Spring 1994 A special report on pension plan reform

Hank Boerner's

Corporate Governance & Accountability UPDATE™

Chairmen Rostenkowski & Ford Introduce Pension Reform Legislation

The first PBGC Reform Bill of the 103rd Congress was proposed by Sponsors **William Ford** (D-MI), Chairman, House Education and Labor Committee and Ways & Means Committee Chairman **Dan Rostenkowski** (D-IL) — the bill is HR-3396, the proposed ***Retirement Protection Act of 1993.***

Congressmen Rostenkowski and Ford propose amendments to both the ***Employee Retirement Income Security Act of 1974*** (ERISA) and the ***Internal Revenue Code of 1986*** in order to provide greater security for workers covered by retirement plans; improve pension fund planning; limit growth in federal government insurance exposure; and protect the federal single-employer plan termination insurance programs.

Among the issues addressed in their legislation: Minimum Funding Requirements; Limitation on Changes in Current Liability Assumptions; Recognition of Already Bargained Benefit Increases; Modification of Quarterly Contribution Requirement; Exceptions to Excise Tax on Nondeductible Contributions; Reportable Events; Alternatives to Involuntary Termination; Information Required to be Furnished to PBGC; Liability upon Liquidation of Contributing Sponsor or Controlled Group Member Where Plan Remains Ongoing; Enforcement of Minimum Funding Requirements; Remedies for Non-compliance with Requirements for Standard Termination; Prohibition on Benefit Increases Where Plan Sponsor is in Bankruptcy; Substantial Owner Benefits; Phase-Out of Variable Premium Cap.

Greater Accountability Demanded:

ARE PRIVATE PENSION FUNDS IN PERIL? NATION'S PENSION SYSTEM FACES GREATER SCRUTINY AND REFORM

Washington, DC -- Are some U.S. corporate and union employee pension funds in deep trouble? The word in Washington is that the 103rd Congress, the Clinton White House and the insurance agency set up to guarantee coverage for retirees of failed pension plans are moving aggressively to enact dramatic reforms, to become new law and regulations in 1994 or 1995. The effect on corporate America could be broad and deep, depending on the final legislation adopted.

The **U.S. Pension Benefit Guarantee Corporation (PBGC),** the federal agency set up by Congress as part of ERISA to guarantee the delivery of promised defined benefits [of private sector pension funds] to retired workers, says it has at risk tens of billions of dollars (as the insurer of last resort if privately-sponsored defined benefit plans fail). PBGC managers want the system reformed to give them more say and more clout in bringing underfunded plans up to full funding, setting insurance premiums and closer supervision of private plans. The agency enjoys the support of the White House and many in Congress.

Some Congressional leaders have been privately saying they are concerned that the PBGC could go the way of the savings and loan industry, with heavy losses being passed on to the taxpayers. This is not likely short-term, but is a situation that could easily get out of hand if reforms are not forthcoming, say Congressional insiders. The **Congressional Budget Office** and the **General Accounting Office** have been raising warning flags on pension plan underfunding since the S&L crisis of the late 1980s. The call for reform is spreading.

The powerful head of the House Ways & Means Committee, **Dan Rostenkowski**, introduced a bill to reform the system. Other draft legislation could follow — 1994 will be a year of pension insurance reform for the House and Senate. Short-term changes in interest rates could delay or accelerate action.

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Expect Federal Action in 1994

Many people in the capital are tuning in to the pension underfunding issue. Watch for legislative, regulatory and judicial action on the issue early this year. The coming moves will pit shareowner interests against stakeholder interests, Wall Street against Main Street if corporations are forced to pay more into their funds and to clearly define long-term exposure to their shareowners (in the same way that retiree health benefits were formally put on the books over the past three years). Investors could react negatively.

Under proposed legislation, sponsors of plans declared to be underfunded would be required to communicate the financial condition of their plan to all employees and to apply "warning labels" clearly stating the limits of federal insurance programs for its beneficiaries, something that will stir up the troops at companies already under pressure to improve financial performance and increase productivity.

Mass media publicity about underfunding could inflict damage on some brand name corporations. Publicity is a powerful tool that PBGC uses quite effectively. Each year PBGC issues a list of the largest private pension funds that are — in its view — seriously underfunded, in terms of assets to liabilities. The agency's ranking (and the corporations named) receive broad media coverage in the mass media as well as in business and financial press. News coverage momentum is building (with warnings being generated regularly by PBGC and Congress).

