest-only loans. New South Wales state, home to Sydney, is considering a further property-tax rise for foreigners.

The moves are an attempt

...as China dominates foreign buying in at least one major market.

Foreign property buyers in New South Wales, share of value\*



to blunt a price rise that has resumed after the last crack-down that started in late 2014.

House prices in Sydney and Melbourne, the nation's two biggest cities, rose by about 19% and 16%, respectively, in

the year through March 31, much of it in the past six months, according to an analysis by data company CoreLogic released on Monday.

The median house price in Sydney hit \$821,000 last year, according to Demographia, a U.S. think tank. It said the figure, equivalent to 12.2 times the average annual wage, made Sydney the world's second-most-expensive city after Hong Kong on a house-price-to-income ratio.

Demand in Melbourne is driving up the valuations of plots of land for housing by \$7,500 a week, said Giles Bray, a local mortgage broker.

Developers are now building 300-square-foot apartments—roughly one-third the area of the average new American unit—with 8-foot ceiling heights to pack in more units. In the past three years, foreigners have bought thousands of these apartments sight unseen. "They are poorly

Please see BUBBLE page B2

## Safer, High-Tech Cars Cost More to Insure

By CHRISTINA ROGERS AND LESLIE SCISM

New cars loaded with high-tech crash-prevention gear are having a perverse effect on car-insurance costs: They are soaring.

Safety features such as autonomous braking and systems to prevent drivers from drifting out of their lanes are increasingly available on vehicles rolling off assembly lines. Auto companies and third-party researchers say these features help prevent crashes and are building blocks to self-driving cars. But progress comes with a price.

Enabling the safety tech are cameras, sensors, microprocessors and other hardware whose repair costs can

be more than five times that of conventional parts. And the equipment is often located in bumpers, fenders and external mirrors—the very spots that tend to get hit in a crash. Insurance companies, unwilling to shoulder all the pain, are passing some of the cost to buyers.

Jeff Woods, a professor in Illinois, recently bought a 2017 Volkswagen Passat to replace a two-year-old model. It was loaded with so-called active safety equipment. So he wasn't expecting his State Farm insurance-policy premiums to jump 20% to \$1,200 a year.

"I was told by the car dealership all the technology would improve the cost of insurance," Mr. Woods said. "In-

stead, it went up." Volkswagen AG declined to comment on Mr. Woods's experience but said it was "proud to offer advanced-safety technology systems on our vehicles."

Premiums reflect the expense of repairing sensors when driver-assisted cars crash.

Mr. Woods ended up negotiating a price reduction with State Farm.

Insurance sticker shock is a blow to auto makers looking to increase adoption of high-tech safety packages, which

can add thousands of dollars to the price of a new car and deliver significantly higher margins than other options.

At present, though, only a fraction of buyers opt for the technology, often known as "advanced driver assistance systems," or ADAS. As a result, replacement parts are disproportionately expensive.

About 14% of vehicles sold in the 2016 model-year were equipped with collision-mitigation technology, according to WardsAuto.com. Some insurers estimate 25% to 50% of all vehicles on the road will have to have forward-collision-prevention systems before accident rates decline enough to offset higher repair costs.

It now costs \$166 to fix a Please see SAFETY page B2

## Apple Supplier Talks Patent Fight

By STU WOO

LONDON—A small but critical Apple Inc. supplier here is raising the prospect of a patent fight with the smartphone giant after Apple said it would stop using its technology to process graphics in its iPhones and other devices.

Shares of Imagination Technologies Group PLC fell as much as 70% in London trading after it disclosed that Apple—its biggest customer—would stop using Imagination technology in the graphics processing units in its devices within 15 months to two years.

Graphics processing units, or GPUs, are computer chips that power videos and other animations on smartphones, computers and other gadgets. Imagination runs its business based on intellectual property, designing and selling basic blueprints for GPUs, but not manufacturing the chips itself.

Imagination said Monday that Apple told the company it was working on a "separate, independent" design. Imagination said it believed it would be "extremely challenging" to design a brand-new GPU architecture "without infringing its intellectual property rights."

Imagination licenses its technology to Apple, which pays it royalties. Imagination said it was in talks with Apple about an alternative licensing and royalty arrangement.

An Apple spokeswoman declined to comment. An Imagination spokesman said the company was at the beginning of a process with Apple.

Imagination's technology has been a key component of Apple products for years, including its phones, tablets, iPods and watches. Apple last year said it held discussions with Imagination about acquiring the chip supplier but didn't plan on making an offer.

The chip designer had a market value of about £760 million (about \$950 million) when markets closed Friday, before the Apple disclosure. The news Monday reduced its market capitalization to less than £300 million as of Monday afternoon in London.

"The biggest risk to Imagination's business model was realized this morning," said Roger Phillips, an analyst for Investec Bank. He had forecast Apple would account for 50% to 60% of Imagination's revenue this year and said other customers might not sign deals with Imagination until it resolves its situation with Apple.

The blow to Imagination has been the second shock to Britain's semiconductor industry, which is small but has an outsize global influence, in less than a year.

In July, Japanese technology giant SoftBank Group Corp. agreed to acquire Cambridge, England-based ARM Holdings PLC, which designs the basic blueprints for more than 95% of the world's smartphone chips.

### INSIDE



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SAFETY

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conventional left mirror on a 2015 Mercedes-Benz ML350, according to Allstate Corp., but the repair bill balloons to \$925 for that mirror with collision-avoidance technology. A tech-equipped mirror on a Lexus RX 350 is \$840, more than double the \$390 for a mirror without the tech.

An industry alliance representing a dozen auto manufacturers declined to comment on repair costs. Several auto makers said safety is a priority, and while new parts are expensive at first, the price tends to fall over time.

Owners of ADAS-equipped cars aren't the only ones paying. Liability insurance is rising, too: A driver of a basic car may be liable for damages in a

collision with a vehicle loaded with safety gear.

Bumpers, fenders, grilles and side mirrors fitted with safety sensors often cost more to fix because of the need to recalibrate software and the limited availability of replacement parts, said Susanna Gotsch, lead analyst for CCC Information Services, which provides software to collision-repair shops, insurers and the automotive industry.

State Farm in October raised Illinois insurance rates 5.9%, the largest such jump since 2003. In addition to the need to fund costly repairs of safety tech, the company is also factoring in trends such as more miles driven and distracted driving, a company spokeswoman said.

Car-crash fatalities are increasing as people spend more time on the road and attempt to multitask with smartphones

while at the wheel. Miles drive by Americans rose 2.8% to a record 3.2 trillion in 2016, according to the Federal Highway Administration. That increase was far outpaced by a 6% surge in motor-vehicle deaths in the period.

High-tech collision-prevention systems help avert crashes but cost a lot to repair.

Industrywide, the average annual car-insurance premium increased 14% since 2014 to \$990, according to an estimate by the Insurance Information Institute.

“Safer vehicles are more expensive to repair,” Liberty Mutual Chief Executive David

Long told investors in March, explaining why the severity of claims is increasing. The Boston-based company, among the 10 largest car insurers, has been raising rates by an average annual 9% since late last year.

“We are nowhere near an inflection point,” Allstate Corp. spokesman Justin Herndon said. Even after an average 7% increase in 2016 “there is really no other place for premiums to go but up,” he said.

The National Highway Traffic Safety Administration estimated more than 90% of all crashes are caused by human error.

Studies conducted by the Insurance Institute for Highway Safety, a nonprofit funded by the insurance industry, show a 50% reduction in rear-end crashes by cars equipped with automatic braking.

Industry groups and regulators are pressuring auto makers to make standard features that hand over more decision-making to the car. The IIHS requires vehicles to have optional automatic-braking sys-



Cars on U.S. Highway 101 in Los Angeles.

tems to earn its Top Safety Pick awards, and 22 auto makers have pledged to make this safety feature standard by 2022.

Car makers are trying to keep the size of claims down. Subaru Corp. locates traffic-detection gear in areas that are less exposed in common crashes, such as behind the windshield.

Some insurers are experimenting with discounts. Hartford Financial Services Group Inc. is piloting a program in a few states that of-

seem to be working. Web searches in China for Vancouver properties dropped 37% in December compared with a year earlier, according to Juwai.com, an online real-estate portal aimed at Chinese home seekers.

But policy makers worry about whether cooling measures might just shift demand from one jurisdiction to another. Chinese buyer interest has been rising in the Seattle region since Vancouver's tax-policy changes were introduced in August, brokers said.

Auckland overtook Toronto as the world's “hottest” city for luxury real estate in 2015, partly because of New Zealand's relatively open-door policies to foreign investment, according to a Christie's International Real Estate survey.

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	Package-2 INR 21500million/60.955km	
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	Package-4 INR 19000million/54.356km	
	Package-5 INR 15000million/42.877km	
	Package-6 INR 13000million/36.100km	
	Package-7 INR 18000million/51.181km	
	Package-8 INR 15000million/42.720km	
	Package-9 INR 18500million/54.400km	
	Package-10 INR 20000million/57.900km	
	Package-11 INR 10500million/29.396km	
	Package-12 INR 15000million/45.650km	
	Package-13 INR 15000million/45.650km	
	Package-14 INR 20000million/13.100km	
	Package-15 INR 15000million/28.000km	
Package-16 INR 25000million/37.000km		

Details of packages may be seen in detailed RFQ notice hosted on web site <http://mahatenders.gov.in>

- The interested agencies may see the details of NIT/RFQ document on web site <http://mahatenders.gov.in> RFQ document may be downloaded/uploaded from 31.03.2017, 11.00 hrs to 15.05.2017 up to 15.00 hrs on payment of RFQ document fee online on portal and if possible will be opened on the application due date after 15:00 hrs.
- The Pre Proposal conference will be held on 17.04.2017 (15.00 hrs) at MSRDC office Bandra, Mumbai
- For any queries regarding online submission on E-tendering portal, kindly contact Tel.: 1800 3070 2232, Mobile: +91-7878107985/986
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(Dilip Salunkhe)  
Chief Engineer MSRDC, Mumbai

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BUSINESS & FINANCE



Newly built homes in Sydney earlier this year. House prices in the city were up 19% for the year through March 31.

BUBBLE

Continued from the prior page  
built and lack light,” Mr. Bray said.

The gains are testing the limits of government measures aimed at preventing housing bubbles from developing in cities around the world.

The frothiness is driven by ultralow interest rates at central banks that spur investors to hunt for returns in tangible assets. Chinese investors are also driving the phenomenon.

The concern: Foreign, speculative investors are making properties unaffordable for local residents and adding economic risk because these buyers are more likely to flee in a downturn.

In 2010, when Australian prices last rose sharply, the Reserve Bank of Australia tightened policy to cool down markets. But lately the central bank has been keeping rates at a record low 1.5% to aid an economy that is still struggling to adjust at the end of a long mining boom.

Australia narrowly avoided a recession last year—defined as two consecutive quarters of negative growth—as it rebounded in the three months through December from a surprise contraction in the third quarter. The central bank meets again on Tuesday and is widely expected to keep rates unchanged.

