

# WALL STREET JOURNAL

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WEDNESDAY, FEBRUARY 1, 2006  
I KEEP ALL SECTIONS TOGETHER

News —

World-Wide

BUSH MADE lessening reliance on cheap oil a goal to fight "tyranny." The text of the president's State of the Union address called for cutting oil imports by 75% in the next six years through expanded use of alternative fuels, raising environmentalist eyebrows at what they see as belated action on the issue. The president also set to push health-care initiatives, harness tax cuts and call for hiring 70,000 math and science teachers. Though his vow to "seek the end of tyranny in our world" echoed soaring rhetoric of past speeches, Bush is well heeded in by diminished fiscal tightening room and political popularity. Democrats, with a reply by Virginia Gov. Kaine, were set to train fire on Bush's "poor choices and bad management" as they hope for midterm election gains. (Column 6, Page A6) House Republicans hope to send Bush long-delayed \$39 billion deficit-reduction package today even as Senate colleagues prepare to spend some wings on tax cuts. Talks on Patriot Act renewal may extend into March.

Samuel Alito was confirmed as the 11th Supreme Court justice, tilting the court rightward. The 58-42 Senate vote saw four Democrats and one Republican, Chafee, break party ranks. Meanwhile, two more appeals courts struck down the federal ban on late-term abortions even when a mother's health is in danger, a case on a fast track to high-court review. (Page A4) Justices stayed a second Florida execution in a week. Both condemned men filed last-minute challenges to lethal injection as cruel and unusual.

A bomb in southern Iraq killed the 11th soldier of the war. Japanese said Tokyo's troops will fulfill their noncombat mission in May. Al Jazeera showed a hostage video of German engineers. ABC's Wood and a cameraman are back in Iraq. U.S. The Shiite Ashura holy festival began. Last year's was bloody.

## Making the Grade

### As Detroit Slashes Car Jobs, Southern Towns Pick Up Slack

Seeking Improving Education  
And High-Skill Workers,  
Overseas Firms Pour In

#### Osceola's Charter-School Spat

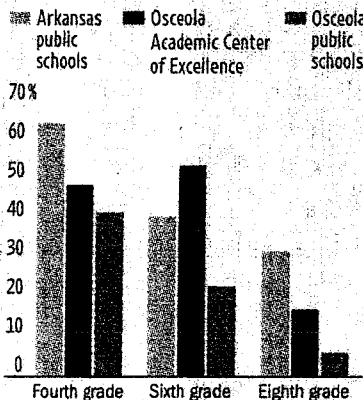
By NORIHIKO SHIROUZU

OSCEOLA, Ark. — Long-time industrial strongholds such as Michigan are losing manufacturing jobs as the U.S.'s auto industry struggles to compete. But massive job cuts by Detroit have overshadowed an important change in U.S. manufacturing. Asian and European auto companies, looking for skilled workers to make complex products, have created nearly enough new jobs in the U.S. to make up the difference.

This small city of about 9,000, set amid soybean and cotton fields on the west bank of the Mississippi, is one place that has benefited. In 2003, Osceola persuaded Denso Corp., an affiliate of Toyota Motor Corp., to locate a new plant in town producing car air-conditioning and heating systems. The usual bevy of financial incentives helped, but for Denso, there was a clinching factor: Osceola's efforts to improve local education by cre-

## Passing Muster

Percentage of students showing proficiency on standardized math tests during the 2003-2004 academic year.



Source: Arkansas Department of Education

ating a charter school.

Denso "saw that the linkage between industry and education was very, very strong," says Denso's Osceola plant manager, Jerry McGuire, who was part of his company's selection team. "We got the strong feeling that in Osceola, education was being integrated with industry."

The new jobs buoying the U.S. manufacturing sector require that workers have a decent education. It is the towns that understand this new math that are winning the work. Employees need skills to operate and maintain complex, computer-controlled machinery.