Editors Like "Top Rankings"

Editors like the PBGC ranking; about a year ago, the ***Wall Street Journal*** reported the gap between the government-guaranteed obligations of private pension funds and their assets widened by almost $3 billion (reaching a level of $24.2 billion in 1991 from $21.5 billion in 1990). The 1992 "Top 50 underfunded companies" had total benefit liabilities of $100 billion, said PBGC, and the list received broad exposure.

The previous Bush White House **Office of Management and Budget** had earlier warned the insurance agency's financial condition was deteriorating and that PBGC was becoming increasingly vulnerable to large losses. A number of members of the House and Senate introduced reform legislation, but Congress adjourned without action.

To underscore the urgency of the situation, after the 102nd Congress adjourned the GAO issued a "high risk series" warning on the financial condition of the PBGC, calling attention to three areas in need of immediate fixing by the next Congress:

- PBGC's growing deficit, caused primarily by the termination of large, underfunded pension plans;
- weaknesses in the US Department of Labor, the Internal Revenue Service and independent public accountants efforts to detect pension plan abuses that put some plans at risk;
- pressures on Congress to expand PBGC guarantees to cover insurance annuitants and other groups.

Downsizing and Restructurings:

Aggravating the recent underfunding situation for the corporate sector: numerous plant closures; layoffs by major corporations; corporate restructuring; employer-subsidized early retirements; and, taxing of retiree health benefits to corporations, which must take writedown against earnings.

New ball game:

President Clinton and various members of his administration have intensified the federal bureaucracy's focus on private pension funds; the 103rd Congress is now developing comprehensive legislation to deal with the situation; the PBGC has become more proactive; new players have come to the Department of Labor to enforce ERISA rules. (Candidate Clinton promised immediate attention to private pension insurance if elected.)

The PBGC administers two insurance programs covering 41 million workers in about 67,000 pension plans. PBGC's board of directors are: Labor Secretary **Robert Reich**; Commerce Secretary **Ron Brown**; Treasury Secretary **Lloyd Bentsen**. Labor and Treasury have statutory responsibilities. Operations are under Executive Director **Martin Slate**.

While the federal government is focusing on private pension reform, some editors are calling attention to the government's own "underfunding." If all federal employees were subject to the same accounting rules as those imposed on corporations, the top underfunded plan would be the government's own -- at $1 trillion. If the government had to apply corporate rules to its pension programs, the impact of accrual would drive up the budget deficit by one-third, says *Business Week.* **CBO Report: *Controlling Losses***

Last year the **Congressional Budget Office** issued a report — *Controlling the Losses of the PBGC* — warning that the federal government's exposure to losses from its insurance programs is growing larger. The potential liability of plans needing attention had grown from 1992's $24.2 billion to $40 billion -- of which $13 billion covered financially troubled firms in **steel** ($7 billion, or 21% of the total deficit), **tire**, **and auto** ($18 billion, 57% of total), and **airline** industries.

Several features of the current law make it difficult to keep financial costs under control and help to obscure losses until they are unavoidable, says CBO. (Federal pension insurance is an important program created by Congress in the *Employee Retirement Income Security Act of 1974, or ERISA.)*

The CBO report is becoming the foundation document for reform. CBO investigators found that current federal budget data simply do not provide enough information on a timely basis for effective control of the annual insurance premiums charged to sponsors (corporations) and the risk incurred on behalf of future beneficiaries, tomorrow's retirees.

The insurance program's deficit is increasing annually due to significant "loopholes" in the legislation and regulations that allow companies to underfund their plans or under-estimate their contributions. ***Plug these loopholes, CBO counseled; hold private plan sponsors more accountable.***

The House Ways & Means Committee had requested the CBO examination. The Committee was told that Congress must tighten the terms of the insurance and improve the federal government's ability to respond to financial imbalance in the pension insurance system.

The great majority of private plans are well funded and sponsored by firms in good financial condition, said CBO. But the future is hard to predict. Some of these companies could get into serious financial trouble. The world is full of surprises for large corporations; one day, some of the strong companies of 1994 could be insolvent. Plan for this, advises CBO. The key objective is to ensure that these firms, during their lives, pay premiums that are enough to cover the losses in pension plans if PBGC has to pay plan beneficiaries, up to the present maximum of $29,950 per year (the original annual payment cap was $9,000).