Before the 2007-2008 financial crisis, many policy makers thought asset bubbles couldn't be detected in ad-

vance and that it was therefore better to clean up afterward rather than try to influence their growth. Now, regulators generally believe they need to act as risks rise.

Some places that have been favorites for Chinese investors in recent years—including London, and, most recently, New York—are rolling out policies that discourage foreign purchasers.

Canada has tightened housing-financing rules numerous times since mid-2008 to curb excesses. In Canada's hottest market, Vancouver, British Columbia, the government last year introduced a new residential-property tax on outsiders and imposed a separate vacancy tax on properties left unoccupied.

Vancouver's latest efforts

Money Markets Less Stressed

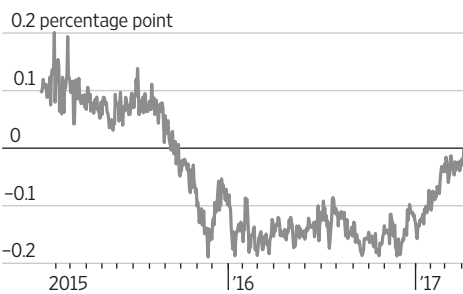
The international shortage of dollars has eased, the extra cost above Treasurys of swapping fixed for floating rates has dropped, and banks are more willing to lend to each other. But money markets are not yet back to normal.

Yen cross-currency basis swaps\*

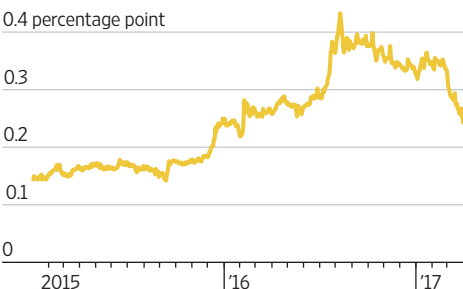


\*Through 4:10 p.m. BST Monday  
Source: Thomson Reuters

10-year U.S. swap spreads\*



Three-month dollar Libor-OIS spread'



\*Through 4:10 p.m. BST Monday †Spread of London Interbank Offered Rate above overnight indexed swaps. Data through Friday  
THE WALL STREET JOURNAL.

STREET

Continued from the prior page  
floating interest rates—used for hundreds of billions of dollars of corporate deals a year and known as the swap spread—is almost back to normal after two years of being deeply negative. Even the willingness of banks to lend to each other has improved: The spread between Libor borrowing costs and risk-free overnight indexed swaps has halved from its August peak.

All this fits with anecdotal evidence of investment

banks loosening their purse strings and becoming more willing to lend to clients. “I have banks calling up and saying they’re going to allocate me more balance sheet,” said one big fixed-income investor.

Steve Kang, U.S. rates strategist at Citigroup, says there is a lot of uncertainty about regulatory changes promised by the new White House, but adds: “Arguably, we’ve reached the peak regulation point in terms of the U.S.” If restrictions on bank balance sheets are relaxed, banks will be more willing to pick up the free money by

taking the other side of swap spreads and cross-currency basis swaps, helping reduce the distortions.

Moving back toward what used to count as normal functioning in money markets should be good for investors, reducing the risk of the system blowing a leak as the Fed raises interest rates.

The flip side for those worrying about rate increases is that the Fed understands this, too, and the Fed's surely more likely to raise rates now that there is less risk of creating scary dollar shortages elsewhere in the world.



BUSINESS NEWS

# Schneider Electric To Sell DTN Unit

By BEN DUMMETT  
AND NOEMIE BISSEBIE

French power-equipment supplier **Schneider Electric SE** agreed Monday to sell its U.S.-based data-software business DTN to TBG AG, a Switzerland-based private holding company, in a deal valued at \$900 million.

The transaction comes a day after The Wall Street Journal reported that Schneider, whose major competitors include **ABB Ltd.**, **Rockwell Automation Inc.** and **Siemens AG**, was nearing a deal to sell its DTN division.

Schneider acquired DTN, which distributes real-time weather information to farmers and other customers, as part of its €1.4 billion (\$1.5 billion) acquisition in 2011 of Spain's Telvent. But in October, Schneider announced a strategic review of the business and decided against trying to build a subscription-based business as a new source of revenue.

The deal allows Schneider, which is based near Paris, to recover the bulk of what it paid to acquire Telvent while retaining a large part of its operations. Schneider said it plans to use net proceeds from the transaction to buy back about €1 billion of its shares over two years.

The expected sale also comes as the French multinational's overall strategy is showing signs of paying off. In February, it reported 24% growth in annual net profit, attributing the strength to a combination of organic growth, cost controls and improving margins.

TBG, which is acquiring DTN, doesn't have a website, and a spokesman for the company couldn't immediately be reached for comment. The Zurich-based firm is described as a family office focused on investing in buyouts of industrial products and services companies, according to the Swiss Private Equity & Corporate Finance Association website. It invests in companies in Europe and the U.S., taking equity stakes ranging in size from €20 million to €200 million, according to the website.

The acquisition of DTN, which is based in Minneapolis, Minn., gives TBG ownership of the Progressive Farmer magazine, a storied U.S. agricultural periodical founded in 1886. That operation, though, is only a small part of DTN's business. It also collects and electronically transmits weather information to farmers, primarily in the U.S. on a subscription basis, to help them determine the best time to plant certain crops. Other customers that depend on up-to-date weather information are as varied as airlines and professional golf associations.

DTN offers a similar service for refined fuel aimed at the energy sector. Traders also subscribe to the company's commodity-market data service.

# Mustard Maker Looks for Buyer

Reckitt Benckiser starts strategic review of French's food unit; higher margins prized

By DENISE ROLAND

French's mustard is up for sale.

**Reckitt Benckiser Group PLC**, the British owner of America's best-selling mustard as well as Durex condoms and Lysol disinfectants, said it had started a strategic review of its food business. The company is considering all options for the unit as it seeks to close its \$16.6 billion takeover of baby-food maker **Mead Johnson Nutrition Co.**

The French's unit, which also includes Frank's RedHot pepper sauces and Cattlemen's barbecue sauces, generated £411 million (\$516 million) of the company's overall revenue of £9.89 billion in 2016. Reckitt didn't provide further detail except to say the unit was no longer considered core.

Bankers and analysts estimated that the food unit could be valued at \$2.5 billion to \$4 billion.

Unilever PLC is in the middle of its own review of its portfolio after snubbing a \$143 billion bid by Kraft Heinz Co.

Both reviews come as con-



The French's food business could be valued at up to \$4 billion, according to bankers and analysts.

sumer-goods giants re-evaluate their slower-growing packaged-food businesses and move toward higher-margin health and household goods. Investors for years have been encouraging Unilever to sell underperforming businesses.

Reckitt's acquisition of Mead Johnson would nearly double the size of its consumer-health business and push the Slough, England, company deeper into emerging

markets. Reckitt Chief Executive Rakesh Kapoor lost out to Bayer AG in a bidding war for Merck & Co.'s consumer business in 2014.

Reckitt already has financing lined up for the Mead Johnson purchase and doesn't see it as a primary motivation for selling the French's business, a person familiar with the situation said.

"Its main value would be as a sale to another food com-

pany," the person said, adding that its value to a private-equity buyer would be limited because of Reckitt's lean management of the business.

French's is already managed separately from the rest of Reckitt Benckiser's business, which largely focuses on cleaning products, over-the-counter remedies and brands such as K-Y lubricants and Veet hair-removal cream.

This is a busy time for

shopping around a food business: Danone SA of France last week put its Stonyfield organic-yogurt unit up for sale, seeking to clear the biggest antitrust hurdle to its \$10.4 billion acquisition of White-Wave Foods Co.

On Friday, Reckitt disclosed in its annual report that the board cut Mr. Kapoor's pay last year after a scandal at the company's South Korean business, in which scores of people were killed and hundreds were left with permanent lung damage by a humidifier disinfectant between 2001 and 2011.

Mr. Kapoor received total pay of £14.6 million last year, compared with £25.5 million in 2015, a figure that made him one of the highest-paid bosses in the FTSE 100 that year. His 2015 pay package stoked a rebellion among some shareholders, with 18% of investors voting against last year's pay policy.

Reckitt's remuneration panel said Mr. Kapoor would have been entitled to a further £14 million in bonus and share rewards had the committee not decided to "exercise discretion" to curb his pay.

—Ben Dummett  
and Ian Walker  
contributed to this article.

◆ Heard: Kraft Heinz might not be the best match. .... B8

# Fox News Is Sued in Sex-Harassment Claim

By JOE FLINT

Fox News contributor Julie Roginsky filed a lawsuit alleging she was sexually harassed by the cable-television network's former chairman, Roger Ailes, and that he and other executives retaliated when she rejected his unwanted sexual advances.

The gender-discrimination suit, filed Monday in New York state court, claims Mr. Ailes repeatedly harassed her and that because she refused to engage in a sexual relationship with him, she didn't receive a promised promotion to host the afternoon show "The Five."

Ms. Roginsky alleges the

network retaliated against her further when she refused to join other on-air Fox News talent in defending Mr. Ailes after a sexual-harassment suit was filed against him by former anchor Gretchen Carlson.

Ms. Roginsky's suit names as defendants Mr. Ailes, Fox News and Bill Shine, the network's current co-president.

In a written statement, a lawyer for Mr. Ailes, Susan Estrich, denied the allegations, describing Ms. Roginsky's characterizations of her meetings with Mr. Ailes as "total hogwash" and an attempt at "character assassination."

"The idea that Mr. Ailes would pressure Ms. Roginsky or any other women to have

sexual relations with him is total nonsense," Ms. Estrich said.

Mr. Ailes resigned from Fox News last July in the midst of

*Contributor accuses Roger Ailes, the former chairman of the cable network.*

a probe by parent company 21st Century Fox into claims he harassed multiple women.

He has denied all such allegations.

Representatives of Fox

News and 21st Century Fox declined to comment. 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

Ms. Roginsky, who last appeared on Fox News this past Saturday, has the same attorney as Ms. Carlson, who settled her case for \$20 million.

In her suit, Ms. Roginsky says she was never advised that Fox News had a policy prohibiting sexual harassment and wasn't made aware "of any reporting mechanism or policy prohibiting retaliation against those who complained about sexual harassment."

She said she also feared coming forward, because, "those who crossed [Mr. Ailes]

would be retaliated against by those who reported to him."

Still, she alleges, she complained to Mr. Shine and human-resources executive Suzanne Scott about her situation in a meeting last November. She claims they didn't investigate the matter or advise her to cooperate with the company probe into Mr. Ailes's conduct.

Ms. Roginsky's suit adds to mounting legal and workplace drama at Fox News. In a November regulatory filing, 21st Century Fox said it had costs of about \$35 million in the quarter ended in September related to "settlements of pending and potential litigations" related to Mr. Ailes.

# J. Crew's Creative Director Lyons to Leave Firm

By KHADEEJA SAFDAR

J. Crew Group Inc.'s longtime creative director Jenna Lyons is leaving the embattled apparel retailer, which has been struggling with weak sales and a heavy debt load.