Top-tier automotive suppliers such as Denso, Robert Bosch GmbH and Delphi Corp. use similar equipment and techniques to make competing products. The difference between them, therefore, often comes down to whose workers can produce the most goods at the highest quality. "It takes a deeper understanding than just pushing the red



## Wall Street Trainee Is Tapped by Steelers For Super Bowl Duty

Grant Bowman Had Given Up  
His Pro Football Career;  
Lehman Brothers Cheers

By RUSSELL ADAMS

Grant Bowman was settling into the rhythm of his new office job, arriving at

## Bush Aims Energy Imports Ease War A

State of the Union  
Includes Health-  
Keeping U.S. Cor

By JOHN D. MC  
And CHRISTOPHER

WASHINGTON — Facing a goal of curbing U.S. oil imports from the Middle East by 75% in the next six years through use of alternative fuels. "America is addicted to oil," he said in prepared remarks released by the White House before the address to a joint session of Congress. "The best way to break this addiction is through technology."

On the Iraq war, Mr. Bush expected to take a more realistic view than he has in the past. He would "act confidently in the face of enemies of freedom," according to prepared text, Mr. Bush also out hope that U.S. troops would now approximately 138,000 down this year.

In his annual address to Congress, Mr. Bush also was expected to call for tax breaks and broader changes to control soaring health-care costs. He planned to lay out new ideas to improve U.S. competitiveness, including attracting and keeping the best minds for research and development.

Many of Mr. Bush's new initiatives were refinements of legislation passed by the president and his Rep-



Grant Bowman was settling into the rhythm of his new office job, arriving at Lehman Brothers' midtown Manhattan offices every morning at 6:30, sitting at the global futures desk and studying for his final round of Securities and Exchange Commission exams.

Then, a week ago Monday, his cellphone buzzed with messages from his mother, his agent and the Pittsburgh Steelers. They all wanted to tell him the same thing: Pack your bags for the Super Bowl.

Mr. Bowman, 25 years old, was tapped at the last minute for a slot on the Steelers' practice squad. At scrimmages this week leading up to the game, he is playing

the role of opposing Seattle Seahawks players to help Pittsburgh's first-stringers get ready. Though he isn't likely to play in the big game itself, he will earn a Super Bowl ring for himself if the Steelers win Sunday.

For Mr. Bowman, it is a roller-coaster ride that will put him back—at least temporarily—in a career that he had given up after his glory days at the University of Michigan and a failed attempt at making it in the pros with the Steelers.

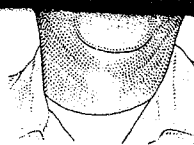
"I'm still trying to figure out why I'm here. I'd sort of hung [my cleats] up," says Mr. Bowman, a 6-foot-1, 281-pound defensive tackle. He adds that he expects to be back on the trading desk at Lehman Tuesday morning.

Even 24 hours before the fateful call, Mr. Bowman didn't have a clue that he might get one more shot at the pros. At home with his wife, Teresa, he watched the Steelers beat Denver to advance to the championship. He admits to feeling jealous of them. "I'm not going to lie," he says.

Teresa Bowman, Grant's high-school sweetheart from suburban Columbus, Ohio, and now a neonatal intensive-care nurse in New York, says she could tell that the Steelers win was a bittersweet moment for her husband. He had hoped to build his pro career in Pittsburgh before he was cut by the team in September. He joined Leh-

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highest quality. "It takes a deeper understanding than just pushing the red and green buttons to start and shut off those machines," Mr. McGuire says.



Jerry McGuire

Dan Gaudette, Nissan Motor Co.'s North American manufacturing chief, says it is hard to find highly skilled workers in Tennessee and Mississippi, where it produces cars and trucks. "That's why education is critical," he says. To cope, Nissan runs after-school programs to help students familiarize themselves with robotics.

The plants built by Asian and European companies produce complex products or auto parts that are too expensive to ship to the U.S. for assembly. They have helped sustain U.S. auto-manufacturing employment at about one million workers. That is roughly the same as in 1990, despite the loss of tens of thousands of jobs at General Motors Corp., Ford Motor Co., DaimlerChrysler AG's Chrysler unit and some of their big suppliers. That total doesn't include recently announced future job cuts.

Denso's top executives say they expect to expand their work force to meet demand from Toyota and other Asian auto makers flocking to southern states. Currently at 380, Denso's work force in Osceola could increase to more than 3,000, company executives say.