Premium Reform is Key

Watch for PBGC to be more aggressive in determining required payments, based on new or revised actuarial projections; in setting appropriate premium rates for all plans, healthy or not; in having PBGC set the premium rate; in developing computer modeling to instruct plan sponsors on payments needed; in being able to assess healthy plans for shortfalls across the spectrum of plans insured by the federal government.

Dramatic changes in premium setting, actuarial practices and tougher enforcement of rates used to anticipate payments to funds are in the wind. SEC passed word to accountants and auditors through an FASB letter recently. Major corporations should anticipate reforms this calendar year.

Government Watchdogs on the Trail

At the same time that the CBO was examining the pension picture, the **General Accounting Office**, the federal government's watchdog agency, was also busy monitoring PBGC activities more closely and making recommendations to members of Congress.

GAO has called on organized labor to be more vigilant about underfunded plans (for their union members covered by plans) and advised (through the Treasury Department) the **Internal Revenue Service** to focus on corporate violations (related to plan underfunding). CPA firms were urged through their self-regulatory agencies to be more aggressive in their auditing of pension plan funding (of their client companies) and to apply the rules already on the books.

PBGC is the insurer of last resort for between $900 billion and $1 trillion in retirement benefits from private pension plans — and on an immediate basis has $2.5 billion more in liabilities than it has in assets.

Without reform, PBGC's deficit will increase by tens of billions of dollars, say the GAO watchdogs. While no beneficiaries will fail to receive their benefits — the safety of PBGC insured pensions is not at risk — taxpayer dollars are at risk and Congress wants to avoid another S&L debacle. (1994 is an election year for all House members and one-third of the Senate; voters are tuning in to the private pension system, thanks in part to massive layoffs and plan terminations as corporations restructure and slim down to become more productive and competitive.)

Reforms Will Affect All Sponsors

The effects of the coming reforms will be very broad and will cut across all sectors and industries — even companies with healthy finances that properly fund their plans under both the old and new standards may be asked to pay higher premiums to cover the plans of companies where management chooses not to fully fund on a cash basis. (Similar thing happened to healthy banks — they paid higher FDIC insurance premiums because of the risk-taking of poorly managed or irresponsible institutions. *Good bankers* paid for the mistakes of *bad bankers* through higher deposit insurance premiums, putting pressure on financial performance. Ultimately, the costs were passed on to customers and shareholders.)

What is of greatest concern to federal investigators is that the losses the federal government is now absorbing from its pension insurance program were never intended to occur and are *highly undesirable. Dramatic change is needed,* says the CBO staff. The Congress intended that the costs of insurance would be financed entirely by premiums paid by employers — the program was not designed to transfer money *from taxpayers to insured retirees or employers.*

In recent years some private defined benefit plan sponsors have gone bankrupt and PBGC assumed responsibility for paying beneficiaries -- and, most important, future beneficiaries who have not yet filed claims. Large failures include several airlines -- **Eastern** and **Pan Am**, for example. Trusteed plans under PBGC management now total 1,770.

This means current and future plan sponsors will have to be charged higher premiums to cover the current and future losses in these plans -- as well as new plans added to trusteed management.

Some companies are now cancelling defined or specific benefit plans rather than paying higher premiums (in 1992, PBGC received 6,670 notices of standard terminations). If terminations increase, a smaller base of sponsors will be charged higher premiums and still more firms may cancel plans.

Eventually, individual retirees could be levied special taxes (similar to discussion of Social Security tax increases). Taxpayers could get the bill in the end for tens of billions of dollars in new losses because private pension plans were not properly funded.

Amending ERISA Rules

As ERISA stands today, the law does not require all defined-benefit pension plans to have enough funds at all times to finance benefits promised. Sponsors can amortize costs over time. Balancing premium income and insured losses is tricky — as any major insurance company actuarial can testify.

PBGC is not able to monitor the exercise of sponsor discretion and restrict the terms of insurance as economic circumstances would warrant. PBGC says there is no way today to match the price of insurance with expected losses. ***It wants tougher rules, soon.*** PBGC says companies in trouble actually have an incentive to "go-for-broke" in their business strategies. The management of these firms pass the risk to other employers and threaten the overall stability of the PBGC. (It should be pointed out that the great majority of plans are well-funded and sponsored by firms in good financial condition.)

The CBO also wants to protect these companies and the entire PBGC system, which is in effect an umbrella covering a vast private sector pension system.