Ms. Lyons has been with the company for 26 years and is the No. 2 executive to CEO Mickey Drexler. She is often credited as the creative force behind the brand's signature looks, pairing casual pieces with formal wear. She was positioned as the brand's aspirational spokesmodel, and the company featured Jenna's Picks of must-have pieces on its website.

Ms. Lyons will serve as a consultant until her contract expires in December, the com-

pany said Monday. She won't be replaced and her duties will be given to other members of Mr. Drexler's team. Somsack Sikhounmuong, head of women's design, will be promoted to chief design officer and report to Mr. Drexler.

Ms. Lyons couldn't immediately be reached for comment. In a press release she said, "I am excited about the next chapter for J. Crew as well as the opportunity for other creative leaders within the organization to step up and take on new responsibilities."

The retailer and its investors have been gearing up to battle over a potential restructuring of its roughly \$2 billion in debt. The company was taken private in 2011 in a leveraged buyout by a group of

private-equity firms with the support of Mr. Drexler.

In December, S&P Global Ratings warned the company's capital structure was unsustainable. J. Crew sued its lenders in February, attempting to prevent them from blocking the company's transfer of intellectual property to an offshore subsidiary and out of their grasp.

J. Crew Group, which includes the Madewell chain, recently reported a loss of \$23.5 million as revenue fell 3% to \$2.43 billion in the fiscal year ended Jan. 28.

"We have taken important steps to improve our performance and are confident that the team in place will continue these efforts," Mr. Drexler said in Monday's release



Jenna Lyons posed at Café Boulud in Toronto in 2015.

K&L GATES

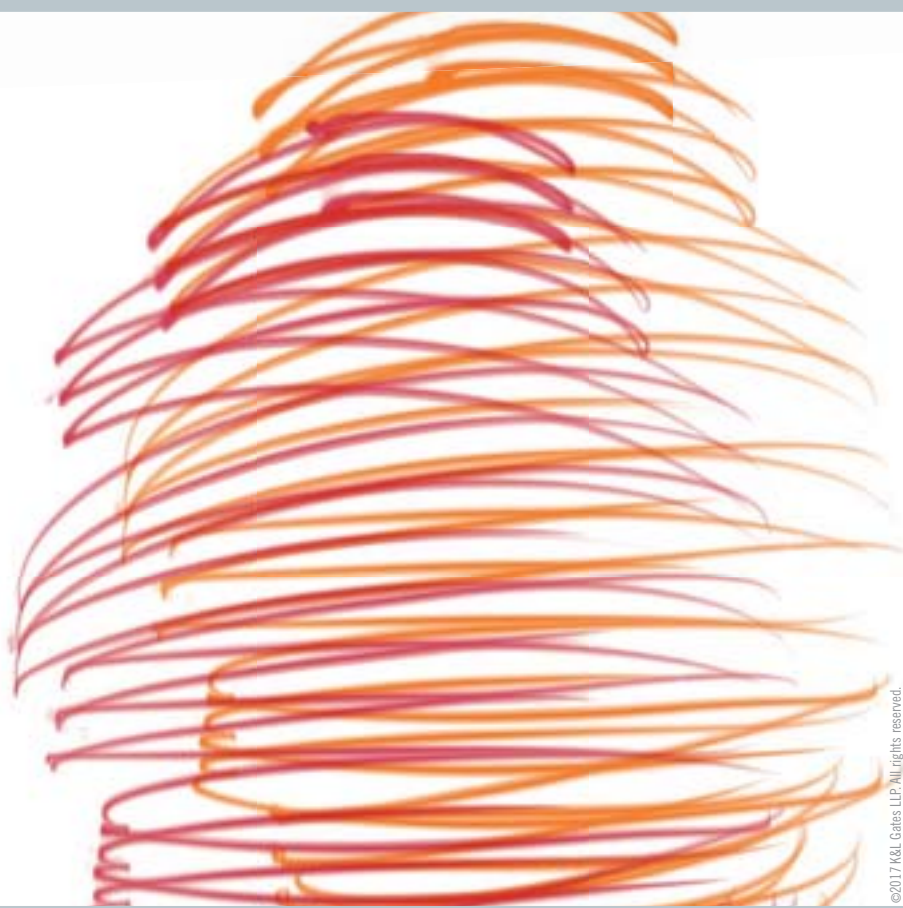
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TECHNOLOGY

WSJ.com/Tech



A self-driving Uber car crossing the Ninth Street Bridge in downtown Pittsburgh last year. Uber has had a number of setbacks lately.

# Uber Hits Another Pothole

Self-driving program encounters snag as Pittsburgh presses firm to give back more

By IANTHE JEANNE DUGAN  
AND GREG BENSINGER

PITTSBURGH—A **Uber** program that allowed **Uber Technologies Inc.** to launch its first self-driving cars in this former steel town has hit a road bump.

It isn't about regulation, which steered Uber's driverless program out of San Francisco. Nor is it about safety, which last month led the ride-hailing company to temporarily suspend its self-driving testing after an accident in Arizona.

Here, some top officials say Uber isn't giving back enough to the community.

"If they are going to be involved in economic disruption, they have a moral obligation to society," said Mayor Bill Peduto. "In a partnership, it's not just what we can do for them."

Mr. Peduto, a Democrat, said he plans to seek Uber's signature on a memorandum of understanding demanding better work conditions for Uber drivers, services to some elderly residents, and improvements in fuel efficiency.

A spokesman for Uber said the company hadn't seen the memorandum.

"Uber is proud to have put Pittsburgh on the self-driving map, an effort that included creating hundreds of tech jobs and investing hundreds of millions of dollars," he said. "We hope to continue to have a positive presence in Pittsburgh by supporting the local economy and community."

The Pittsburgh mayor's intervention highlights a broader clash as transportation companies test new technology on public roads in a race to roll out driverless cars.

It marks the latest challenge for Uber, which has been buffeted by charges of sexism and sexual harassment (the company is investigating them), an embarrassing video of Chief Executive Travis Kalanick berating a driver (Mr. Kalanick apologized), and a lawsuit from rival Alphabet Inc. alleging that Uber stole corporate secrets for its self-driving car development. (Uber says it will be vindicated.)

Last week, Uber published data about its workforce, saying women made up just 15% of its technical team, but 36% of all employees.

Uber released the report in the wake of criticism from civil-rights groups that had called for Uber to be more

transparent about its workforce.

In Pittsburgh, Uber has set up what it calls its Advanced Technologies Center. "Its mission: To make self-driving Ubers a reality," according to a release published in September, when Uber began offering customers rides in self-driving Volvos, with a human in the driver's seat ready to intervene when needed.

The company has hired about 700 people, including more than 40 engineers from Carnegie Mellon University's National Robotics Engineering Center.

"The mayor is rightly concerned about what the relationship is between companies that are coming to leverage our assets—universities, roads and so forth—and those communities they are benefiting from," said Grant Oliphant, president of the \$1.52 billion Heinz Endowments, a philanthropic arm of the ketchup conglomerate. "It is in some ways a modern expression of the old-fashioned expectation of corporate citizenship."

Uber has been well received by many residents and business leaders.

Brian Kennedy, senior vice president for the Pittsburgh Technology Council, a trade group, said Uber's project has made it easier to draw

other high-tech companies. He added that drunken-driving incidents dropped 18% in Uber's first year.

Mr. Peduto, an early fan of Uber, said he has become increasingly disillusioned in the past year.

He said Uber fought to ensure Pittsburgh wouldn't impose a tax on ride-sharing, did a U-turn on offering free service during the pilot program, and didn't participate in some civic causes.

For instance, Pittsburgh sought to join with Uber to win a Smart City Challenge, which grants cities federal money for developing high-tech transportation systems. It suggested that Uber sponsor a program that would allow low-income seniors to have free access to health-care providers and help build a driverless-car test track.

"They walked away from both," Mr. Peduto said. Pittsburgh lost the competition and the \$50 million prize.

Uber, a private company valued at nearly \$70 billion, believes self-driving vehicles will curb costs and limit accidents caused by human error. The technology might be necessary to help Uber one day be profitable by eliminating the cost of paying drivers and seek an initial public offering of stock.

# Canada Aims to Become AI Player

By DANIELA HERNANDEZ  
AND DAVID GEORGE-COSH

Canada wants to be an artificial-intelligence hotbed.

Don Walker, chief executive of Canadian auto-parts giant **Magna International Inc.** hosted a number of the country's leading executives, scientists and politicians, including Prime Minister Justin Trudeau, at his summer home in July to mull ways Canada could move past its reliance on natural-resource exports. Artificial intelligence was at the top of the list, according to several attendees.

In March, in part thanks to those discussions, the Canadian government said it would dedicate \$125 million Canadian dollars (US\$94 million) in funding toward developing AI in Montreal, Toronto and Edmonton—cities with top universities.

The initiative, known as the Pan-Canadian AI Strategy, is one pillar—along with research-and-development-friendly tax policies and entrepreneur-mentorship programs—of an effort by academics, business leaders and government officials to boost Canada's capabilities in AI.

The goal is to ensure Canada can compete with countries like the U.S. and China as the push to commercialize AI ramps up and the race to hire artificial-intelligence experts becomes increasingly competitive world-wide. Already, the efforts are luring venture-capitalists from the U.S.

As swooning commodity prices and a volatile housing market threaten to weigh on the country's economy, Mr. Trudeau has made investing in high-quality jobs, notably in the tech sector, a priority for his government.

Canada's technology sector accounted for just 7% of the country's economy in 2015, according to a report published by the Brookfield Institute for Innovation + Entrepreneurship last year, below the country's mining, manufacturing and real-estate sectors.

AI is expected to have a global economic impact topping billions of dollars as it moves into industries like transportation, health care, financial services and cybersecurity.

"We want to be at the forefront of that," said Reza Mo-

ridi, the minister of research, innovation and science for Ontario.

At an event last week with Mr. Trudeau, Ford Motor Co. unveiled plans to invest C\$500 million to hire 400 engineers from BlackBerry Ltd.'s mobility-solutions unit to help develop internet-connected vehicles and create a new research-and-development center in Ottawa.

The irony, according to Canadian academics, is that basic research that has enabled technologies such as speech recognition on smartphones and computer-vision systems in self-driving cars traces its roots, in part, to Canadian universities. But U.S. companies like Alphabet Inc.'s Google, **Microsoft Corp.**, Facebook Inc. and Amazon.com Inc. have reaped the financial benefits, they say.

Among the reasons academics and entrepreneurs cite: the loss of top AI researchers to U.S. companies, a dearth of investors, plus a long history of Canadian startups moving to the U.S. to gain traction.

*AI is expected to have a global economic impact topping billions of dollars.*

The first investment the pan-Canadian initiative made to address that was with the newly launched Vector Institute; two other institutes are in the works.

The Toronto-based organization is aimed at luring top minds in the field and developing new ways of incorporating AI into self-driving cars, banking and medicine, among other applications, according to Vector co-founder Jordan Jacobs.