Denso executives know Osceola still faces big challenges in improving its education but say they were attracted by the town's commitment to tackling its problems. The charter-school plan succeeded only after big compromises and a rancorous debate featuring accusations of racism. Even now, test scores both at the charter school and other public schools tend to plummet after sixth grade.

Toyota truck affiliate Hino Motors Ltd. recently picked Marion, Ark., 45 miles south of Osceola, to make axles for pick-up trucks. Plant manager Makoto Arakawa, like his Denso counterpart, has found it hard to recruit experienced repair and maintenance workers from northeastern Arkansas.

"More often than not the best talent we can find in job candidates are technicians with experience in fixing machines at, say, bakeries," Mr. Arakawa says. "They come to us with a lot of confidence—misguided confidence—that they can hack it at an

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Many of Mr. Bush's new initiatives were refinements of legislative ideas that the president and his Republican allies in Congress already have pushed through in recent years, such as personal health-savings accounts and alternative automobile fuels.

Other themes in last night's speech—such as his emphasis on maintaining U.S. competitiveness—were laid out more as principles than as programs. As described by aides and advisers, the speech was a sharp contrast to last year's State of the Union address, in which Mr. Bush detailed a bold attempt to overhaul the Social Security system that ultimately didn't succeed.

Even Mr. Bush's new initiatives were aimed largely at reassuring Americans—particularly lower-income workers—who often have seen wage gains eaten up by higher gasoline and health-care costs, aides said.

The White House strategy is a product of two major political dynamics that have emerged at the start of the sixth year of Mr. Bush's presidency. One is the lack of money left in the budget for big new initiatives, thanks to higher spending on the war and natural disasters, as well as Mr. Bush's deep tax cuts. The other is a newfound recognition by the White House of the need to consider congressional Republicans' political needs in an election year shaping up as difficult amid nagging public doubts about the country's direction and perhaps even fatigue over the party's leadership.

Those dynamics are forcing Mr. Bush to take at least a bit of a breather this year from some of the bold ideas he loves to push. Notably, overhauling the tax code—once described as a high priority for the president—wasn't to be a major focus of his speech last night.

Mr. Bush, who suffered for much of the past year from low approval ratings and struggled to keep his party behind some of his initiatives, appears to be making overtures to Democrats in some of his ideas. On the domestic front, Mr. Bush's agenda embraces issues—such as health care, worker training and alternative energy—that are likely to sit better with Democrats than last year's Social Security proposal.

Aside from health care, Mr. Bush's

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Grant Bowman

## INSIDE TODAY'S JOURNAL

### Disaster-Prone Policies

When homeowners choose to live in



areas exposed to storms and wildfires, should states pay? Florida's Citizens seeks a rate increase as insurers of

last resort face dire straits. PAGE B1

### More Bark Than Bite

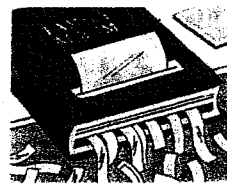
Investors had feared a crackdown on option ARMs, which is Santa Monica's FirstFed Financial's main business. The bank's stock climb offers a case study. LONG & SHORT, C1

### Goggle-Eyed Nihilism

While its message is often vile and violence, death-metal music's vocalizing is also known

### Worth a Thousand Pictures?

Many online photo-storage sites that claim to offer free archiving are setting conditions and charging fees. Unwary consumers could lose their images. D1



### The Court After O'Connor

### The Roots of My 'Roots' Envy



**Online Today:** WSJ.com subscribers can view an interactive map of the world's nuclear powers and see a timeline tracking Iran's nuclear ambitions, at [WSJ.com/OnlineToday](http://WSJ.com/OnlineToday).

## Bush Aims to Cut Energy Imports, Ease War Anxiety

*Continued From First Page*

most adventurous proposal is likely a plan to cut Middle Eastern oil imports 75% within the next six years, primarily by using federal financing to develop a domestic, ethanol-based gasoline supply. A large share of his speech was to be devoted to decrying the country's reliance on foreign oil.

Similarly, Mr. Bush's proposal to address global competitiveness issues—by spending \$50 billion in the next 10 years to expand math and science research and education and hire 70,000 qualified teachers in the area—stands a better chance of attracting at least some bipartisan support than the signature trade proposal he pushed last year, the Central American Free Trade Agreement. That proposal passed Congress by a single vote, and only after extensive arm-twisting from the White House.