Watch for some of the proposed reforms in law and in tougher ERISA regulations to include these CBO strategic recommendations:

- Improved reporting systems for early warning of plan failures, including mandatory set-asides for present and future liabilities based on more realistic actuarial projections and ROI;
- a general tax revenue option, forcing corporations to make contributions to their plans on a timely basis through the IRS enforcement mechanisms;
- a premium option, shifting some operating authority to PBGC from the U.S. Department of Labor, including the responsibility to set premiums based on risk;
- a privatization option, making use of private capital and incentives to monitor and control losses in pension insurance.

The Congress, says the CBO, must better equip the insurance system agency to monitor and manage the incentives that insurance is supposed to create.

The Clinton Administration 's proposed legislation would apply greater pressure on underfunded plan sponsors — the private sector would have to come up with billions of dollars in new premium dollars over a 5-year period and book liabilities on their balance sheets. Some plans would have to make double (quarterly) payments for as many as 12 years, or until their plans are fully funded.

1993 *Top 50* List Issued

The PBGC is proactive in identifying the companies it maintains are sponsors of underfunded plans by publicizing its "hit list" of the companies with the highest levels of unfunded pension benefits guaranteed by the agency. In 1991, these firms accounted for $24 billion (60%) of the $40 billion in total underfunding in the nation's 65,000 single-employer, defined-benefit plans; by the end of 1993 liabilities for the top 50 firms had reached $38 billion, of which $31.7 billion is guaranteed by PBGC.

While ERISA requires that firms make regular payments to their plans according to an actuarial schedule, some sponsors skipped payments or reduced contributions as high interest rates paid on investments made up the difference. Or were reputed to have made up the difference. Where the rate of return was actually lower than projected, plan funding fell below the funding levels required, putting some plans in jeopardy.

So many changes have occurred in the economy, says CBO, that existing options for companies allow corporate management to skirt the federal regulations. Now is the time to get tough, says the CBO, and for Congress to close the loopholes quickly.

The annual December naming of PBGC's 1992 **Top 50** list took on greater importance this year. PBGC identified companies that the agency says are underfunded by $79 billion -- auto, steel, industrial and retailing firms led, reflecting the financial condition of these respective industries.

Important note:

PBGC identification of sponsors of "underfunded" plans is not a reflection of their financial performance, the financial health of the corporation, or management practices. Corporate managers should be aware that PBGC recognizes the value of publicizing high recognition corporate names to draw public attention to the pension reform issue.

Companies Have Dealt With the Issue

Between December 1992 and December 1993, a number of corporate sponsors of the plans named at year-end 1992 took action to deal with underfunded plans targeted by the federal government. **Sharon Steel** terminated its five underfunded plans. Ten other companies improved funding or their underfunding was below the lowest amount required for listing in the next Top 50. (Thirty eight companies were on both the 1992 and 1993 Top 50 list.)

As the 1993 "Top 50" list was being heralded to the press and Capitol Hill, **General Motors r**educed its underfunding by paying $5.7 billion in company stock into the hourly workers' plan, which, the Company points out, is already 66% funded. (GM paid $5 billion in cash into the pension plan as well.)

PBGC Comments on Top 50

In making the Top 50 list public, PBGC Executive Director **Martin Slade** said: " These results underscore the need for pension fund reforms and additional evidence that current law is not working. The Clinton Administration now has reforms before Congress to strengthen the law and improve security. Our reforms will require that companies contribute to keep their plan liabilities manageable. We will require it."

The PBGC is not to be ignored. The agency has clear legal recourse -- the 1992 PBGC list included **TWA**. In its reorganization plan to emerge from bankruptcy, TWA's major investor, **Carl Icahn**, had to pledge a $300 million promissory note backed by the airline's assets to cover potential losses to win PBGC approval of the reorganizations. PBGC often becomes the major creditor in a bankruptcy proceeding and has access to assets as well as say over the debtor-in-possession's re-organization plan. The proposed legislation would greatly strenthen PBGC's standing in future bankruptcy proceedings.

SEC and FASB Involvement

The governance of America's corporations will be affected by these reforms: Corporate managers and boards are going to be held to higher standards in terms of pension fund finances. The **Securities and Exchange Commission's** letter to the FASB to remind accountants of the rules in place was a warning through the accountants to large corporations. **Proposed: Changing Rates of Return**

The SEC instructed companies to use current interest rates (a rate of 7% such as for bonds is suggested) to calculate their obligations to their pension plans, as the rules require. (Many *Fortune 500* firms use higher rates of return on investments, from 9% up to 12%, to enable them to reduce cash payments to their fund.)