Vector is funded by C\$170 million—about C\$40 million from Pan-Canadian AI Strategy, plus provincial government and corporate money—and will offer salaries competitive with industry wages, while supporting research collaborations with local companies and academics, Mr. Jacobs said.

Startup incubators and business-mentorship programs focused on AI have sprouted across Canada.

BUSINESS NEWS

# Festival Struggles to Find Its Groove

By HANNAH KARP

To promote a new music festival this spring in the Bahamas, an assortment of bikini-clad supermodels in December began appearing in beach photos on Instagram, with tags mentioning the Fyre Festival, billed as "the cultural experience of the decade."

The festival is slated to start in less than a month, but some involved are worried there might be trouble in paradise.

Its organizers missed a series of deadlines to make advance payments to performers. Last week, some artists still hadn't been paid what they were owed based on the terms of their contracts, according to people familiar with the matter, but the event's promoters in recent days made progress in catching up with payments, and in some cases have paid acts in full.

And some fans who bought tickets—which include accommodations and private air transportation from Miami—have been nervous as the festival's "concierge" team has been slow to provide them with logistical details.

The festival, which is promoted by **Fyre Media Inc.**, so far has 35 acts on the bill, including Blink-182 and Beto Abrahao, a DJ who specializes in producing '70s and '80s rock remixes for clients that include Middle Eastern and European royalty.

A Fyre spokeswoman said "artists have been paid according to terms." As for the ticket holders, the spokeswoman said it confirmed all guests' charter flight times late last week.

Even as the music-festival business booms, Fyre's struggles highlight the difficulty of getting such an event off the ground.

Interest in high-end, destination festivals has soared recently thanks to successes such as Anschutz Entertainment Group's classic rock-themed Desert Trip event last year. The event in Indio, Calif., where the more known Coachella festival is also held, is the company's highest-grossing and most profitable event to date, according to people familiar with the matter.

But festivals typically are unprofitable in their early years, industry executives said, and face greater upfront costs because musicians' representatives typically demand first-year festivals pay at least 50% of their fee just to put their clients' names on the bill, and 100% of their fee before they travel to the event

and take the stage.

More established festivals owned by promotion giants such as Live Nation Entertainment Inc. and AEG, by contrast, usually pay much smaller advances.

General admission prices for the Fyre Festival are significantly more than tickets for events produced by Live Nation and other big promoters.

Fyre's creative director, Mark Musters, said the festival is aimed at millennials and is intended to "capture those Instagram moments" in an "offline experience."

Mr. Abrahao, the DJ, said it was the first public event to which he could invite his private-event clients, "really wealthy people who don't come to clubs."

The Fyre Festival is to take place over two weekends, the last in April and the first in May, and cost \$1,500 to \$250,000 a person for one

weekend, depending on amenities. Between 6,000 and 7,000 people are expected to come for each of the festival's two weekends, according to people familiar with the matter.

The delayed artist payments and miscommunication were due in part to their initial focus on building the elaborate infrastructure needed to host the festival in the Exuma Cays, a 365-island archipelago in the Bahamas, people close to the festival said. The promoters also lacked festival experience, struggling to field additional requests from artists and managers, the people said.

Artists were paid out of the pockets of Fyre Media's co-founders: Billy McFarland, a computer programmer and entrepreneur, and rapper Ja Rule, according to people close to the event. The two men are seeking outside investment to pay for festival costs and have held discussions with potential investors, including Comcast Corp.'s Comcast Ventures, but haven't closed a deal with any of them, these people added.

Still, Fyre expects it will turn a slight profit this year, and has been gradually raising ticket prices in order to do so, people close to the festival said.

General-admission tickets sold out within weeks of the December announcement, said a person close to the event, thanks not just to the supermodels but to 400 other entertainers—from football players to comedians—who all posted on social media the same mysterious burnt-orange color tile with the hashtag #FyreFestival, reaching 500 million viewers in 24 hours.



Mark Hoppus, left, and Travis Barker of Blink-182 on stage. The band will perform at the Fyre Festival in the Bahamas this spring.



Canadian Prime Minister Justin Trudeau, shown last week.

BUSINESS WATCH

GRAB

## Ride Service Buys Indonesia's Kudo

Ride-hailing company **Grab** said it was acquiring the Indonesian e-commerce company Kudo for an undisclosed sum, and said that it hopes to expand its online payments network in the country.

Grab's acquisition of Kudo paves the way for the Singapore-based company to expand its offerings beyond ride-hailing services, by moving into online payments and e-commerce in Indonesia.

Kudo allows customers without access to traditional banking services to shop online. The ride-hailing company said it plans to invest \$700 million in Indonesia over the next four years to help develop the country's digital economy.

—Dan Strumpf

MYLAN

## Drugmaker Faces Another EpiPen Suit

**Mylan NV** was hit Monday with a lawsuit alleging the drug company overcharged EpiPen

patients as part of an illegal scheme to secure sales.

The lawsuit, which is seeking class-action status, is the latest fallout from patient anger over the cost of EpiPens, the lifesaving allergy treatments whose price Mylan has raised nearly 550% to \$609 for a two-pack.

A spokeswoman for Mylan said the company was starting to review the lawsuit and didn't have an immediate comment.

The complaint was filed in federal court in Seattle by the **Hagens Berman Sobol Shapiro LLP** law firm on behalf of three EpiPen patients. It follows a similar such pricing lawsuit that the firm filed in January against drug companies that make insulin.

The latest lawsuit alleged Mylan violated a federal racketeering statute and various states' consumer-protection laws by raising the EpiPen's list price in order to give a share of the proceeds to pharmacy-benefit managers, or PBMs, and ensure the device was available for sale to patients. PBMs manage pharmacy benefits for employers and insurers, and can influence which drugs are covered by placing them on preferred lists.

—Jonathan D. Rockoff



FINANCE & MARKETS



CFO Marcus Schenck will move.

Deutsche Bank Shuffles Executives

By Jenny Strasburg

Deutsche Bank AG is shuffling more executives while it searches for a new chief financial officer and reshapes global businesses for the second time in 18 months.

The lender's group treasurer since 2009, Alexander von zur Mühlen, will leave that post and return to the investment bank, where he previously worked, according to people familiar with the matter.

The move, to be announced as soon as this week, means Mr. von zur Mühlen will continue working for current CFO Marcus Schenck, who will co-head a newly recombined investment bank once a new CFO is named.

The investment bank, Deutsche Bank's largest division, is being restructured to encompass the trading unit that was split from the deal-advisory and transaction-banking businesses in late 2015.

Plans are being drawn up for new, adjacent offices to be constructed for the investment-bank co-heads, Mr. Schenck and current markets chief Garth Ritchie, on the fourth floor of Deutsche Bank's London headquarters, people with knowledge of the plans say. That floor is home to a reduced European stock-trading business.

The investment bank is narrowing its client roster while trying to recover market share.

Mr. von zur Mühlen previously was a senior European debt capital-markets and derivatives banker at Deutsche Bank. His fate as the longtime treasurer has been a subject of speculation inside and outside Deutsche Bank because some co-workers and investors saw him as a potential successor to Mr. Schenck as CFO, according to people close to the bank. A Deutsche Bank spokeswoman declined to comment on his behalf.

Deutsche Bank's new treasurer will come from the markets division: Dixit Joshi is moving into the job after overseeing fixed-income sales globally since late 2015, according to people familiar with the pending move. Discussions about the plans were earlier reported by eFinancial-Careers.

Mr. Joshi's departure from global markets is the latest example of change in client-facing roles in the investment bank. Deutsche Bank is still narrowing its client roster while trying to win back market share it has lost in key areas.

A number of employees, including some in the investment bank and trading division, have been discussed as potential CFO candidates, but people close to the bank say Deutsche Bank executives have signaled that an external hire is more likely.

The latest investment-bank overhaul has stoked fresh concerns among investors and analysts about distractions from management changes and the depth of experience atop some businesses, people close to the bank say.

Deutsche Bank executives have said they are confident the revamped strategy announced last month is the right one.

Firms Aim to Curb 401(k) Loans

Employers hope to stave off growing trend of early pillaging of retirement savings

By Anne Tergesen

American companies are trying to stop employees from raiding their 401(k)s, in an attempt to ensure that older workers can afford to retire and make room for younger, less-expensive hires.

Employers of all types—from Home Depot Inc. to a mortgage lender—are taking steps to warn workers of the financial implications of borrowing from their retirement accounts and pulling the money out when they leave jobs.

Tapping or pocketing retirement funds early, known in the industry as leakage, threatens to reduce the wealth in U.S. retirement accounts by about 25% when the lost annual savings are compounded over 30 years, according to an analysis by economists at Boston College's Center for Retirement Research.

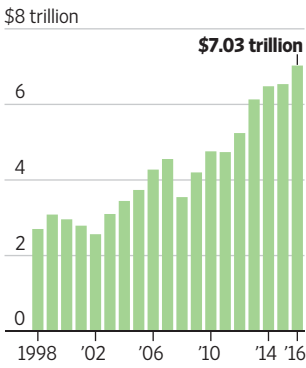
"Employers have done a lot to encourage people to save in 401(k) plans, such as automatically enrolling them. But there is a growing recognition that if the money isn't staying in the system, the objective of helping employees reach their retirement goals isn't being met," says Lori Lucas, defined-contribution practice leader at investment-consulting firm Callan Associates Inc.

Movement Mortgage LLC, a Fort Mill, S.C.-based mortgage lender with 4,200 employees, this year started re-

Loans and Leaks

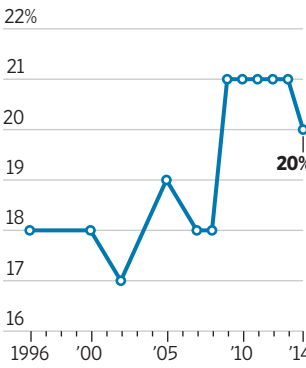
As 401(k)-style plans have taken a greater role in Americans' retirement savings, 'leakage' of plan assets through unpaid loans and early withdrawals has emerged as a costly problem that saps savings.

Assets in 401(k)-style retirement plans

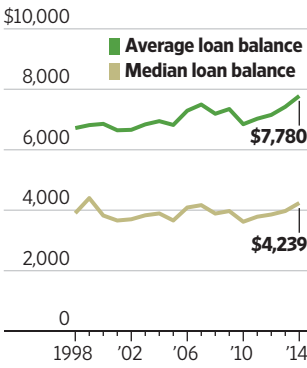


Sources: Investment Company Institute; Employee Benefit Research Institute

Percentage of eligible 401(k) participants with loans outstanding



Median and average dollar amounts of 401(k) loans



THE WALL STREET JOURNAL.

quiring workers who initiate a 401(k) loan to consult with a financial counselor first, at the company's expense.

"We want them to stop looking at their 401(k) like a cash register," said Chief Executive Casey Crawford. Movement Mortgage aims to help employees get "a game plan in place," he said.