Implicit in Mr. Bush's somewhat scaled-back ambitions is the point that Republicans, who have scored extraordinary political gains over the past decade or so, now face a potentially difficult transition as they try to move from being an underdog party of sometimes rough-edged, even revolutionary ideas to a functioning, sustainable majority power.

Instead of pushing Congress to swallow more big reform pills, the president's emphasis last night was expected to be on the more popular side of conservative Republican orthodoxy—such as using the tax code to address domestic problems and relying on the marketplace as a neutral and fair-minded force for achieving desired social goals.

White House strategists appear to be recognizing that Americans' present anxiety runs deeper than they previously have acknowledged. Officials now believe that public angst goes beyond the accustomed worries over Iraq and high gasoline prices, and includes a range of concerns over whether the U.S. can maintain its top spot in the global marketplace—one in which it must worry not only about a host of worthy competitors, but terrorists as well.

Senior adviser Dan Bartlett said the

ments are ephemeral and an eye toward negotiations with the House. For example, the longer two-year R&D provision and other extensions proposed for the Senate bill will cost about \$18 billion; the capital-gains and dividend extensions, approved by the House, would cost about \$20 billion.

from Medicare.

"We should be running on the fact that we're willing to step up to the baby-boom issue," he said. "If you want to be keeper of the future of our nation, you have to address this."

president planned to address how massive layoffs and skyrocketing energy costs and the rise of potential economic rivals such as China and India have prompted "certain fears and anxieties" in the American public and among politicians on Capitol Hill. Mr. Bartlett said the president would discuss the debate that has sprung up over the direction of the country, and whether it should practice a measure of isolationism or engage with the world. Mr. Bush argues for engagement, asserting it is better to shape world events than react to them.

White House officials also believe at least some of the public's anxiety is at odds with reality. At home, they point to reasonably strong growth in the past two years, as well as low unemployment, to make the case that the economy is really pretty good for many people, particularly middle-class workers. They say the future remains bright as long as U.S. business and workers are the most productive in the world.

Overseas, they believe the situation in Iraq is better than many Americans believe, and that all they need to do is keep reassuring voters at home that the conflict is both worthwhile and winnable.

Given that basic optimism on Mr. Bush's part, one question is whether last night's speech—and his 2006 agenda—will satisfy the concerns of average Americans. In a speech to Republican activists two weeks ago, chief White House political strategist Karl Rove warned against complacency, and pointed to what he called Democrats' "ossified" thinking as a reason for their fall from power.

"As the governing party in America, Republicans cannot grow tired or timid," he said. "We've been given the opportunity to govern. We have to continue to show we deserve the trust of our fellow Americans."

—Sarah Lueck  
contributed to this article.

## Lockhart May Oversee Fannie and Freddie

*Dow Jones Newswires*

WASHINGTON—James B. Lockhart III, Social Security Administration deputy commissioner and a long-time friend of President Bush, is the frontrunner to become the new regulator overseeing Fannie Mae and Freddie Mac, according to people familiar with the matter.

Mr. Lockhart referred calls for comment to the White House, a but spokeswoman declined to comment, saying the administration doesn't speculate on personnel announcements.

Senate Banking Chairman Richard Shelby (R., Ala.), told reporters that the White House is closing in on naming a new head of the Office of Federal Housing Enterprise Oversight, saying it could affect congressional debate on legislation to overhaul oversight of the two mortgage

giants. He declined to elaborate.

Mr. Lockhart has extensive experience as a financial regulator as well as on Wall Street. It is unclear, however, whether he wants the job.

The future of Ofheo itself is uncertain since both the House and Senate bills overhauling Fannie and Freddie oversight would also revamp Ofheo's structure and regulatory authority.

At the Social Security Administration, Mr. Lockhart serves as the agency's chief operating officer, secretary on the Social Security Board of Trustees and as a member of the President's Management Council.

Messrs. Bush and Lockhart met while attending Phillips Academy Andover in Massachusetts, and later were fraternity brothers at Yale before each attended Harvard Business School.