Establishing mandated federal interest rates for calculating rate of return is included in the proposed legislation; companies would not be able to project their own rate of return on investment (on the fund's portfolio), thereby paying less into the fund for future obligations on a year-to-year basis.

Critical Timing:
Cash flow and future earnings could be affected for some large companies just as they emerge from the national recession and important restructuring. Many large companies are offering generous pension (buy out) packages to early retirees -- these future liabilities [of defined benefit plans] could be balance sheet time bombs for companies that have greatly reduced forces, including senior and middle management ranks.

Tough bargaining by organized labor at contract time could place greater burdens on corporate sponsors.

Pension fund obligations would also have to be reported as an increase in liabilities, which could depress earnings and slow shareholder equity growth -- and draw the wrath of institutional investors.

Today, institutional shareholders are more inclined to stand and demand greater performance instead of taking the *Wall Street Walk*. Performance could be affected at companies that are already shareholder activist targets, thereby complicating the lives of CEOs and the board of directors.

At large insurance companies, institutions already hard hit by the real estate crash of 1989-1993, new accounting rules will put pressure on top management as a dual federal-state regulatory environment evolves. (A recent U.S. Supreme Court ruling affects the way major carriers treat annuity plan income. Insurance companies will have to change their accounting systems and will have less "free cash" for general operations and some investments. In effect, ERISA rules now cover annuity-based plans; PBGC reforms could affect insurance company earnings.)

The Administration's Bill
The first PBGC Reform Bill of the 103rd Congress was introduced by Sponsors **William Ford** and **Dan Rostenkowski** — HR-3396, the ***Retirement Protection Act of 1993.*** This proposal would amend both the ***Employee Retirement Income Security Act of 1974*** (ERISA) and the ***Internal Revenue Code of 1986*** to provide greater security for workers covered by retirement plans, and is designed to improve pension fund planning; to limit growth in federal government insurance exposure, to protect the single-employer plan termination insurance program, and for other purposes. *This is an omnibus approach to bring a range of reforms to the present federal insurance system. Ways & Means clout is behind the measure.*

Under the Rostenkowsi-Ford bill there would be greater disclosure required for plan beneficiaries; underfunded plan sponsors would have to notify all employees of underfunding and the limits of federal insurance for their individual plan. Banks in distress would have to comply with separate rules.

The way contributions to plans are determined could change radically, with the PBGC defining future contribution levels. Double payments could be required in each quarter for plans falling below PBGC standards. New actuarial standards could be imposed on the corporate sponsor. Fines would be levied on underfunded sponsors. The IRS would have greater reach and authority over corporate plans, as would PBGC. There would be more *timely disclosure* required of corporate sponsors.

New Enforcement Tool -- PIMS
PBGC has a new actuarial model ready for deployment that will significantly change the way major corporations fund their plans, with or without the proposed new legislation. ***The Pension Insurance Management System*** (PIMS) will be used to simulate pension funding and bankruptcy rates over a 30-year period. The model will help PBGC set interest rates, determine asset returns and develop long-term forecasts for a variety of scenarios.

Heads up to CEOs and CFOs:
Moves to reform the private pension fund system will take center stage in the Congress, White House and U.S. Department of Labor in 1994 — *change is coming and most major companies will be affected by changes in the law.*

# # #

Balancing Shareowner and Stakeholder Interests -- AA's Bob Crandall's Views, *In The Eye of the Storm*

The challenge of the 1990s for CEOs of major corporations will be to balance shareowner interests with those of stakeholders. Sometimes the lines blur -- at **TWA** and **Avis,** for example, one group of stakeholders, the employees, are also major shareholders. Employees of **United Air Lines** are offering a buyout package based in part on reduced wages. If UAL employees gain their 53% stake (in the $5 billion buyout), there could be interesting board meetings in the future, and significantly changed labor relations as employee-owners elect their board of directors.

One tangled web of interests of shareholders and stakeholders is found in the pension fund area -- who owns the employee pension fund? How should the fund be managed? Many public employee pension funds led the charge in presenting solutions to corp-orations (in which they held shares) on social issues. Recently the focus has been on "financial performance."