Employees who grew accustomed to borrowing from their 401(k)s during the recession are tempted by the rising balances in these types of plans, which currently hold \$7 trillion, up from \$4.2 trillion in 2009, experts say.

"People are getting statements telling them they have \$5,000 in this account and they are asking themselves, 'How can I get my hands on this money?'" said Rob Austin, director of retirement research at Aon Hewitt, a human-resources consulting firm.

Home Depot in recent years launched several initiatives aimed at "getting people out of the habit of going from one [401(k)] loan to the next," says director of benefits Don Buben.

The home-improvement chain recently started making employees wait at least 90 days after paying off one 401(k) loan before initiating another. Workers are also encouraged to pay off their 401(k) loan balances early.

Since 2014, the total number of outstanding loans at Home Depot has declined by 17%, the company said.

When applying for a 401(k) loan online, Home Depot employees automatically get a pop-up notice that includes an estimate of how much the loan would reduce the employee's savings by retirement age.

"Most people don't realize the impact of taking a loan,"

Mr. Buben said, adding that some borrowers reduce their 401(k) contributions while repaying their loans.

Other companies are taking different steps, including encouraging new employees to roll existing retirement savings from former employers' plans into their 401(k) plans. Some are preventing employees from borrowing money the employer contributed, and others are helping employees amass emergency savings or tap funds other than their 401(k)s.

Redner's Markets Inc., which operates grocery and convenience stores in Maryland, Delaware and Pennsylvania, is offering a low-cost loan outside the 401(k) plan as an alternative for borrowers.

ABG Retirement Plan Services, a Peoria, Ill., 401(k) recordkeeper and administrator, plans to soon start offering its

FINANCE WATCH

LOUIS DREYFUS

Profit Rose in 2016 Despite Grain Surplus

Agricultural commodities trader Louis Dreyfus Co. BV reported a rise in 2016 income on Monday despite another year of ample supplies of grain.

The Switzerland-based, privately held company reported net income, group share, of \$305 million for 2016, up from \$211 million the previous year.

The total was well below the 2014 net-income level of \$648 million.

"Oversupply, market shocks, geopolitical dynamics and adverse weather conditions were some of the difficulties that the agribusiness industry had to face during 2016," said Chief Executive Officer Gonzalo Ramirez Martiarena.

The volume of grain and other products shipped by Louis

Dreyfus was in line with the previous year at 81 million metric tons.

The financial results of the dominant agricultural trading houses—Archer Daniels Midland Co., Bunge Ltd., Cargill and Dreyfus—have suffered in recent years from three consecutive large global grain crops, but there are signs of improvement.

Last week, Cargill, the largest of the four, said that quarterly net income in the period ended Feb. 28 rose 42% to \$650 million.

—Sarah Mcfarlane

GUNVOR GROUP

Oil Trader Earns Less

Profits slipped last year at Gunvor Group after asset sales provided a one-time boost to the firm's results in 2015.

The privately held oil-trading firm said that net profit was \$312 million, down from \$1.25



DADO GALDIERI/BLOOMBERG

Sugar cane is harvested at a Dreyfus farm in 2012.

billion in 2015, when it finished divesting itself of its Russian assets in a move to diversify.

The firm said the 2016 underlying profit increased from the previous year, but it didn't disclose figures.

—Sarah Mcfarlane

LIBYA

Output of Crude Restarts at Key Field

Production has resumed at Libya's largest oil field after authorities convinced a local militia

to end a blockade, officials said Monday.

About a week ago, an armed group blocked a pipeline transporting oil from Sharara, which pumps about 200,000 barrels a day—nearly a third of the country's production at the time—in Libya's Western Sahara. The gunmen were protesting arrears in wages for protecting the area.

Following talks with the authorities, the militia has agreed to reopen the facility, officials with the National Oil Co. said.

The return of Sharara's production is a setback for the Organization of the Petroleum Exporting Countries, which is seeking to scale back output to boost prices. The effort has also been hindered by resurgent U.S. production.

Futures for Brent, the international benchmark grade of oil, closed down 41 cents a barrel, or 0.8%, at \$53.12.

—Benoit Faucon

Energy's Best-Paying Job? CEO of Bankrupt Firm

When Ultra Petroleum Corp. emerges from bankruptcy protection in coming weeks, as expected, the natural gas producer's chief executive is on track to be rewarded with roughly \$35 million of its stock, more than 10 times his annual compensation in recent years.

Michael Watford, the CEO, and other employees are sharing 7.5% of Ultra's new shares, a fairly typical cut awarded to managers of companies emerging from bankruptcy protection to incentivize them to stick around. Companies usually issue new stock when they emerge from bankruptcy, replacing the old shares.

What's unusual in Ultra's case is the size of the pie from which that slice is coming: The company's postbankruptcy equity value has been set at about \$4 billion, meaning that its employees are due some \$300 million of stock, 40% of it to be doled out the day its new shares are launched, according to court filings and people familiar with the matter. The rest would be distributed at the discretion of its board.

"In a surprising number of cases, the most lucrative job in the oil-and-gas industry in the last year is a senior executive at a bankrupt company," said Brian Williams, managing director at investment banking and restructuring advisory firm Carl Marks Advisors. It is rare for an equity pot



MATTHEW STAVIER/BLOOMBERG NEWS

Ultra CEO Michael Watford

that size to exist after bankruptcy. It resulted largely from gas prices roughly doubling from a year ago. Ultra filed for bankruptcy protection in April last year after low gas prices pushed its earnings relative to debt below thresholds spelled out in agreements with creditors.

Mr. Watford declined to comment through a spokeswoman. Ultra has said it expects to emerge from bankruptcy by mid-April. In 2015, before the company filed for bankruptcy, Mr. Watford received compensation valued at \$3.06 million.

Similar scenarios are playing out among producers of oil, which also is fetching about twice what it did early last year, and at companies that provide drilling and other services to energy producers.

Natural gas prices closed at \$3.19 per million British thermal units on Friday, twice the price that pushed Ultra into bankruptcy but down about 19% from their year-end highs.

Jerry Winchester, CEO of Seventy Seven Energy Inc., was awarded 440,000 shares in August, valued at about \$6.6 million, when the drilling contractor emerged from bankruptcy protection, according to securities filings.

The shares immediately climbed from their initial price of \$15, and on Dec. 13 made a huge leap above \$40 when rival Patterson-UTI Energy Inc. announced a deal to buy Seventy Seven for \$1.76 billion.

Seventy Seven representatives didn't respond to requests for comment.

As for Ultra, some of the shares due to be distributed to executives are subject to vesting schedules, and the numbers may change subject to pending litigation. The values also might swing significantly

higher or lower depending on how the company's stock trades.

The situation shows how timing and the ability to hang on can be everything in the oil industry. Investors in companies that sought bankruptcy protection last year when energy prices were at their lowest levels caught the rebound and have generally fared bet-

\$35M

Approximate award in stock Mr. Watford is on track to receive

ter, compared with those invested in companies that succumbed to the oil bust early on and grappled with prices that kept plunging even after they had filed.

More than 250 U.S. and Canadian oil-and-gas companies

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INTERNATIONAL INVESTMENT FUNDS

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FUND NAME	NAV					-%RETURN-			
	GF	AT	LB	DATE	CR	NAV	YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: <a href="http://www.cam.com.sg">www.cam.com.sg</a> , Email: <a href="mailto:cam@cam.com.sg">cam@cam.com.sg</a>									
CAMS-GTF Limited									
	OT	OT	MUS	03/24	USD	310782.95	2.6	7.3	-2.1

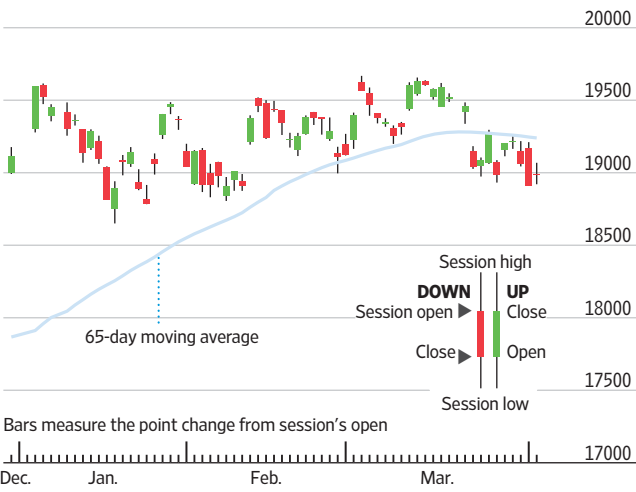
For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com



MARKETS DIGEST

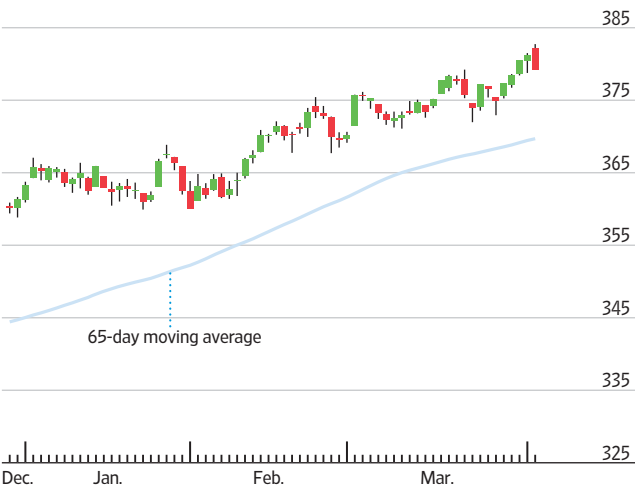
Nikkei 225 Index

**18983.23** ▲73.97, or 0.39%  
High, low, open and close for each trading day of the past three months.



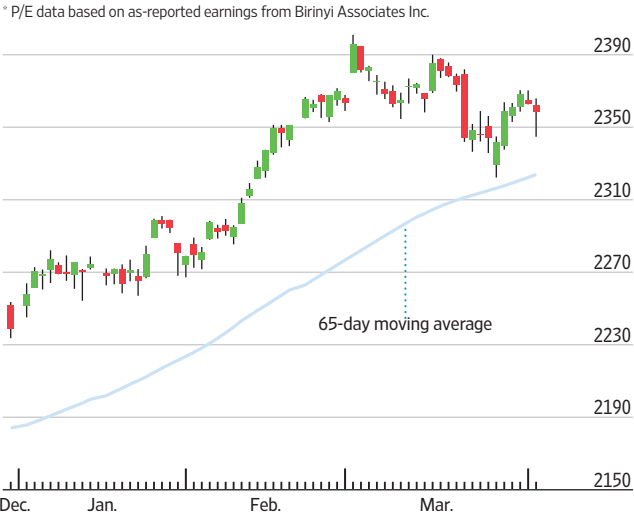
STOXX 600 Index

**379.29** ▼1.85, or 0.49%  
High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 4 p.m. New York time  
**2358.84** ▼3.88, or 0.16%  
High, low, open and close for each trading day of the past three months.