Large pension funds focused mounting challenges and causing CEO turnovers at major American corporations in 1993. The intended beneficiaries of this activist movement are the future retirees covered by the plans; good stewardship of a large employee pension plan now means increased activism and involvement in shareholder issues in order to help the corporation achieve better results.

Activism gets complicated when large companies react to the funds' demand for greater performance and begin chopping away at employee counts and target plants, offices and facilities for closure. Stakeholders affected include entire communities, employees, merchants, bankers, public sector finance managers, and regional non-profit institutions. Often the public sector becomes involved

(because of the impact on stakeholders). How do CEOs react to the demand for greater performance for shareholders and protect the interests of the greatest number of stakeholders? American CEOs face this question squarely as the corporate governance and accountability debate continues. Nothing less than the future structure and governance practices of U.S. corporations appears to be at stake in this debate -- and, many say, the long-term economic well being of America.

One CEO recently came under intense media scrutiny as the president of the United States intervened in the affairs of his company to protect the public interest. **Robert L. Crandall**, Chairman and President of **American Airlines, Inc.**, addressed a Wings Club gathering to plead his case several days after **President Clinton** intervened in a work stoppage called against American by its flight attendants. CEO Crandall's comments reflected his concerns about balancing the needs of shareholders with those of stakeholders and various constituencies:

"American Airlines is balancing the interests of the shareholders with those of the stakeholders — employees, communities served, government, creditors, unions, the rest of the industry, and, its shareholders. All are constituencies with a stake in the drive to reduce costs. American (and other major carriers) must achieve lower operating costs, a large component of which is labor (wages and benefits, work rules).

"The Thanksgiving strike by flight attendants was a lose/lose/lose situation. Shareholders lost $160 million in net earnings. Unions cannot tell their members what to expect in changes or when they take place; this will be decided by arbitration, a long process.

Employees corporate-wide faced angry customers and had to recapture good will. Everyone loses when the good will and reputation of the airline is affected.

"The strike was a classic clash of perceptions and expectations. The flight service employees and management do not have a good communication going. American simply cannot meet the union demands or employee expectations."

Is there a silver lining in the strike? "Labor and management alike looked into the terrible abyss of failure and having looked, realize just how closely personal and corporate prosperity are linked. The reaction also caused the stakeholders to take a second look (including angry passengers and shippers, government officials, President Bill Clinton, local communities). The look of empty terminals and planes was a shock to employees who never experienced a strike. The affair had profound long-term implications for a far wider circle of people."

Bob Crandall on the future:
"There must be a merging of interests of the airline and the employees. The airline industry is capital and labor intensive and costs must be worked down. The major carriers must deal with the labor cost problem. Unfortunately, those of us who manage airlines have not come up with any good way to do so. The unhappy fact is that if labor costs are to change, either wage and benefit rates per hour or the work rules must change dramatically. In either case, employee lifestyles will be affected. Solutions to the cost problem must be fashioned to reflect the interests of all constituencie. As labor and management we bear a shared responsibility for creating and sustaining an environment in which we can work together to meet the needs of customers, employees, the requirements of our investors, and the onslaughts of our competitors."

As employees discuss buyouts of their companies — at TWA and United — CEO Crandall observed that a key question then emerges: ***How do you shape a company's governance system to provide for the resolution of the inevitable long-term conflicts between compensation and investment alternatives?***

Crandall said that every major U.S. air carrier will ultimately face the same challenge: cutting costs to survive and return to profitability. The key questions will center on **governance**, **communications** and the **relationships** between the owners (employees) and management (who will also be employees-owners).

We asked Crandall: How do you as CEO balance the interest of the shareholders with those of the stakeholders? "This question is at the heart of every debate about the future of this industry. The shareholders are entitled to a fair return on investment. But you can't earn a fair return if you don't directly recognize the interests of the stakeholders — employees, the communities served, government. The interests of the stakeholders must be addressed to reward investors." Crandall believes that the CEO of an organization can't remain the enemy of the workforce. "Our business is a long way from clear sailing, and those of us directly involved with today's high-cost airlines need to press for acceptable ways to create the competitive cost structures which are absolutely essential for long-term financial success." More than one million passengers fly the nation's airlines each day -- and all are affected in some way by the balancing of shareholder and stockholder interests.

CORPORATE GOVERNANCE
UPDATE ™

Available by Subscription: $250 per year
ISSN # applied for

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Manhasset, New York 11030
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