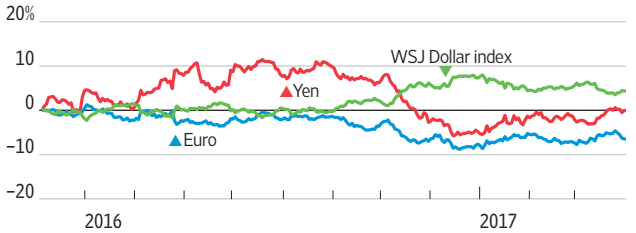
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World		<b>The Global Dow</b>	<b>2685.06</b>	-7.11	<b>-0.26</b> ▼	2193.75		2720.47	6.2
		<b>MSCI EAFE</b>	<b>1787.99</b>	-4.99	<b>-0.28</b> ▼	1471.88		1956.39	4.2
		<b>MSCI EM USD</b>	<b>963.82</b>	5.45	<b>0.57</b> ▲	691.21		1044.05	21.4
Americas		<b>DJ Americas</b>	<b>568.86</b>	-0.95	<b>-0.17</b> ▼	480.90		577.65	5.3
		Brazil <b>Sao Paulo Bovespa</b>	<b>65156.72</b>	172.65	<b>0.27</b> ▲	47873.65		69487.58	8.2
		Canada <b>S&amp;P/TSX Comp</b>	<b>15576.05</b>	28.30	<b>0.18</b> ▲	13217.17		15943.09	1.9
		Mexico <b>IPC All-Share</b>	<b>48803.39</b>	261.83	<b>0.54</b> ▲	43902.25		49523.94	6.9
		Chile <b>Santiago IPSA</b>	<b>3698.63</b>	6.28	<b>0.17</b> ▲	2998.64		3764.58	14.8
U.S.		<b>DJIA</b>	<b>20650.21</b>	-13.01	<b>-0.06</b> ▼	17063.08		21169.11	4.5
		<b>Nasdaq Composite</b>	<b>5894.68</b>	-17.06	<b>-0.29</b> ▼	4574.25		5928.93	9.5
		<b>S&amp;P 500</b>	<b>2358.84</b>	-3.88	<b>-0.16</b> ▼	1991.68		2400.98	5.4
		<b>CBOE Volatility</b>	<b>12.44</b>	0.07	<b>0.57</b> ▲	9.97		26.72	-11.4
EMEA		<b>Stoxx Europe 600</b>	<b>379.29</b>	-1.85	<b>-0.49</b> ▼	308.75		381.14	4.9
		<b>Stoxx Europe 50</b>	<b>3145.86</b>	-14.83	<b>-0.47</b> ▼	2626.52		3174.79	4.5
		Austria <b>ATX</b>	<b>2844.90</b>	16.11	<b>0.57</b> ▲	1981.93		2867.67	8.6
		Belgium <b>Bel-20</b>	<b>3800.44</b>	-16.58	<b>-0.43</b> ▼	3127.94		3823.19	5.4
		France <b>CAC 40</b>	<b>5085.91</b>	-36.60	<b>-0.71</b> ▼	3955.98		5132.93	4.6
		Germany <b>DAX</b>	<b>12257.20</b>	-55.67	<b>-0.45</b> ▼	9214.10		12375.58	6.8
		Greece <b>ATG</b>	<b>667.32</b>	1.26	<b>0.19</b> ▲	517.10		674.97	3.7
		Hungary <b>BUX</b>	<b>31788.40</b>	154.14	<b>0.49</b> ▲	25126.36		34334.92	-0.7
		Israel <b>Tel Aviv</b>	<b>1394.65</b>	-1.36	<b>-0.10</b> ▼	1372.23		1504.42	-5.2
		Italy <b>FTSE MIB</b>	<b>20242.88</b>	-250.06	<b>-1.22</b> ▼	15017.42		20540.39	5.2
		Netherlands <b>AEX</b>	<b>513.45</b>	-3.09	<b>-0.60</b> ▼	409.23		518.88	6.3
		Poland <b>WIG</b>	<b>58636.31</b>	725.00	<b>1.25</b> ▲	42812.99		60631.65	13.3
		Russia <b>RTS Index</b>	<b>1122.98</b>	9.22	<b>0.83</b> ▲	839.62		1196.99	-2.5
		Spain <b>IBEX 35</b>	<b>10325.30</b>	-137.60	<b>-1.32</b> ▼	7579.80		10462.90	10.4
		Sweden <b>SX All Share</b>	<b>558.53</b>	-4.41	<b>-0.78</b> ▼	443.66		564.93	4.5
		Switzerland <b>Swiss Market</b>	<b>8633.86</b>	-25.03	<b>-0.29</b> ▼	7475.54		8710.26	5.0
		South Africa <b>Johannesburg All Share</b>	<b>25457.76</b>	401.70	<b>0.77</b> ▲	48935.90		54704.22	3.6
Asia-Pacific		<b>BIST 100</b>	<b>88669.47</b>	-277.93	<b>-0.31</b> ▼	70426.16		91497.00	13.5
		<b>FTSE 100</b>	<b>7282.69</b>	-40.23	<b>-0.55</b> ▼	5788.74		7447.00	2.0

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Mon in US\$	YTD chg per US\$ (%)	Country/currency	Mon in US\$	YTD chg per US\$ (%)
<b>Americas</b>			<b>Hong Kong</b> dollar	0.1287	7.7711 <b>0.2</b>
Argentina peso-a	0.0648	15.4363 <b>-2.7</b>	India rupee	0.0154	65.0401 <b>-4.3</b>
Brazil real	0.3208	3.1173 <b>-0.3</b>	Indonesia rupiah	0.0000750	13331 <b>-1.4</b>
Canada dollar	0.7465	1.3396 <b>-0.3</b>	Japan yen	0.009013	110.95 <b>-5.2</b>
Chile peso	0.001519	658.20 <b>-1.7</b>	<b>Kazakhstan</b> tenge	0.003192	313.33 <b>-6.1</b>
Colombia peso	0.0003488	2866.86 <b>-4.5</b>	Macau pataca	0.1249	8.0055 <b>1.1</b>
Ecuador US dollar-f	1	1 <b>unch</b>	Malaysia ringgit-c	0.2259	4.4275 <b>-1.3</b>
Mexico peso-a	0.0534	18.7387 <b>-9.6</b>	New Zealand dollar	0.6997	1.4292 <b>-1.0</b>
Peru sol	0.3080	3.2465 <b>-3.2</b>	Pakistan rupee	0.0095	104.800 <b>0.4</b>
Venezuela bolivar	0.0351	28.520 <b>-2.8</b>	Philippines peso	0.0199	50.234 <b>1.3</b>
Uruguay peso-e	0.100150	9.99 <b>-0.1</b>	Singapore dollar	0.7157	1.3973 <b>-3.5</b>
<b>Asia-Pacific</b>			South Korea won	0.0008940	1118.56 <b>-7.4</b>
Australia dollar	0.7598	1.3161 <b>-5.2</b>	Sri Lanka rupee	0.0065794	151.99 <b>2.4</b>
China yuan	0.1451	6.8913 <b>-0.8</b>	Taiwan dollar	0.03289	30.400 <b>-6.3</b>
			Thailand baht	0.02909	34.380 <b>-4.0</b>

Key Rates

	Latest	52 wks ago
<b>Libor</b>		
One month	<b>0.98333%</b>	0.44020%
Three month	<b>1.14983</b>	0.63010
Six month	<b>1.42628</b>	0.90410
One year	<b>1.80261</b>	1.22150
<b>Euro Libor</b>		
One month	<b>-0.39500%</b>	-0.33214%
Three month	<b>-0.36071</b>	-0.25114
Six month	<b>-0.25229</b>	-0.13600
One year	<b>-0.12614</b>	-0.01529
<b>Euribor</b>		
One month	<b>-0.37200%</b>	-0.33900%
Three month	<b>-0.33000</b>	-0.24600
Six month	<b>-0.24300</b>	-0.13200
One year	<b>-0.11100</b>	-0.00100
<b>Yen Libor</b>		
One month	<b>-0.00029%</b>	-0.06571%
Three month	<b>0.02164</b>	-0.00457
Six month	<b>0.04229</b>	0.02264
One year	<b>0.14429</b>	0.10286
	Offer	Bid
<b>Eurodollars</b>		
One month	<b>1.1000%</b>	1.0000%
Three month	<b>1.3000</b>	1.2000
Six month	<b>1.4000</b>	1.3000
One year	<b>1.7500</b>	1.6500
<b>Policy rates</b>		
ECB	<b>0.00%</b>	0.00%
Britain	<b>0.25</b>	0.50
Switzerland	<b>0.50</b>	0.50
Australia	<b>1.50</b>	2.00
U.S. discount	<b>1.50</b>	1.00
Fed-funds target	<b>0.75-1.00</b>	0.25-0.50
Call money	<b>2.75</b>	2.25
<b>Overnight repurchase rates</b>		
U.S.	<b>0.84%</b>	0.48%
Euro zone	<b>n.a.</b>	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

London close on April 3

Country/currency	Mon in US\$	YTD chg per US\$ (%)
<b>Europe</b>		
Bulgaria lev	0.5447	1.8358 <b>-1.2</b>
Croatia kuna	0.1436	6.966 <b>-2.9</b>
Euro zone euro	1.0664	0.9378 <b>-1.4</b>
Czech Rep. koruna-b	0.0394	25.370 <b>-1.2</b>
Denmark krone	0.1434	6.9747 <b>-1.3</b>
Hungary forint	0.003455	289.42 <b>-1.7</b>
Iceland krona	0.008783	113.85 <b>0.8</b>
Norway krone	0.1164	8.5894 <b>-0.6</b>
Poland zloty	0.2511	3.9831 <b>-4.9</b>
Russia ruble-d	0.01775	56.327 <b>-8.1</b>
Sweden krona	0.1117	8.9551 <b>-1.7</b>
Switzerland franc	0.9977	1.0023 <b>-1.6</b>
Turkey lira	0.2743	3.6452 <b>3.5</b>
Ukraine hryvnia	0.0370	27.0000 <b>-0.3</b>
U.K. pound	1.2488	0.8008 <b>-1.1</b>
<b>Middle East/Africa</b>		
Bahrain dinar	2.6532	0.3769 <b>-0.1</b>
Egypt pound-a	0.0552	18.1320 <b>-0.003</b>
Israel shekel	0.2749	3.6373 <b>-5.5</b>
Kuwait dinar	3.2781	0.3051 <b>-0.2</b>
Oman sul rial	2.5968	0.3851 <b>0.03</b>
Qatar rial	0.2747	3.641 <b>0.02</b>
Saudi Arabia riyal	0.2666	3.7505 <b>-0.01</b>
South Africa rand	0.0732	13.6648 <b>-0.2</b>
<b>WSJ Dollar Index</b>	90.40	0.02 <b>0.02</b> <b>-2.73</b>

Sources: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/ Maturity, in years		Yield	Spread Over Treasuries, in basis points				Yield		
Coupon			Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago
5.250	Australia 2	1.752	51.8	50.4	52.4	122.1	1.758	1.833	1.957
4.750	10	2.687	33.9	31.6	33.5	76.6	2.702	2.815	2.537
3.000	Belgium 2	-0.555	-178.9	-178.2	-185.0	-116.5	-0.528	-0.541	-0.429
0.800	10	0.820	-152.9	-154.7	-167.5	-139.6	0.839	0.805	0.376
0.000	France 2	-0.504	-173.8	-172.4	-179.7	-117.1	-0.470	-0.488	-0.435
0.250	10	0.951	-139.7	-142.7	-153.0	-130.2	0.959	0.950	0.470
0.000	Germany 2	-0.803	-203.7	-199.6	-212.3	-120.7	-0.742	-0.813	-0.471
0.250	10	0.278	-207.0	-205.7	-212.8	-163.6	0.329	0.352	0.135
0.300	Italy 2	-0.077	-131.1	-131.5	-135.8	-76.0	-0.061	-0.049	-0.024
1.250	10	2.144	-20.5	-24.3	-37.6	-54.9	2.143	2.104	1.223
0.100	Japan 2	-0.167	-140.1	-144.7	-159.4	-95.4	-0.193	-0.285	-0.218
0.100	10	0.075	-227.3	-231.7	-240.6	-183.4	0.069	0.074	-0.062
4.000	Netherlands 2	-0.759	-199.3	-196.6	-209.7	-122.1	-0.712	-0.788	-0.485
0.750	10	0.539	-180.9	-180.9	-187.7	-155.2	0.577	0.603	0.220
4.450	Portugal 2	-0.166	-140.0	-139.9	-132.4	-50.1	-0.145	-0.015	0.235
2.875	10	3.565	121.7	126.0	143.1	96.2	3.645	3.911	2.733
2.750	Spain 2	-0.219	-145.3	-144.0	-161.1	-72.6	-0.186	-0.302	0.010
1.500	10	1.637	-71.1	-74.0	-88.1	-40.2	1.645	1.599	1.370
4.250	Sweden 2	-0.606	-184.0	-186.5	-190.3	-138.1	-0.611	-0.594	-0.645
1.000	10	0.593	-175.5	-178.5	-178.8	-101.1	0.601	0.692	0.760
1.750	U.K. 2	0.109	-112.5	-112.5	-121.6	-30.7	0.129	0.093	0.429
4.250	10	1.066	-128.3	-124.4	-129.6	-36.0	1.142	1.184	1.411
1.250	U.S. 2	1.234	...	...	...	...	1.254	1.309	0.736
2.250	10	2.348	...	...	...	...	2.386	2.480	1.772



FINANCE & MARKETS

# A Twist for Yuan as Leaders Meet

Chinese currency is up about 1% against the dollar, diluting Trump's argument over trade

By SAUMYA VAISHAMPAYAN

Moves in China's currency may have given the country a competitive edge against many of its trading partners this year, but there is one notable exception: the U.S.

The twist comes ahead of this week's meeting between President Donald Trump and his Chinese counterpart, Xi Jinping, in which trade and exchange rates are set to top the agenda. Mr. Trump has repeatedly accused China of keeping the yuan's value artificially low, among other alleged unfair practices that he and other critics have said contribute to a ballooning U.S. trade deficit with China.

The yuan is down 2% this year against a basket of currencies that includes the U.S. dollar, Japanese yen, South Korean won and Australian dollar, according to an index published by a branch of China's central bank. The index is at its lowest since its introduc-



Donald Trump has accused China of keeping the yuan's value low.

tion more than a year ago.

Yet while the yuan has been broadly weakening in 2017, it has gained about 1% against the U.S. dollar, the currency with the biggest weighting in the index. That is consistent with the dollar's pullback against a range of currencies from the Mexican peso to the yen as investors temper their expectations for fiscal stimulus and large-scale infrastructure spending under President

Donald Trump. Still, the yuan's rise against the U.S. dollar is much smaller than those notched by other currencies. The yen has advanced 4.9% and the won has surged 8.2% against the dollar this year.

That means that even though the charge China is deliberately weakening the yuan against the dollar now carries less weight, the country might be gaining a relative edge in trade against some of its com-

petitors, as a cheaper currency tends to make a country's exports more attractive.

"Ultimately the weakening of [the yuan] against the basket of currencies helps them achieve the objective of export competitiveness and reflation in the economy while at the same time avoiding that negative spillover effect," said Roland Mieth, emerging-markets portfolio manager for Pacific Investment Management Co. in Singapore.

In late 2015, the People's Bank of China introduced the index, compiled by the China Foreign Exchange Trading System, as it fought to loosen the yuan's connection to the dollar and struggled to tamp down expectations of further depreciation after a surprise devaluation earlier that year. In December 2016, the central bank increased the number of currencies in the basket to 24 from 13.

Analysts have said the index was created in part to stem fears about declines in the currency, which tend to lead to capital outflows, further destabilizing it. When Chinese residents and companies expect the yuan to weaken, they are more eager

to swap their savings into a currency that isn't eroding in value, such as the dollar.

In periods when the yuan is declining against the dollar, the People's Bank of China tends to hold the index stable, highlighting its steadiness as evidence it isn't deliberately devaluing the currency, market participants say.

When the yuan lost 4.4% against the dollar in the last six months of 2016, the CFETS index slipped only 0.2%, prompting an unidentified official to write that the yuan "continued to remain generally stable against a basket of currencies" in a widely noted article posted on the CFETS website.

By contrast, when the yuan is strengthening against the dollar, the central bank tends to let the index fall by not letting the yuan rise as much as other currencies, as is happening now.

For much of the year, the yuan's value against the dollar has been higher in offshore markets, where it trades more freely, than in domestic markets, suggesting that broader market expectations of yuan depreciation have receded for now.

# German Lender Receives Buy Offers

By WILLIAM WILKES AND COSTAS PARIS

FRANKFURT—The race to sell **HSH Nordbank AG** picked up speed after **Apollo Global Management LLC** and China's **HNA Group** made offers for the state-owned German bank.

HSH Nordbank faces liquidation if it can't find a buyer after the European Commission last year ordered its owners, the federal states of Hamburg and Schleswig-Holstein, to sell their combined 85% stake in the bank.

The privatization must be completed by February 2018, the European Commission has said. Taxpayers in northern Germany face multibillion-euro losses if a suitable buyer can't be found.

HNA Group and Apollo Global Management made indicative offers for the bank ahead of a Friday deadline, according to people familiar with the matter. They didn't say how much the investors bid for the troubled bank, which last week said it had loan loss provisions of €2 billion (\$2.13 billion) because of soured shipping loans.

The bidders were earlier reported by Bloomberg.

While the offer details weren't known, the cost to acquire the bank could fall sharply as the February 2018 deadline draws nearer.

Basil Karatzas, founder of Karatzas Marine Advisors & Co. in New York, said the bank's portfolio would probably have to be parceled into different sizes in order for the states to get the best price for taxpayers.

The global shipping crisis is also complicating the process, however, with banks worldwide struggling to unload bad shipping loans and shipping companies scrapping worthless vessels.

# Weakness in Automotive Sector Weighs on Stocks

By RIVA GOLD AND GUNJAN BANERJI

U.S. stocks kicked off the second quarter with declines Monday. Automotive stocks were some of the biggest losers.

The S&P 500 fell 0.2% after posting its biggest quarterly

## MONDAY'S MARKETS

gain since 2015 on Friday. The Dow Jones Industrial Average shed 13.01 points, or less than 0.1%, to 20650.21 and the Nasdaq Composite fell 0.3%.

The Stoxx Europe 600 slipped 0.5% to 379.29 following modest advances in Asian

markets.

Tepid car sales were the latest source of concern for investors, who have bet heavily in recent months on signs of an acceleration in U.S. economic growth and hopes for corporate-friendly policies from the Trump administration.

There's "still some skepticism about the overall health of the U.S. economy and the health of the global economy. When you get data that confirms that skepticism, you see markets react negatively," said Willie Delwiche, investment strategist at Baird.

Consumer discretionary stocks were among the biggest

decliners in the S&P 500, falling 0.4% by late afternoon, after several leading car makers posted sales declines in March. Shares of **General Motors** fell 3.2% and **Ford Motor** lost 1.9%. Parts supplier **O'Reilly Automotive** fell 4.7% by late afternoon.

The slip in auto sales came as a gauge of U.S. factory-sector health showed the manufacturing sector expanding in March for a seventh consecutive month, with rising costs for raw materials that could boost inflation, according to the **Institute for Supply Management**.

In Europe, **Banco Popular Español** fell 10% after the lender

said its chief executive was stepping down, the latest management reshuffle for Spain's most troubled major bank.

The yield on the 10-year U.S. Treasury note fell to 2.351%, according to Tradeweb, from 2.396% Friday. Yields fall as prices rise.

As investors continue to analyze economic data, several said they will also maintain focus on the outlook for U.S. policy, including a potential tax overhaul and a summit later this week between U.S. President Donald Trump and his Chinese counterpart Xi Jinping that could shed light on prospects for trade.



Shares of Banco Popular Español tumbled 10%.

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# MARKETS

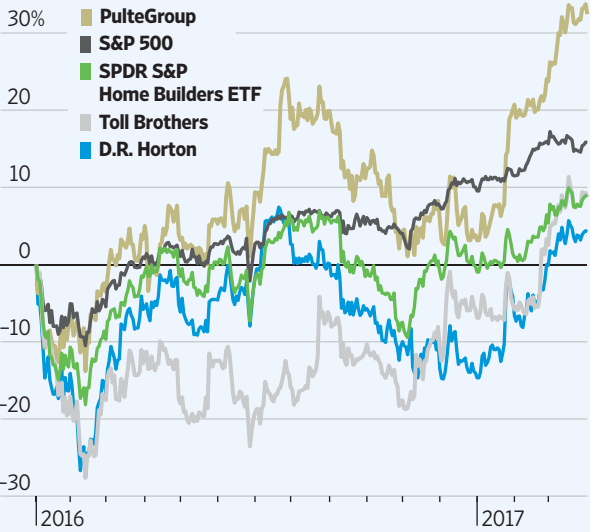
THE DAILY SHOT

## House Divided

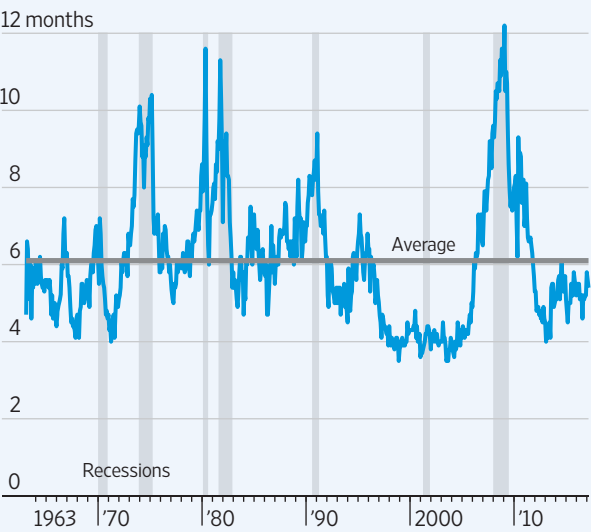
The U.S. housing rebound has helped drive the economic recovery that began in 2009, yet indicators of its health are mixed. Home builders are catching up with the S&P 500 after a long lag, and supply is in line with long-run averages. But home prices are running well ahead of wage growth, a function of soft housing starts and the limited number of new houses coming to market, while mortgage rates have risen the most in four years. What will coming months bring?

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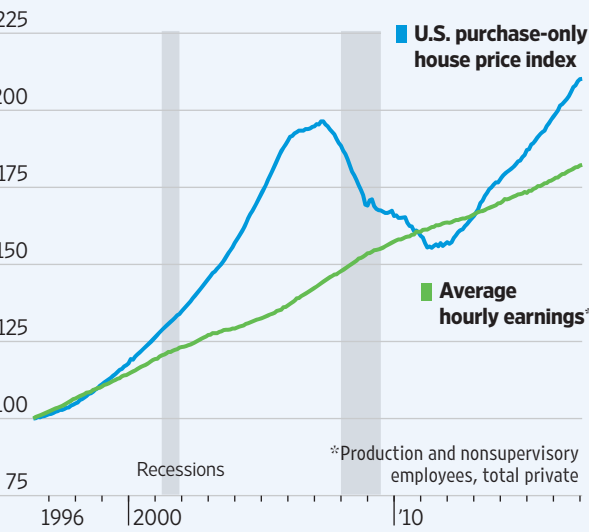
Percentage change since 2015



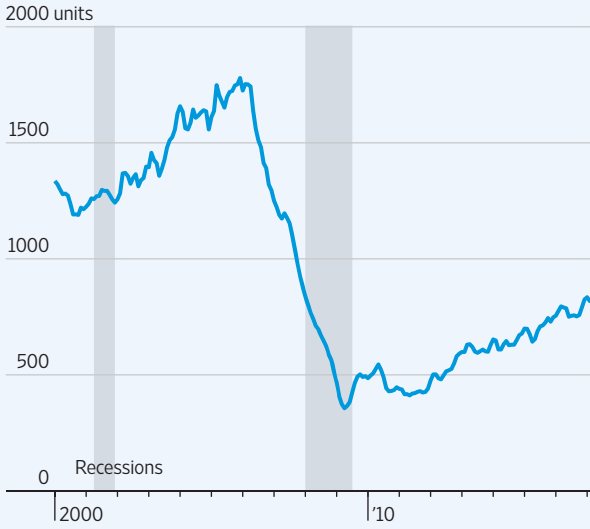
U.S. monthly supply of houses, seasonally adjusted



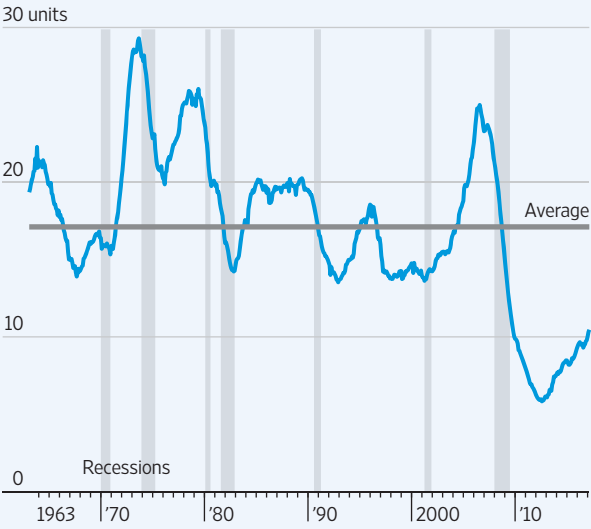
House prices vs. earnings (May 1996=100)



New privately owned housing units started, three-month moving average



New one-family homes for sale per 10,000 U.S. civilians



30-year mortgage rate



Source: FactSet (change since 2015); U.S. Census Bureau (new homes for sale, housing starts, supply of houses); U.S. Federal Housing Finance Agency (prices vs. earnings); Freddie Mac (30-year mortgage rate)

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# HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## U.K. Credit-Card Revenue at Risk

British regulators may take a chunk out of the credit-card industry's revenues, just as the debt cycle looks ripe for a rise in defaults.

For **Barclays**, Royal Bank of Scotland and **Lloyds Banking Group**—which has just acquired a big U.K. credit card book from Bank of America Merrill Lynch—this will likely prove painful.

*Regulators worry about the level of debt held on credit cards at least 18 months.*

The proposed changes came about because the U.K.'s Financial Conduct Authority, whose role includes safeguarding consumers' interests, is concerned about the high level of debt held on credit cards for 18 months or longer.

More than three million people in the U.K. have card debt that costs them more each month in interest and

charges than they repay. Each customer pays around £2.50 (\$3.14) for £1 of debt repaid, the FCA says.

The FCA wants banks to intervene earlier, encourage people to pay down this debt quickly, or stop charging them interest and come up with a repayment plan.

The body says that in the first few years, this could save consumers between £310 million and £1.3 billion.

That would be a hit to the industry's revenues. Credit-card balances in the U.K. last year averaged £62 billion, of which 57% was interest bearing, according to data from the British Bankers' Association.

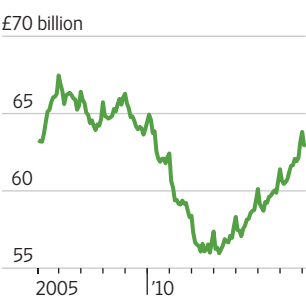
At an annual interest rate of 20%, in line with that of many credit cards, that would put annual industry interest income at about £7 billion—a little more than five times the top end of estimated consumer savings.

Credit-card income is significant for U.K. banks. Cards bring in nearly 30% of Barclays's U.K. revenues and nearly 10% of group revenues.

At RBS, card income rep-

### Charged Up

Total outstanding U.K. credit-card debt



Note: £1 = \$1.25  
Source: British Bankers' Association  
THE WALL STREET JOURNAL.

resents about 5% of group revenues. Lloyds doesn't report its card income separately.

Consumers in the U.K. have relied more heavily on credit cards to fund spending following 2016's Brexit vote, which has kept the economy humming. However, fast growth in consumer lending has led the Bank of England to review credit standards and to focus on consumer risks in 2017's banking stress test. Add in the FCA's measures and



banks look likely to curtail consumer lending, which could be a drag on the economy.

Credit-card profits have been helped in recent years by very low default rates, but the rising inflation rate is now expected to put pressure on real incomes in the U.K., while interest rates are likely to start rising.

Losing these revenues as the credit cycle turns will likely give the card industry a bloody nose.

—Paul J. Davies

### OVERHEARD

The computer systems at the U.S. Internal Revenue Service made headlines for all the wrong reasons in recent years.

Whatever one's political interpretation of lost emails and crashed hard drives might have been, there is also an economic angle that should enrage liberals and conservatives alike: The IRS spends a tremendous amount of money on information technology. The Tax Prof Blog points out that \$37,051 is spent on IT for the average Treasury Department employee, of which the IRS is a big part, compared with less than \$5,000 per employee in the private sector.

The International Association of IT Asset Managers estimates that the IRS could save a whopping \$31,000 per employee annually. Translated into the typical \$9,118 that most Americans send each year to the IRS, that is 281,000 taxpayers' contributions to the federal budget eaten up by waste in the agency tasked with collecting their taxes.

## The Danger Lurking at China Banks

The veil of stability over the Chinese economy is masking some worrying realities at its banks.

Earnings for China's major banks ticked up last year as they doled out piles of new loans. A rise in corporate profits overall, driven by surging factory-gate prices in China, might suggest worries about banks' loan books should ease further. Beijing has been pushing ahead with plans to cut overcapacity in major industries like mining and steelmaking, another helpful sign.

Beneath the surface, all is not so well. Even though the balance of nonperforming loans remained stable last year at China's big and mid-size banks, their return on assets and equity continued to fade as credit costs—a measure of banks' impairment charges—rose to their highest in six years.

There is likely more of this to come. For now, major pain from souring corporate debt seems at bay as Chinese companies' cash flows grow—rising a whopping 9% last year. But corporate debt balances are growing even faster at 13%, according to Deutsche Bank analysts. The moment there is a pullback in the broader economy, debts will get tougher to service and pay off. There are already signs that debt is spinning further out of control.

Investors seem overjoyed with apparent improvements in Chinese companies' financial health. Chinese bank stocks are up an average of 10% this year, and are at last trading, on average, close to their book value. If China's economy runs into any trouble, this resurgence could prove to have flimsy foundations.

—Anjani Trivedi

## These Condiments Aren't a Great Combination

French's Foods is up for sale, and **Kraft Heinz** is on the hunt for acquisitions. But the respective U.S. mustard and ketchup leaders aren't the perfect match they might sound.

**Reckitt Benckiser** on Monday announced a "strategic review" of its food business, which includes the French's and Frank's RedHot brands. The U.K.-listed consumer group is eager to raise cash, having announced the \$17.9 billion acquisition of nutrition group Mead Johnson in February, and there isn't much overlap between French's and the rest of

Reckitt's operations, which center on hygiene brands such as Lysol and over-the-counter drugs.

French's would be small change for Kraft Heinz, which withdrew a \$143 billion offer for Reckitt's peer Unilever after the Anglo-Dutch group mounted a more spirited defense of its stand-alone strategy than the U.S. condiments giant expected.

French's made an adjusted operating profit of £118 million (\$148 million) last year, which would make the unit worth £2.2 billion if the food business changed hands at the same valuation multiple

as shares in the wider Reckitt group. Unlike Unilever's food business, French's isn't noticeably underperforming.

Organic growth of 5% last year was better than the group's overall 3% rate.

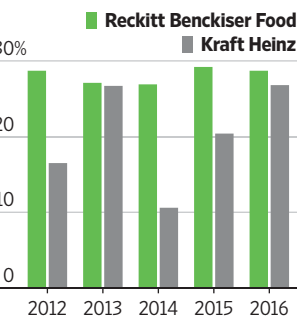
But there are major obstacles to this speculated combination. One concerns anti-trust issues: French's and Heinz have started to compete for each other's lunch over the past two years. French's lost market share in mustard to a new product from Heinz in 2015, only to regain it last year; all the while it has focused on ex-

panding its ketchup business. A private-equity buyer wouldn't have to contend with the risk that regulators see a merger as a consumer-unfriendly stitch-up.

The other problem, perhaps counterintuitively, is French's high operating margin, which was close to 29% last year. Kraft Heinz, which has earned a reputation for aggressive cost cutting since it came under the control of Warren Buffett and Brazilian private-equity investor 3G, made a 27% adjusted operating margin over the period. If the model is to buy and find savings, they need to

### Food for Thought

Operating margin before exceptional items



Sources: S&P Capital IQ, FactSet  
THE WALL STREET JOURNAL.

get their teeth into a flabbier business.

—Stephen Wilmot